

WKSU Radio Station
(a public telecommunications entity
operated by Kent State University)

Financial Report
June 30, 2018



Dave Yost • Auditor of State

Board of Trustees
WKSU Radio Station
224 Michael Schwartz Center
P.O. Box 5190
Kent, Ohio 44242

We have reviewed the *Independent Auditor's Report* of the WKSU Radio Station, Portage County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The WKSU Radio Station is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 24, 2018

This page intentionally left blank.

WKSU Radio Station

Contents

| | |
|--|-------|
| Report Letter | 1-2 |
| Management's Discussion and Analysis (Unaudited) | 3-11 |
| Financial Statements | |
| Statement of Net Position | 12 |
| Statement of Revenue, Expenses, and Changes in Net Position | 13 |
| Statement of Cash Flows | 14 |
| Notes to Financial Statements | 15-34 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 35-36 |

This page intentionally left blank.

Independent Auditor's Report

To the Board of Trustees
WKSU Radio Station

Report on the Financial Statements

We have audited the accompanying financial statements of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, as of and for the years ended June 30, 2018 and 2017, which comprise the statement of net position and the related statements of revenue, expenses, and changes in net position and cash flows, and the related notes to the financial statements, which collectively comprise WKSU Radio Station's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WKSU Radio Station as of June 30, 2018 and 2017 and the respective changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
WKSU Radio Station

Emphasis of Matter

We draw attention to Note 2, which explains that the financial statements of WKSU are intended to present the net position, changes in net position, and cash flows of only that portion of Kent State University's business-type activities that are attributable to the transactions of the department. They do not purport to, and do not, present fairly the financial position of Kent State University as of June 30, 2018 and 2017 or the changes in its net position or the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Additionally, as discussed in Note 2, WKSU adopted the provisions under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of OPEB contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 on our consideration of WKSU Radio Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WKSU Radio Station's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 11, 2018

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

Introduction

The following discussion and analysis provides an overview of the financial position, activities, and cash flows of public radio station WKSU-FM ("WKSU" or the "Station"), which is licensed to Kent State University, as of and for the year ended June 30, 2018.

This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

WKSU-FM, which serves all or part of 22 counties in northeast Ohio, has the largest FM radio signal footprint in the region. Notable cities covered by WKSU's signal include Cleveland, Akron, Kent, and Canton, with seven transmission sites:

- 89.1 WKSU Thompson
- 89.3 WKRW Wooster
- 89.7 WKSU Kent (main signal)
- 90.7 WNRK Norwalk
- 91.5 WKRJ New Philadelphia
- 94.7 W234CX Mansfield
- 95.7 W239AZ Ashland

WKSU went on the air on October 2, 1950 and broadcasts from its main broadcast center, located on the Kent campus of Kent State University in Kent, Ohio.

In August 2013, WKSU's primary program service underwent a strategic program change designed to emphasize news and information programming and reach a wider audience. The WKSU analog broadcast stations provide a prime time of news and information programming, including National Public Radio's NPR highly acclaimed news programs *Morning Edition* and *All Things Considered* and other public radio shows, such as *A Prairie Home Companion* and *This American Life*. The stations also offer classical music in the evenings and all through the night. The WKSU stations operate 24 hours a day throughout the year.

The WKSU stations also broadcast multi-channel digital HD Radio services. HD Channel 1 contains WKSU's primary news and music format, HD Channel 2 presents a hosted, all-folk music format from the popular FolkAlley.com, HD Channel 3 presents all classical music, and HD Channel 4 offers news and information exclusively.

In addition, WKSU provides an online streaming audio service. Through www.wksu.org, listeners have access to the programming featured on all four of WKSU's HD Radio channels. WKSU's award-winning website also presents in-depth international news and regional news from WKSU's distinguished news department. The same online services are available via WKSU's app for users of smartphones and tablet computers.

From FolkAlley.com, an online folk, roots, and Americana music service created by WKSU in 2003, listeners throughout the U.S. and around the world enjoy a portal of discovery into the freshest sounds in the genre today. The service features an expertly curated and hosted 24-7 music channel, together with various un-hosted side channels, including: *Fresh Cuts*, a stream of the latest new releases; Irish/Celtic music; and other topical, seasonal, and holiday music streams. Via the FolkAlley.com website and mobile app, visitors further experience exclusive in-studio video sessions (Folk Alley Sessions) and other on-demand content such as: album reviews and premieres of the latest releases, artist Q & A's, Guest DJ hours, and Folk Alley's weekly, two-hour syndicated radio show, currently carried in 50 markets in the U.S.

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WKSU Radio Station, which is owned and operated by Kent State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements begin on page 14 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion and analysis are intended to provide readers with an overview of the financial statements.

Noteworthy Financial Activity

In fiscal year 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented. GASB 75 addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require WKSU to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in OPERS. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with these statements, the Station recorded its allocated share of the University's net OPEB liability. Net OPEB liability of \$472,908 was recorded as a change in accounting principle adjustment to unrestricted net position as of July 1, 2017. WKSU's Net OPEB liability as of June 30, 2018 was \$512,057.

In fiscal year 2017, the Station implemented a strategy to move away from monthly pledges to sustainer gifts. Sustainer gifts are continuing monthly gifts that many public radio stations around the country have implemented in order to create an increased steady revenue stream. In the last 18 to 24 months, WKSU's pledge receivables have declined as the sustainer program has been implemented. Under the sustainer gift model, revenue is recognized when the gift is received.

In fiscal year 2015, the Station implemented GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with these statements, the Station recorded its allocated share of the University's net pension liability of \$627,769 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. The Station's net pension liability as of June 30, 2018 was \$738,380, as of June 30, 2017 was \$1,288,325, and as of June 30, 2016 was \$997,598.

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

The Statement of Net Position

A summarized comparison of the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2018, 2017, and 2016 is as follows:

| | 2018 | 2017 | 2016 |
|---|----------------------------|----------------------------|----------------------------|
| Assets and Deferred Outflows | | | |
| Current Assets | \$ 430,797 | \$ 402,324 | \$ 398,406 |
| Temporarily Restricted Cash | 60,476 | 380,142 | 313,331 |
| Investments | 1,325,484 | 1,289,256 | 1,188,162 |
| Noncurrent Assets | - | - | 9,662 |
| Capital Assets - Net of depreciation | 1,594,088 | 1,851,608 | 2,176,611 |
| Total assets | <u>3,410,845</u> | <u>3,923,330</u> | <u>4,086,172</u> |
| Deferred Outflows of Resources GASB 68 | 139,794 | 460,390 | 340,861 |
| Deferred Outflows of Resources GASB 75 | 37,685 | - | - |
| Total Deferred Outflows | <u>177,479</u> | <u>460,390</u> | <u>340,861</u> |
| Total Deferred Outflows and Assets | <u>\$ 3,588,324</u> | <u>\$ 4,383,720</u> | <u>\$ 4,427,033</u> |
| Liabilities, Deferred Inflows and Net Position | | | |
| Current Liabilities | \$ 462,278 | \$ 628,944 | \$ 437,520 |
| Non-current Liabilities | | | |
| Net Pension Liability GASB 68 | 738,380 | 1,288,325 | 997,598 |
| Net OPEB Liability GASB 75 | 512,057 | - | - |
| Capital Lease Obligation | 3,220 | 10,801 | 18,038 |
| Total Liabilities | <u>1,715,935</u> | <u>1,928,070</u> | <u>1,453,156</u> |
| Deferred Inflows of Resources GASB 68 | 192,257 | 17,663 | 20,236 |
| Deferred Inflows of Resources GASB 75 | 38,142 | - | - |
| | <u>230,399</u> | <u>17,663</u> | <u>20,236</u> |
| Net Position | | | |
| Invested in capital assets | 1,583,287 | 1,833,570 | 2,151,667 |
| Unrestricted | (1,305,760) | (799,009) | (480,948) |
| Restricted - Expendable | 1,349,228 | 1,388,191 | 1,267,687 |
| Restricted - Nonexpendable | 15,235 | 15,235 | 15,235 |
| Total net position | <u>1,641,990</u> | <u>2,437,987</u> | <u>2,953,641</u> |
| Total Deferred Inflows, Liabilities and Net Position | <u>\$ 3,588,324</u> | <u>\$ 4,383,720</u> | <u>\$ 4,427,033</u> |

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

The statement of net position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is net position, which is one way to measure the current financial activities of the Station. Unrestricted net position decreased by \$506,751 primarily due the implementation of GASB 75, *Postemployment Benefits other than Pensions*, with a beginning balance adjustment of \$472,908. There was a decrease of net investment in capital assets by \$250,283 partially due to the fact that there were no capital purchases fiscal year 2018. Restricted net position decreased by \$38,963. Total fiscal year 2018 net position decreased \$795,997 from fiscal year 2017.

