

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2014 and 2013



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2014 AND 2013

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Regents
Morgan State University

Report on the Financial Statements

We have audited the accompanying statements of net position of WEAA-FM (the Station, a program of Morgan State University), as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and change in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Station's 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. Those standards require that we plan and perform the audit 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 Station'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 Station'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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station, as of June 30, 2014 and 2013, and the respective change in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, change in financial position and cash flows of only that portion of the financial reporting segment of Morgan State University (the University) that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position, changes in financial position and cash flows of the University as of and for the years ended June 30, 2014 and 2013.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 who 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 audits 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's basic financial statements. The supplemental schedule of non-federal support is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of non-federal support is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of non-federal support is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
January 14, 2015

SB & Company, LLC

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Management's Discussion and Analysis
As of June 30, 2014**

Introduction

This section of the report provides a discussion and analysis of WEAA-FM's (the Station) financial performance for the year ended June 30, 2014. The Station is a program owned and operated by Morgan State University. This analysis should be read in conjunction with the Station's basic financial statements and the notes to the basic financial statements.

In FY 2014, the Station showed modest growth in operating revenues of 15%. This increase is basically due to growth in membership fulfillment and underwriting income. Operating expenses increased by 11%. There were two membership drives, spring and fall in FY 14 with those funds going to support various expenses for the Station.

The Station hired a new General Manager in January and accepted the resignation of the long-time Membership Director in January as well. Most programming remained the same across the broadcast week, except the cancellation of The Michel Martin Show, a popular national NPR show which ran Monday through Friday.

The radio market continues to pace negatively thereby impacting media revenues in commercial and public radio. We continue to be plagued with broadcast signal issues, because of transmitter failures which impact our ability to secure underwriting.

Overview of the Financial Statements

The three primary financial statements of the Station presented are the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These statements are prepared in conformity with accounting principles generally accepted in the United States. The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Station for the fiscal years ended June 30, 2014 and 2013, and should be read in conjunction with financial statements and notes thereto. This overview is required by GASB, by a primary government or component but is not