Total assets decreased \$512,485 from fiscal year 2017 to fiscal year 2018. This is due to the decrease of investment into capital asset purchases and to depreciation expense of \$247,720. Also, included is a \$9,800 construction item in construction in progress, which was expensed because the project was cancelled. Restricted cash decreased \$319,666 or 84.1 percent primarily due to restricted spendable cash from News and Information, Cultural Initiatives, GM Initiative and capital equipment funds from previous years were available to use in the current year. Total assets decreased \$162,842 from fiscal year 2016 to fiscal year 2017. This is primarily due to the decrease of net depreciation of \$325,003, or 14.9 percent; this is offset by investments increasing \$101,094, or 8.5 percent.

Deferred outflows of resources decreased by \$282,911 or 61.5 percent for fiscal year 2018. Deferred outflows of resources decreased \$320,596 or 69.6 percent due to GASB 68 this was offset by an increase \$37,685 due to the implementation of GASB 75. Deferred outflows of resources increased by \$119,529, or 35.1 percent, for fiscal year 2017 and deferred outflows of resources increased by \$246,195, or 260.1 percent, for fiscal year 2016 as a result of GASB 68.

Total liabilities decreased by \$212,135 in fiscal year 2018. Overall, current liabilities decreased \$166,666 or 26.5 percent this is primarily due to decreases in the University employee separation plan liability and compensated absences. There was an increase of \$474,914 in total liabilities in fiscal year 2017 due to the increase of net pension liability by \$290,727, or 29.1 percent, and to university employee separation plan (UESP) expense of \$217,015 partially offset by the decrease of unearned revenue \$40,419, or 47.3 percent. Total liabilities increased \$170,131 in fiscal year 2016 due mainly to an increase of net pension liability by \$301,073, or 43.2 percent. Decreases occurred in current liabilities of \$124,036, or 22.1 percent, to offset the net pension liability increase.

Deferred inflows of resources in fiscal year 2018 increased \$174,594 due to GASB 68 and an increase of \$38,142 due to the implementation of GASB 75. Deferred inflows of resources decreased by \$2,573, or 12.7 percent for fiscal year 2017. Deferred inflows of resources increased by \$7,281 in fiscal year 2016 as a result of the implementation of GASB Statement No. 68.

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the operating results of the Station. The Station's revenue, expenses, and changes in net position for the years ended June 30, 2018, 2017, and 2016 are summarized as follows:

| | 2018 | 2017 | 2016 |
|---|---------------------|---------------------|---------------------|
| Operating Revenue | | | |
| WKSU pledges and contributions | \$ 1,640,969 | \$ 1,326,975 | \$ 1,411,726 |
| Folk Alley pledges and contributions | 226,572 | 186,951 | 241,509 |
| Underwriting contributions | 944,881 | 1,086,259 | 1,026,537 |
| In-kind contributions | 286,900 | 416,748 | 425,244 |
| Donated administration | 1,141,625 | 1,399,689 | 1,202,779 |
| Grant revenue | 432,906 | 523,244 | 367,574 |
| Other income | 109,467 | 289,097 | 102,769 |
| | <u>4,783,320</u> | <u>5,228,963</u> | <u>4,778,138</u> |
| Nonoperating Revenue | | | |
| Restricted gifts | 87,000 | 39,575 | 88,130 |
| Investment income (loss) | 100,796 | 160,192 | (62,462) |
| Kent State University appropriations | 707,820 | 991,663 | 1,244,704 |
| | <u>895,616</u> | <u>1,191,430</u> | <u>1,270,372</u> |
| Total revenue | 5,678,936 | 6,420,393 | 6,048,510 |
| Operating Expenses | | | |
| Programming and production | 3,454,092 | 3,732,724 | 3,616,308 |
| Public information | 465,774 | 708,447 | 468,839 |
| Management and general | 662,939 | 720,688 | 584,205 |
| Depreciation | 247,720 | 323,458 | 304,740 |
| Fundraising | 637,959 | 766,228 | 729,293 |
| Underwriting | 533,541 | 684,502 | 594,447 |
| | <u>6,002,025</u> | <u>6,936,047</u> | <u>6,297,832</u> |
| Decrease in Net Position | (323,089) | (515,654) | (249,322) |
| Net Position - Beginning of year | 2,437,987 | 2,953,641 | 3,202,963 |
| Adjustment to beginning balance - GASB 75 (Note 2) | (472,908) | - | - |
| | <u>1,965,079</u> | <u>2,953,641</u> | <u>3,202,963</u> |
| Net Position - Beginning of year, restated | 1,965,079 | 2,953,641 | 3,202,963 |
| Net Position - End of year | <u>\$ 1,641,990</u> | <u>\$ 2,437,987</u> | <u>\$ 2,953,641</u> |

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

Operating revenue for fiscal year 2018 decreased by \$407,336 or 7.8 percent. Underwriting revenue decreased \$141,378 or 13.0 percent primarily due to personnel changes including open staff positions through fiscal year 2018. Gift in kind trade decreased \$129,848 or 31.2 percent due to a new focus on cash revenue rather than trade. Other revenue and donated administration revenue decreased \$179,631 or 62.1 percent and \$219,756 or 15.7 percent, respectively. Donated administration is down because the calculation is based on direct expenses and expenses were down overall 13.5 percent. Operating revenue decreases were offset by WKSU and Folk Alley membership revenue increases of \$313,994 or 23.7% and \$39,621 or 21.2 percent, respectively. The increases were primarily due to the continued implementation of the sustainer membership verses monthly pledges. Fiscal year 2017 operating revenue increased \$450,825, or 9.4 percent. Membership contributions decreased \$84,751, or 6.0 percent primarily due to WKSU moving from a monthly pledge model to a sustainer model. Due to timing of the revenue recognition under the sustainer model, revenue for fiscal year 2017 has shifted in to fiscal year 2018. There were increases in grant revenue of \$155,670, or 42.4 percent, and other income of \$186,328, or 181.3 percent. Other income had revenue of \$70,058 from special events. WKSU had several community events in fiscal year 2017; there were four events that generated revenue. Other income increases were from the sale of translator construction permits of \$115,000. WKSU sold the permits for the translators that were no longer needed. Fiscal year 2016 total operating revenue increased \$231,888, or 5.1 percent.

WKSU's nonoperating revenue decreased \$295,814, or 24.8 percent, from fiscal year 2017. The primary factor for the decrease is that Kent State University appropriations were down \$283,843 or 28.6 percent. Restricted gifts increased \$47,425 or 119.8 percent and investment income decreased \$56,396 or 37.1 percent. In fiscal year 2017 nonoperating revenue decreased \$78,942 or 6.2 percent from fiscal year 2016. This is due to a combination of factors: a reduction of university support of \$253,041, or 20.3 percent, a decrease in restricted gifts of \$48,555, or 55.1 percent, and an increase in investment income due to a strong stock market in fiscal year 2017 of \$222,654, or 356.5 percent. Nonoperating revenue for fiscal year 2016 decreased \$1,605,889, or 55.8 percent. This was primarily due to the reduction of Kent State University support \$1,500,465, or 54.7 percent. The University has been giving extra support to WKSU for operating expenses through the interim revenue decline that is caused with a program change. The support will decrease as membership and underwriting continues to rebound from classical programming to all news programming. Other decreases in nonoperating revenue were restricted gifts \$36,695, or 29.4 percent, due to the special newsroom project nearing completion. Also, investment income had a significant decline of \$68,729, or 1096.7 percent, due to the downturn with the stock market in fiscal year 2016.

Operating expenses decreased \$895,715 or 12.9 percent from fiscal year 2017. Donated administration expenses were down \$219,756 or 15.7 percent, this affects overall expenses due to the reduction of the expense allocations by department. Public Information was down \$238,398 or 33.7 percent significant decrease in advertising expenses. Depreciation expense has decreased \$75,738 or 23.4 percent due to the increased amount of assets that are fully depreciated combined with no new capital assets purchases. Fundraising and Underwriting decreased \$123,646 or 16.1 percent and \$146,831 or 21.5 percent, respectively. Decreases were due to departments not fully staffed and cutting of expenses on fundraising initiatives. In fiscal year 2017 operating expenses increased by \$638,215, or 10.1 percent, primarily due to a one-time UESP expense of \$217,015 and an increase in pension expense of \$168,625. These two expenses account for \$385,640, or 60.4 percent, of the increase in expenses for fiscal year 2017. Program and production also increased by \$297,948, or 8.7 percent, primarily due to increases in program fees. Management and general expenses increased \$136,483, or 23.4 percent, because of expenses incurred for consultants hired to assess the station, serve as interim general manager, and for the general manager search. The underwriting expenses increased by \$90,055, or 15.2 percent, due to a benchmarking study and expense related to the employee separation plan. Fiscal year 2016 experienced a decrease of \$59,101, or 0.9 percent, due to all departments having decreases in expenses, except for public information and fundraising expenses. Programming and production and administration had the largest decreases in expenses because of reductions in salaries due to retirements with no replacements of staff.

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. Cash consists of the Station's share of university pooled cash and investments. The Station's cash flows for the years ended June 30, 2018, 2017, and 2016 are summarized as follows:

| | 2018 | 2017 | 2016 |
|--|------------------|-------------------|-------------------|
| Cash Used in Operating Activities | \$ (1,179,054) | \$ (960,245) | \$ (1,391,630) |
| Cash Used in Capital and Related Financing Activities | - | (63,280) | (45,600) |
| Cash Provided by Noncapital Financing Activities | 794,820 | 1,031,238 | 1,332,833 |
| Cash Provided by Investing Activities | 64,568 | 59,098 | 34,694 |
| (Decrease) Increase in Cash | (319,666) | 66,811 | (69,703) |
| Cash - Beginning of year | 380,142 | 313,331 | 383,034 |
| Cash - End of year | <u>\$ 60,476</u> | <u>\$ 380,142</u> | <u>\$ 313,331</u> |

The Station consumed \$1,179,054, \$960,245, and \$1,391,630 in operating activities in 2018, 2017, and 2016, respectively. The primary operating cash receipts consist of contributions, grants, and contracts of \$3,282,089, \$3,340,774, and \$2,835,896 for 2018, 2017, and 2016, respectively. Cash outlays include payments for wages and to vendors of \$3,811,026, \$3,543,710, and \$3,614,179 for 2018, 2017, and 2016, respectively. The primary noncapital financing activities consist of support from the University and restricted gifts.

Economic Factors that Will Affect the Future of Public Radio and WKSU

Print news media in the United States continues to struggle, creating an increasing need for public radio to provide quality news and information. As a result, news and information programming is leading the way in growing public radio's audience. WKSU has continued taking action to improve its results from operations. In fiscal year 2017, WKSU developed a two-year Operating Plan to accelerate our public service to the region - the plan looks at strengthening WKSU's financial sustainability, deepening engagement with diverse constituencies, aligning closely with Kent State University's Strategic Roadmap, increasing regional public service content, and expanding delivery platforms and content availability.

In August 2013, WKSU's primary program service shifted the prime time listening hours from a mixture of news/classical music to an all news and information format. This shift in program service has already resulted in increased listenership and is anticipated to build financial support for the Station through growth in membership and underwriting income. In fiscal year 2014, WKSU took advantage of its expanded underwriting team to grow revenue from new and established corporate and nonprofit clients to lay a foundation for advanced tactical initiatives. WKSU made investments in improving the efficiency and productivity of its membership and underwriting programs through updated software tools and online interface. WKSU has continued to strategically adjust its marketing efforts to promote the new programming format and grow audience.

In response to the growth of digital media, WKSU continues to promote its distribution of programming via online streaming, mobile apps, and HD Radio broadcasts, offering listeners multiple channels of programming including folk and classical music. In fiscal year 2016, WKSU launched a new mobile-friendly version of the WKSU website based upon tools provided by NPR Digital Services. As the digital media audience continues to grow, WKSU is well positioned to serve those audiences and generate additional income from membership and underwriting.

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

In regards to membership, WKSU continues to grow and enhance the sustainer program, a new fundraising strategy that began late in fiscal year 2016. The sustainer program encourages donors to give annually with monthly ongoing deductions from their credit cards or banking accounts. This substantially reduces administrative costs, mailings, and lost revenue. In fiscal year 2018 sustainers were 46.0 percent of total membership and the number of members increased by 7.0 percent. Prior to fiscal year 2017, WKSU had 4 percent of its members as sustainers and by the end of Fiscal year 2017, WKSU sustainers were at 38.0 percent of its total members. The total number of WKSU members grew by 18 percent for fiscal year 2017.

In regards to underwriting, WKSU implemented several new initiatives to increase revenue and efficiencies. After an underwriting audit conducted by an underwriting consultant, many recommendations were made. The major change was how the underwriting department was recognizing sales. Each sales executive is now required to record revenue based on when the on-air spots run each month, aligning revenue to a month-to-month basis over the year. This was matched in a revised reporting system that tracked current and future billings to the Allegiance Traffic system. Revised proposal writing, CRM tracking and reporting, expectations, and sales tactics/sales coaching were implemented with the team.

News Bureaus

WKSU maintains a strong presence in northeast Ohio through multiple news bureaus in addition to the primary news hub located in the WKSU Kent studios. The station recently relocated the Akron News Bureau to a new home within the facilities of the Akron Beacon Journal, after the previous housing was slated for renovation into a boutique hotel. Relocating the bureau presents exciting new opportunities to collaborate with the Beacon Journal on new reporting projects and to partner on the production of new audio projects for podcasting and potentially for broadcast. The new Akron News Bureau combines with WKSU's highly skilled staff of news reporters to provide a balanced and informative news source to the region. Additionally, WKSU has bureaus in the Canton Museum of Art in Stark County and in downtown Cleveland. With these bureaus, WKSU has positioned itself as the region's best and strongest news organization, reaching all or part of 22 counties in northeast Ohio.

Grant Awards

During fiscal year 2018, WKSU received two grant awards, totaling over \$432,000. Granting institutions included Ohio Broadcast Educational Media Commission and the Corporation for Public Broadcasting (CPB).

WKSU Awards: Fiscal 2017-2018

2017

Society of Professional Journalists-Ohio Chapters—Ohio's Best Journalism Awards

- Best in Show-Best News Operation, WKSU Staff
- Best in Show-Best Reporter, M.L. Schultze
- Best in Show-Best Anchor, Amanda Rabinowitz
- First Place-Best Consumer Reporter, Tim Rudell, Kabir Bhatia and Kevin Niedermier—"Grounded: The De-hubbing of the Region's Airports"
- First Place-Best Environment Reporting, Jeff St. Clair—"Exploradio"
- First Place-Best General Assignment Reporting, Kevin Niedermier—"RNC Trash, RNC Hotel Rooms, Indians Lose Game 7"
- First Place-Best Health Care Feature Reporting, M.L. Schultze, Amanda Rabinowitz and Vivian Goodman—"The Business of Health"
- First Place-Best Sports Reporting, Tim Rudell, Kabir Bhatia and Kevin Niedermier—"Cavs Win!"
- Second Place-Best Medical/Health Reporting, Jeff St. Clair—"Exploradio"

WKSU Radio Station

Management's Discussion and Analysis – Unaudited (Continued)

2018

Ohio Associated Press—Ohio APME Awards

- Best in Show-*General Excellence*, WKSU News
- First Place-*Best Anchor*, Amanda Rabinowitz
- First Place-*Best Reporter*, M.L. Schultze
- First Place-*Best Broadcast Writing*, M.L. Schultze—“An Akron Mother and Her Sons Plan for the Once Unimaginable: Separation and Deportation”
- First Place-*Best Sportscast*, Amanda Rabinowitz and Terry Pluto—“The View from Pluto”
- First Place-*Best Use of Sound*, Kabir Bhatia—“The Dragon Invasion of Turkeyfoot Lake Could Net About \$20,000 For Breast Cancer Awareness”
- First Place-*Best Enterprise Reporting*, M.L. Schultze—“Ride Hailing In Rural America: Like Uber With A Neighborly Feel”
- First Place-*Best Investigative Reporting*, M.L. Schultze—“Race, Deaths and Past Wars on Drugs: All Shape Ohio's Response to the Heroin Crisis”
- Second Place-*Best Feature Reporting*, Amanda Rabinowitz—“Shuffle”
- Second Place-*Best Continuing Coverage*, WKSU Staff—“Opioids: Turning the Tide in the Crisis”
- Second Place-*Best Newscast*, Jeff St. Clair—“All Things Considered”

Press Club of Cleveland—Ohio Excellence in Journalism Awards

- Best in Show-*Radio Newscast, Major Market*, Amanda Rabinowitz—“Morning Edition”
- First Place-*News Writing*, M.L. Schultze—“An Akron Mother and Her Sons Plan for the Once Unimaginable: Separation and Deportation”
- First Place-*Public Service*, M.L. Schultze, Mark Arehart, Kabir Bhatia, Karen Kasler—“Gerrymandering: Shading the Lines”
- First Place-*Human Interest*, Amanda Rabinowitz—“Shuffle: Sofar Sounds Marks Three Years of Secret, Intimate Concerts in Cleveland”
- First Place-*Use of Sound*, Kabir Bhatia —“The Dragon Invasion of Turkeyfoot Lake Could Net About \$20,000 For Breast Cancer Awareness”
- First Place-*Radio News*, M.L. Schultze—“With 1,200 Losing Their Jobs, Lordstown Hopes the Cycle Turns and Plans for a New Economy”
- Second Place-*On-going Coverage*, Kabir Bhatia, M.L. Schultze, Tim Rudell, Mark Arehart—“The Revitalization of the City of Akron”
- Second Place-*Documentary*, M.L. Schultze—“An Akron Refugee Story: From Surviving to Thriving”
- Second Place-*Radio News Website*, Chuck Poulton, Staff—“WKSU.org”

WKSU Radio Station

Statement of Net Position

| | June 30, 2018 | June 30, 2017 |
|---|----------------------------|----------------------------|
| Assets and Deferred Outflows | | |
| Current Assets | | |
| Accounts receivable, less allowance for doubtful accounts of \$10,332 and \$9,654 for June 30, 2018 and 2017, respectively | \$ 166,160 | \$ 190,814 |
| Member pledges receivable, less allowance for uncollectible pledges of \$1,775 and \$2,047 for June 30, 2018 and 2017, respectively | 32,725 | 25,307 |
| Current major gift pledges receivable, less allowance for pledges of \$14,000 and \$6,000 for June 30, 2018 and June 30, 2017, respectively | 66,000 | 5,000 |
| Prepaid expense and other assets | <u>165,912</u> | <u>181,203</u> |
| Total current assets | 430,797 | 402,324 |
| Temporarily Restricted Cash | 60,476 | 380,142 |
| Investments | 1,325,484 | 1,289,256 |
| Capital Assets - Net | <u>1,594,088</u> | <u>1,851,608</u> |
| Total assets | 3,410,845 | 3,923,330 |
| Deferred Outflows of Resources - GASB 68 | 139,794 | 460,390 |
| Deferred Outflows of Resources - GASB 75 | <u>37,685</u> | <u>-</u> |
| Total Deferred Outflows | 177,479 | 460,390 |
| Total deferred outflows and assets | <u>\$ 3,588,324</u> | <u>\$ 4,383,720</u> |
| Liabilities, Deferred Inflows and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 28,680 | \$ 61,596 |
| Accrued expenses | 392,614 | 515,068 |
| Due to Kent State University - Net | 7,581 | 7,237 |
| Unearned revenue | <u>33,403</u> | <u>45,043</u> |
| Total current liabilities | 462,278 | 628,944 |
| Non-Current Liabilities | | |
| Net pension liability GASB 68 | 738,380 | 1,288,325 |
| Net OPEB liability GASB 75 | 512,057 | - |
| Capital lease obligation | <u>3,220</u> | <u>10,801</u> |
| Total Liabilities | 1,715,935 | 1,928,070 |
| Deferred Inflows of Resources - GASB 68 | 192,257 | 17,663 |
| Deferred Inflows of Resources - GASB 75 | <u>38,142</u> | <u>-</u> |
| Total Deferred Inflows | 230,399 | 17,663 |
| Net Position | | |
| Net investment in capital assets | 1,583,287 | 1,833,570 |
| Unrestricted | (1,305,760) | (799,009) |
| Restricted - Expendable | 1,349,228 | 1,388,191 |
| Restricted - Nonexpendable | <u>15,235</u> | <u>15,235</u> |
| Total net position | <u>1,641,990</u> | <u>2,437,987</u> |
| Total liabilities and net position | <u>\$ 3,588,324</u> | <u>\$ 4,383,720</u> |

WKSU Radio Station

Statement of Revenue, Expenses, and Changes in Net Position

| | Year Ended June 30 2018 | Year Ended June 30 2017 |
|--|----------------------------|----------------------------|
| Operating Revenue | | |
| WKSU pledges and contributions | \$ 1,640,969 | \$ 1,326,975 |
| Folk Alley pledges and contributions | 226,572 | 186,951 |
| Underwriting contributions | 944,881 | 1,086,259 |
| In-kind contributions | 286,900 | 416,748 |
| Donated administration | 1,141,625 | 1,399,689 |
| Grant revenue | 432,906 | 523,244 |
| Other income | 109,467 | 289,097 |
| Total operating revenue | 4,783,320 | 5,228,963 |
| Operating Expenses | | |
| Program and production | 2,699,024 | 2,960,094 |
| Broadcasting | 540,364 | 508,766 |
| Depreciation | 247,720 | 323,458 |
| Public information | 465,774 | 708,447 |
| Management and general | 662,939 | 720,688 |
| Fundraising | 637,959 | 766,228 |
| Underwriting | 533,541 | 684,502 |
| Folk Alley expenses | 214,704 | 263,864 |
| Total operating expenses | 6,002,025 | 6,936,047 |
| Operating Loss | (1,218,705) | (1,707,083) |
| Nonoperating Revenue | | |
| Restricted gifts | 87,000 | 39,575 |
| Kent State University appropriations | 707,820 | 991,663 |
| Investment income | 100,796 | 160,192 |
| Total nonoperating revenue | 895,616 | 1,191,430 |
| Decrease in Net Position | (323,089) | (515,653) |
| Net Position | 2,437,987 | 2,953,641 |
| Adjustment to beginning balance - GASB 75 (Note 2) | (472,908) | - |
| Net Position - Beginning of year, restated | 1,965,079 | 2,953,641 |
| Net Position - End of year | \$ 1,641,990 | \$ 2,437,988 |

WKSU Radio Station

Statement of Cash Flows

| | Year Ended June 2018 | Year Ended June 30 2017 |
|---|------------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| Cash received from donors | \$ 1,794,836 | \$ 1,667,492 |
| Cash received from the community | 1,054,347 | 1,150,038 |
| Cash received from grants | 432,906 | 523,244 |
| Cash from other sources | - | 117,805 |
| Cash from endowments | 64,568 | 64,042 |
| Payments to employees | (1,759,192) | (1,710,343) |
| Payments for benefits | (714,685) | (939,156) |
| Payments to suppliers and vendors | (2,051,834) | (1,833,368) |
| | <u>(1,179,054)</u> | <u>(960,245)</u> |
| Net cash used in operating activities | | |
| Cash Flows from Capital and Related Financing Activities - | | |
| Purchase of capital assets | - | (63,280) |
| Cash Flows from Noncapital Financing Activities | | |
| Restricted gifts | 87,000 | 39,575 |
| Cash received from Kent State University | 707,820 | 991,663 |
| | <u>794,820</u> | <u>1,031,238</u> |
| Net cash provided by noncapital financing activities | | |
| Cash Flows from Investing Activities - Interest received | <u>64,568</u> | <u>59,098</u> |
| Decrease in Cash | (319,666) | 66,811 |
| Cash - Beginning of year | <u>380,142</u> | <u>313,331</u> |
| Cash - End of year | <u>\$ 60,476</u> | <u>\$ 380,142</u> |
| Reconciliation of Operating Loss to Net Cash used in Operating Activities | | |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (1,218,705) | \$ (1,707,084) |
| Depreciation | 247,720 | 323,458 |
| Loss on disposal of assets | 9,800 | 64,825 |
| Changes in assets and deferred outflows and liabilities and deferred inflows: | | |
| Accounts receivable - Net | (36,346) | (1,664) |
| Pledges receivable - Net | (7,418) | 154,241 |
| Prepaid expenses and other assets | 15,291 | (146,833) |
| Deferred outflows of resources GASB 68 | 320,596 | (119,529) |
| Deferred outflows of resources GASB 75 | (37,685) | - |
| Net pension liability | (549,945) | 290,727 |
| Net OBEP liability | 39,149 | - |
| Accounts payable | (32,916) | 20,904 |
| Accrued expenses and other liabilities | (129,691) | 203,702 |
| Unearned Revenue | (11,640) | (40,419) |
| Deferred inflows of resources GASB 68 | 174,594 | - |
| Deferred inflows of resources GASB 75 | 38,142 | (2,573) |
| | <u>(1,179,054)</u> | <u>(960,245)</u> |
| Net cash used in operating activities | <u>\$ (1,179,054)</u> | <u>\$ (960,245)</u> |

Note 1 – Organization and Operation

WKSU Radio Station (“WKSU” or the “Station”) is a regional public service radio station whose purpose is to serve the educational and cultural needs of the northeastern Ohio community. WKSU is governed by the Board of Trustees of Kent State University (the “University”). Kent State University Foundation, Inc. (the “Foundation”) has been established as the gift-receiving arm of the University and also serves as the gift-receiving arm of WKSU. As such, the accompanying statement of net position and related statements of revenue, expenses, and changes in net position and cash flows reflect the assets owned by the University and the Foundation, designated for use by WKSU. WKSU is administered by the Vice President of University relations and permanent staff. WKSU is funded mainly by community fundraising, underwriting contributions, federal and state grants, and appropriations from the University.

Note 2 – Significant Accounting Policies

Basis of Presentation - WKSU reports a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. WKSU’s financial statements are presented on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recorded when incurred. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

As of June 30, 2016, the Station adopted GASB Statement No. 72 - *Fair Value Measurements of Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

As required by the Government Accounting Standards Board, resources of WKSU are classified into one of four net position categories, as follows:

- **Net Investment in Capital Assets** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- **Restricted - Nonexpendable** - Net position subject to externally imposed stipulations that the Station maintains such assets permanently
- **Restricted - Expendable** - Net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time
- **Unrestricted** - Net position not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the board of trustees or board of directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Cash – Restrictions on cash primarily include restricted endowments. Other restrictions include grants, disbursements from restricted endowments and gifts into restricted spendable accounts.

Deferred Outflows of Resources and Deferred Inflows of Resources - Deferred inflows and outflows of resources are consumptions of net position by the Station that are applicable to a future reporting period, and an acquisition of net position by the Station that is applicable to a future reporting period, respectively. The Station has recorded a deferred outflow of resources and a deferred inflow of resources related to GASB 68 for pensions GASB 75 for OPEB. See Note 11 for further discussion.

Note 2 – Significant Accounting Policies (Continued)

Pensions and postemployment benefits - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions healthcare costs, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenue Recognition - Pledges of financial support are received from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Grants are recorded as revenue in the statement of revenue, expenses, and changes in net position when all applicable financial reimbursement criteria have been met.

Unearned Revenue - Unearned revenue consists of underwriting revenue that is collected, but the airtime spots were not aired as of the end of the year. Revenue is earned at the time spots are aired.

Accounts Receivable - Accounts receivable consist primarily of sales of underwriting contracts for spots aired. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

Operating Versus Nonoperating Revenue and Expenses - The Station defines operating activities as reported on the statement of revenue, expenses, and changes in net position as those that generally result from exchange transactions, such as payments received for providing goods or services. All of the Station's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenue as required by GASB Statement No. 35.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires WKSU's management to make estimates and assumptions that affect the reported amounts of 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.

Capital Assets - Capital assets are stated at cost at the time of purchase or fair value at the date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (3 to 40 years) of the respective assets.

In-kind Contributions - In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. WKSU reports gifts of equipment, professional services, materials, and other nonmonetary contributions as unrestricted revenue in the accompanying statement of revenue, expenses, and changes in net position.

Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Note 2 – Significant Accounting Policies (Continued)

Contributions - Contributions, including unconditional promises to give and membership receipts, are recognized as revenue when all eligibility requirements, including time requirements, have been met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon WKSU management's judgment, including such factors as prior collection history and type of contribution. All member pledges receivable are promises to give within one year as of June 30, 2018. Beginning in fiscal year 2017, management is eliminating monthly member pledge receivables. The Station is moving to a sustainer monthly gift program which for an indefinite amount of time a donor will give monthly gifts. Revenue is recognized at the time of the gift.

WKSU has a major gift program. The major gift program, which serves as the capital campaign umbrella for several initiatives, including, but not limited to, equipment, technology, culture, endowment funds, and building expansion, will be complete by June 30, 2018. At this time there are no major campaigns planned. The gross pledges receivable totaled \$80,000 and \$11,000 as of June 30, 2018 and 2017, respectively.

Grants - Grants are restricted for the purchase of equipment and for the payment of certain operational expenses. Grants are recorded as support and revenue in the statement of revenue, expenses, and changes in net position when all applicable financial reimbursement criteria have been met.

Change in Accounting Principles

In fiscal year 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented. GASB 75 addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require WKSU to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in OPERS. The statement enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with these statements, the Station recorded its allocated share of the University's net OPEB liability. WKSU reported a change in accounting principle adjustment of \$ 472,908 which is the net of the net OPEB liability and related deferred outflows as of July 1, 2017. June 30, 2017 has not been restated to reflect GASB 75 because the information is not available to recalculate the impact of OPEB expense for fiscal year ending June 30, 2017.

Upcoming Accounting Pronouncements

GASB 84 - *Fiduciary Activities* - In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. WKSU is currently evaluating the impact of this standard, specifically related to holding assets for other organizations and alumni/student clubs as well as for lease income. The provisions of this statement are effective for the Station's financial statements for the year ending June 30, 2020.

Note 2 – Significant Accounting Policies (Continued)

GASB 85 - *Omnibus 2017* - In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). WKSU is currently evaluating the impact of this standard. The provisions of this statement are effective for the Station's financial statements for the year ending June 30, 2021.

GASB 87 - *Leases* - In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. WKSU is currently evaluating the impact of this standard. The provisions of this statement are effective for the Station's financial statements for the year ending June 30, 2021.

GASB 88 – *Debt Disclosures* - The University will be required to implement the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective with the fiscal year ending June 30, 2020. This GASB Statement aims to improve the disclosure of information in the notes to financial statements related to debt. The University is in the process of determining the full impact of this standard on its financial statements.

GASB 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period* In June 2018, the Governmental Accounting Standards Board issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the University's financial statements for the year ended June 30, 2021.

Note 3 – Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at their approximate present value.

Membership pledges are expected to be received within 12 months. Major gift pledges receivable (less allowance for uncollectible amounts) due in less than one year totaled \$66,000 for fiscal year 2018 and \$5,000 for fiscal year 2017. Management has moved to a sustainer program and is phasing out monthly pledges. The sustainer model is an indefinite commitment to give monthly gifts. Revenue is recognized at the time the gift is received.

Note 3 – Pledges Receivable (continued)

Major gift pledges receivable at June 30, 2018 and 2017 are expected to be realized at the following net amounts:

| | <u>2018</u> | <u>2017</u> |
|---|------------------|-----------------|
| Less than one year | 80,000 | 11,000 |
| One to five years | <u>-</u> | <u>-</u> |
| Total | 80,000 | 11,000 |
| Less amount estimated to be uncollectible | (14,000) | (6,000) |
| Less unamortized discount | <u>-</u> | <u>-</u> |
| Total pledge receivable - Net | <u>\$ 66,000</u> | <u>\$ 5,000</u> |

Note 4 – Capital Assets

WKSU follows the University's policy to expense property additions less than \$5,000 in the year purchased. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| <u>Asset Category</u> | <u>Depreciation Category</u> | <u>Estimated Useful Life</u> |
|--------------------------|------------------------------|------------------------------|
| Buildings | Buildings | 40 years |
| Towers | Buildings | 30 years |
| Furniture and fixtures | Furniture and fixtures | 10 years |
| Equipment | Equipment | 7-10 Years |
| Automobiles | Equipment | 5 years |
| Computers | Equipment | 3 years |
| Remodel/Restore Building | Buildings | 20 years |

WKSU Radio Station

Notes to the Financial Statements June 30, 2018 and 2017

Note 4 – Capital Assets (continued)

Capital asset activity for the years ended June 30, 2018 and 2017 is as follows:

| | 2018 | | | |
|--------------------------------------|----------------------|---------------------|---------------------------------|---------------------|
| | Beginning Balance | Additions | Retirements and Transfers | Ending Balance |
| Furniture and fixtures | \$ - | \$ - | | \$ - |
| Equipment | 4,156,996 | - | | 4,156,996 |
| Building | 2,614,868 | | | 2,614,868 |
| Construction in progress | 9,800 | - | (9,800) | - |
| Total | 6,781,664 | - | (9,800) | 6,771,864 |
| Less accumulated depreciation: | | | | |
| Furniture and fixtures | - | - | - | - |
| Equipment | 3,422,958 | 179,460 | | 3,602,418 |
| Building | 1,507,098 | 68,260 | | 1,575,358 |
| Total accumulated depreciatio | 4,930,056 | 247,720 | - | 5,177,776 |
| Capital assets - Net | \$ 1,851,608 | (\$ 247,720) | \$ (9,800) | \$ 1,594,088 |
| | 2017 | | | |
| | Beginning Balance | Additions | Retirements and Transfers | Ending Balance |
| Furniture and fixtures | \$ 127,398 | \$ - | \$ (127,398) | \$ - |
| Equipment | 4,214,474 | 53,480 | (110,958) | 4,156,996 |
| Building | 2,432,121 | | 182,747 | 2,614,868 |
| Construction in progress | 256,921 | 9,800 | (256,921) | 9,800 |
| Total | 7,030,914 | 63,280 | (312,530) | 6,781,664 |
| Less accumulated depreciation: | | | | |
| Furniture and fixtures | 127,398 | - | (127,398) | - |
| Equipment | 3,288,428 | 254,837 | (120,307) | 3,422,958 |
| Building | 1,438,477 | 68,621 | | 1,507,098 |
| Total accumulated depreciatio | 4,854,303 | 323,458 | (247,705) | 4,930,056 |
| Capital assets - Net | \$ 2,176,611 | (\$ 260,178) | \$ (64,825) | \$ 1,851,608 |

Note 4 – Capital Assets (continued)

During fiscal year 2011, WKSU received federal funding from the National Telecommunication and Information Administration for a capital expenditure project in the amount of \$143,095. As a condition of this funding, the federal government has a priority reversionary interest on certain equipment. The lien expires on June 30, 2021.

Note 5 – Capital Lease

WKSU has entered into a capital lease with Kent State University for a 2015 Ford Explorer vehicle. The vehicle purchase under the capital lease arrangement has been capitalized and is included in capital assets - net on the statement of net position. Depreciation of this asset under capital leases is included in depreciation expense. The current portion of capital lease obligation is included in due to Kent State University - net on the statement of net position.

At June 30, 2018, the future minimum lease payments, by year and in the aggregate, are summarized as follows:

| Years Ending June 30 | Amount |
|---|-----------------|
| 2019 | 8,094 |
| 2020 | 3,373 |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| Total Minimum Lease Payments | 11,467 |
| Less amount representing interest | (666) |
| Present value of net minimum lease payments | 10,801 |
| Less current obligation | (7,581) |
| Long-term obligations under capital leases | <u>\$ 3,220</u> |

Note 6 – Operating Lease Commitments and Contingencies

WKSU leases tower space for certain repeater stations from third parties under lease agreements. The leases are accounted for as operating leases and are for various terms ranging from five to 10 years, with the last one expiring in 2021. Additional renewal options are available.

For the years ended June 30, 2018 and 2017, lease expense totaled \$40,640 and \$37,398, respectively

Future minimum operating lease commitments at June 30, 2018 are as follows:

| Years Ending June 30 | Amount |
|-------------------------|--------|
| 2019 | 43,800 |
| 2020 | 44,574 |
| 2021 | 45,365 |
| 2022 | 40,173 |
| 2023 | 38,949 |

WKSU leases space on the University towers to various third parties using five-year leases, expiring in 2022, with renewal options thereafter. During fiscal years 2018 and 2017, WKSU recorded \$100,431 and \$94,240, respectively, as tower rental income that is included in "other income" on the statement of revenue, expenses, and changes in net position. Future minimum rentals due are as follows:

| Years Ending June 30 | Amount |
|-------------------------|--------|
| 2019 | 80,284 |
| 2020 | 55,176 |
| 2021 | 50,685 |
| 2022 | 19,788 |
| 2023 | - |

Note 7 – Related Party Transactions

WKSU receives administrative support from the Foundation and the University and monetary support from the University. However, WKSU reimburses the University for expenses in excess of appropriations. Administrative support provided by the Foundation is valued based on the salaries of the Foundation's staff and their proportionate amount of time spent on WKSU.

The statement of net position and the statement of revenue, expenses, and changes in net position include the following related party amounts for the years ended June 30, 2018 and 2017:

Year Ended June 30, 2018

| <u>Related Party Transactions</u> | <u>Statement Line Item</u> | <u>University</u> | <u>Foundation</u> |
|-----------------------------------|--|-------------------|-------------------|
| In-kind contributions | In-kind contributions/ Donated administration | \$ 1,179,933 | \$ 23,077 |
| Appropriations | KSU appropriations | 707,820 | |

Year Ended June 30, 2017

| <u>Related Party Transactions</u> | <u>Statement Line Item</u> | <u>University</u> | <u>Foundation</u> |
|-----------------------------------|--|-------------------|-------------------|
| In-kind contributions | In-kind contributions/ Donated administration | \$ 1,399,689 | \$ 32,959 |
| Appropriations | KSU appropriations | 991,663 | |

Note 8 – Income Taxes

Under Internal Revenue Code Section 115, the operations of the Station are exempt from income taxes as part of the overall operations of the University.

Note 9 – Investments

Investment funds are either board-designated or restricted as to intended purpose and are invested with and managed by Kent State University Foundation, Inc. (the “Foundation”). These investments are held in the Foundation’s name. The fair values of the investment funds at June 30, 2018 and 2017 were as follows:

| | 2018 | | 2017 | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Board-designated | \$ 241,350 | \$ 317,566 | \$ 253,397 | \$ 309,021 |
| Restricted expendable | 752,110 | 989,619 | 789,191 | 962,428 |
| Restricted nonexpendable | 15,235 | 18,299 | 15,235 | 17,807 |
| Total | \$ 1,008,695 | \$ 1,325,484 | \$ 1,057,823 | \$ 1,289,256 |

Note 10 – Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on 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 meeting all of the respective criteria for each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational 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 other than 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 programs 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 TV Community Service Grant (CSG) program precipitated by extraordinary infusions of new capital investments in digital television (DTV), all capital contributions received for the purpose of acquiring new equipment, upgrading existing facilities, or building new facilities regardless of source or form of the contribution are not included in calculating the fiscal year 2018 or fiscal year 2017 NFFS. This change excludes all revenue received for any capital purchases.

A “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 broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$5,026,674 and \$5,392,795 for the radio fund for 2018 and 2017, respectively.

Note 11 – Retirement Benefits

Basic Retirement Benefits

Plan Description - WKSU participates in the Ohio Public Employees Retirement System (OPERS or the “Plan”), one of the statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of WKSU. OPERS has three retirement plan options available to its members. Each plan provides retirement, survivor, and disability benefits to plan members and their beneficiaries. Each plan also provides postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

OPERS issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. The report may be obtained by contacting:

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

Contributions - State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement board of the system (OPERS) individually sets contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plan’s 2018 and 2017 contribution rates on covered payroll were as follows:

| | 2018 | | | | <u>Member Contribution Rate</u> |
|---|-----------------------------------|---------------------------------------|---------------------------|--------------|---------------------------------|
| | <u>Employer Contribution Rate</u> | | | | <u>Total</u> |
| | <u>Pension</u> | <u>Post Retirement Healthcare</u> | <u>Death Benefits</u> | <u>Total</u> | |
| OPERS - State Local Through 12/31/2017 | 13.0% | 1.0% | - | 14.0% | 10.0% |
| OPERS - State Local Beginning 1/1/18 | 14.0% | - | - | 14.0% | 10.0% |

| | 2017 | | | | <u>Member Contribution Rate</u> |
|---|-----------------------------------|---------------------------------------|---------------------------|--------------|---------------------------------|
| | <u>Employer Contribution Rate</u> | | | | <u>Total</u> |
| | <u>Pension</u> | <u>Post Retirement Healthcare</u> | <u>Death Benefits</u> | <u>Total</u> | |
| OPERS - State Local Through 12/31/2016 | 12.0% | 2.0% | - | 14.0% | 10.0% |
| OPERS - State Local Beginning 1/1/17 | 13.0% | 1.0% | - | 14.0% | 10.0% |

Note 11 – Retirement Benefits (Continued)

WKSU's required and actual contributions to the plans are as follows:

| For the Years Ended June 30 | |
|-----------------------------|------------|
| 2018 | 2017 |
| \$ 96,365 | \$ 111,903 |

Benefits Provided

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirement to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15 to 30 years), age (48 to 62 years), and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 to \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

In addition to the benefits described above, Ohio Law provides that the University fund postretirement healthcare benefits to retirees and their dependents through employer contributions. The portion of employer contributions, for all employers allocated to health care was 2.0 percent during calendar years 2017 and 2016.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2018, WKSU reported a liability for its proportionate share of the net pension liability of OPERS. The net pension liability was measured at December 31, 2017 for the OPERS plan. At June 30, 2017, WKSU reported a liability for its proportionate share of the net pension liability of OPERS. The net pension liability was measured at December 31, 2016 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Note 11 – Retirement Benefits (Continued)

WKSU's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. WKSU was allocated a portion of the University's net pension liability based on its percentage of payroll expense.

| Plan | Measurement Date | Net Pension Liability | | Proportionate Share | | Percent Change |
|-------|------------------|-----------------------|--------------|---------------------|-------|----------------|
| | | 2018 | 2017 | 2018 | 2017 | |
| OPERS | December 31 | \$ 738,380 | \$ 1,288,325 | 0.56% | 0.66% | -0.10% |

For the years ended June 30, 2018 and 2017, WKSU recognized pension expense of \$183,782 and \$290,727, respectively. At June 30, 2018, WKSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Differences between expected and actual experience | \$ 1,020 | \$ (16,594) |
| Changes of assumptions | 89,604 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (160,986) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 981 | (14,677) |
| Contributions subsequent to the measurement date | 48,189 | - |
| Total | <u>\$ 139,794</u> | <u>\$ (192,257)</u> |

At June 30, 2017, WKSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Differences between expected and actual experience | \$ 2,034 | \$ (10,047) |
| Changes of assumptions | 205,590 | - |
| Net difference between projected and actual earnings on pension plan investments | 193,080 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 7,505 | (7,616) |
| Contributions subsequent to the measurement date | 52,091 | - |
| Total | <u>\$ 460,300</u> | <u>\$ (17,663)</u> |

Note 11 – Retirement Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending June 30 | Amount |
|-------------------------|-----------|
| 2019 | \$ 58,572 |
| 2020 | (21,590) |
| 2021 | (70,976) |
| 2022 | (66,245) |
| 2023 | (157) |
| Thereafter | (258) |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next fiscal year.

Net OPEB Liability, Deferrals, and OBEP Expense - At June 30, 2018, WKSU reported a liability for its proportionate share of the net OPEB liability of OPERS. The net OPEB liability was measured at December 31, 2017 for the OPERS plan. At June 30, 2018, WKSU reported a total liability used to calculate the net OPEB was determined by an actuarial valuation as of December 31, 2016 for the OPERS plan.

WKSU's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. WKSU was allocated a portion of the University's net OPEB liability based on its percentage of payroll expense.

| Plan | Measurement Date | Net OPEB Liability | | Proportionate Share | | Percent Change |
|-------|------------------|--------------------|------|---------------------|-------|----------------|
| | | 2018 | 2017 | 2018 | 2017 | |
| OPERS | December 31 | \$ 512,057 | \$ - | 0.56% | 0.00% | 0.56% |

For the year ended June 30, 2018 WKSU recognized OPEB expense of \$39,605. At June 30, 2018, WKSU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Differences between expected and actual experience | \$ 398 | |
| Changes of assumptions | 37,287 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (38,142) |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | - | - |
| Total | \$ 37,685 | \$ (38,142) |

Note 11 – Retirement Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ending June 30 | Amount |
|-------------------------|----------|
| 2019 | \$ 8,480 |
| 2020 | 8,480 |
| 2021 | (7,886) |
| 2022 | (9,534) |
| 2023 | - |
| Thereafter | - |

Actuarial Assumptions - At June 30, 2018, total pension and OPEB liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | OPERS |
|---------------------------------------|--|
| Valuation Date - Pension | December 31, 2017 |
| Valuation Date - OPEB | December 31, 2016 |
| Actuarial Cost Method | Individual entry age |
| Cost of living | 3.0 percent |
| Salary increases, including inflation | 3.25 percent - 10.75 percent |
| Inflation | 3.25 percent |
| Investment rate of return -Pension | 7.5 percent net of pension plan investment expense |
| Investment rate of return -OPEB | 6.5 percent net of pension plan investment expense |
| Health Care Cost Trend | 6.5 percent initial, 3.25 percent ultimate in 2028 |
| Experience study date | Period of 5 years ended December 31, 2015 |
| Mortality basis | RP- 2014 Healthy Annuitant Mortality Table |

Note 11 – Retirement Benefits (Continued)

At June 30, 2017, total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>OPERS -As of December 31, 2016</u> |
|---------------------------------------|--|
| Valuation Date | December 31, 2016 |
| Actuarial Cost Method | Individual entry age |
| Cost of living | 3.0 percent |
| Salary increases, including inflation | 3.25 percent - 10.75 percent |
| Inflation | 3.25 percent |
| Investment rate of return | 7.5 percent net of pension plan investment expense |
| Experience study date | Period of 5 years ended December 31, 2015 |
| Mortality basis | RP- 2014 Healthy Annuitant Mortality Table |

Discount Rate - As of June 30, 2018 and 2017, the discount rate used to measure the total pension liability was 7.5 percent for December 31, 2017 and 7.5 percent for OPERS for December 31, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rates used to measure the total OPEB liabilities at June 30, 2018 was 3.85 percent for OPERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees for OPERS. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table as the dates listed below.

Note 11 – Retirement Benefits (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for June 30, 2017 in the following table:

| OPERS as of December 31, 2017 | | | | |
|-------------------------------|-------------------|--|-------------------|--|
| Investment Category | Pension | | Health Care | |
| | Target Allocation | Long-Term Expected Real Rate of Return | Target Allocation | Long-Term Expected Real Rate of Return |
| Fixed Income | 23.00% | 2.20% | 34.00% | 1.88% |
| Domestic equities | 19.00% | 6.37% | 21.00% | 6.37% |
| Real Estate | 10.00% | 4.75% | - % | - % |
| Private equity | 10.00% | 8.97% | - % | - % |
| International equity | 20.00% | 7.95% | 22.00% | 7.88% |
| REIT | - % | - % | 6.00% | 5.91% |
| Other investments | 18.00% | 5.26% | 17.00% | 5.39% |
| | 100.0% | | 100.0% | |

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for June 30, 2016 in the following table:

| OPERS as of December 31, 2016 | | |
|-------------------------------|-------------------|--|
| Investment Category | Target Allocation | Long-Term Expected Real Rate of Return |
| Fixed Income | 23.00% | 2.75% |
| Domestic equities | 20.70% | 6.34% |
| Real Estate | 10.00% | 4.75% |
| Private equity | 10.00% | 8.97% |
| International equity | 18.30% | 7.95% |
| Other investments | 18.00% | 4.92% |
| | 100.0% | |

Note 11 – Retirement Benefits (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - For June 30, 2018, the following presents the net pension liability of WKSU, calculated using the discount rate listed below, as well as what WKSU's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| Plan | 1.00 percent Decrease | | Current Discount Rate | | 1.00 percent Increase | |
|-------|-----------------------|-----------|-----------------------|---------|-----------------------|---------|
| OPERS | 6.50% | 1,319,270 | 7.50% | 738,370 | 8.50% | 254,510 |

For June 30, 2017, the following presents the net pension liability of WKSU, calculated using the discount rate listed below, as well as what WKSU's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| Plan | 1.00 percent Decrease | | Current Discount Rate | | 1.00 percent Increase | |
|-------|-----------------------|-----------|-----------------------|-----------|-----------------------|---------|
| OPERS | 6.50% | 1,972,894 | 7.50% | 1,288,325 | 8.50% | 717,566 |

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the University, calculated using the discount rate listed below, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate.

FY2018: OPEB liability to changes in the discount rate:

| | Proportionate Share | 1% decrease | Current Discount Rate | 1% increase | |
|----------------|---------------------|-------------|-----------------------|-------------|---|
| WKSU allocatio | 0.005605 | 680,284 | 512,057 | 375,955 | - |

FY2018: OPEB liability to changes in the health care cost trend rate:

| | Proportionate Share | 1% decrease | Current Discount Rate | 1% increase |
|----------------|---------------------|-------------|-----------------------|-------------|
| WKSU allocatio | 0.005605 | 489,927 | 512,057 | 534,913 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Note 12 – Fair Value Measurements

The Kent State University Foundation invests WKSU's endowment funds. The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Station's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

WKSU's share of the Foundation's pool of investments for June 30, 2018 and 2017 was .7175 percent and .7788 percent, respectively. The Foundation had the following investments measured at fair value as of June 30, 2018 and 2017:

Total investment Pool Kent State University Foundation June 2, 2018

Assets and Liabilities Measured at Fair Value on a Recurring Basis

| | Balance at June 30, 2018 | Fair Value Measurements Using | | |
|--|-----------------------------|---|---|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | |
| Corporate stocks | \$ 5,798,497 | \$ 5,798,497 | \$ - | \$ - |
| ETFs | | | | |
| Mutual funds | 19,225,240 | 19,225,240 | - | - |
| Large capitalization equity funds | 49,181,287 | 49,181,287 | - | - |
| Small / middle capitalization equity funds | 5,129,145 | 5,129,145 | - | - |
| International equity funds | 39,755,693 | 39,755,693 | - | - |
| Multi-asset funds | 497,416 | 497,416 | - | - |
| Fixed income funds | 21,838,127 | 21,838,127 | - | - |
| Bonds | 94,496 | - | 94,496 | - |
| | <u>\$ 141,519,901</u> | <u>\$ 141,425,405</u> | <u>\$ 94,496</u> | <u>\$ -</u> |
| Investments measured at net asset value (NAV) | | | | |
| Private equity | 5,336,649 | | | |
| Hedge funds | 15,327,394 | | | |
| Real assets | 10,997,802 | | | |
| Bond trust | 11,543,716 | | | |
| Total investments measured at NAV | <u>\$ 43,205,561</u> | | | |
| Total investments measured at fair value | <u>\$ 184,725,462</u> | | | |

Note 12 – Fair Value Measurements (Continued)

Total investment Pool Kent State University Foundation June 2, 2017

Assets and Liabilities Measured at Fair Value on a Recurring Basis

| | Balance at June 30, 2017 | Fair Value Measurements Using | | |
|--|-----------------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value level | | | | |
| Corporate Stocks | \$ 4,172,511 | \$ 4,172,511 | \$ - | \$ - |
| Exchanged Traded Funds ("ETF's") | 18,667,761 | 18,667,761 | - | - |
| Bonds | 98,339 | - | 98,339 | - |
| Mutual Funds | | | | |
| Large Capitalization Equity Funds | 41,919,561 | 41,919,561 | - | - |
| Small/Middle Capitalization Equity Funds | 4,585,114 | 4,585,114 | - | - |
| International Equity Funds | 37,510,794 | 37,510,794 | - | - |
| Other Mutual Funds | 14,299,179 | 14,299,179 | - | - |
| Fixed Income Funds | 31,760,028 | 20,201,132 | 11,558,896 | - |
| | <u>\$ 153,013,287</u> | <u>\$ 141,356,052</u> | <u>\$ 11,657,235</u> | <u>\$ -</u> |
| Investments measured at the Net Asset Value (NAV) | | | | |
| Limited partnership hedge funds | 10,409,900 | | | |
| Private equity | 2,128,320 | | | |
| Total investments measure at net asset value (NAV) | 12,538,220 | | | |
| Total investments measure at fair value | <u>\$ 165,551,507</u> | | | |

The fair values of debt and equity investments and mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices or by similar securities with similar due dates (Level 2 inputs).

The Foundation invests in alternative investments, which include investments in limited partnerships. Fair value represents the Foundation's proportionate interest in the net assets in these funds. Fair value is supplied to the Foundation by third-party administrators, and audited information about these funds is available annually. Due to current market conditions as well as the limited trading activity of these securities, the market value of these securities is highly sensitive to assumption changes and market volatility (Level 3 inputs).

The object of these alternative investments is to provide returns consistent with the United States consumer price index plus 5.0 percent over the long term by investing in areas that offer strong relative performance in rising inflation environments. In accordance with the terms of the investments, the Foundation is able to redeem its investments in these limited alternative investments by providing prior written notice from 100 days to one year. As of June 30, 2018 and 2017, the Foundation has no unfunded commitments to either of these alternative investments.

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
WKSU Radio Station

We have audited, in accordance with the 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, the financial statements of WKSU Radio Station (WKSU or the "Station"), a public telecommunications entity operated by Kent State University, which comprise the statement of net position as of June 30, 2018 and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WKSU Radio Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees
WKSU Radio Station

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WKSU Radio Station's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 11, 2018



Dave Yost • Auditor of State

KENT STATE UNIVERSITY – WKSU RADIO STATION

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2019**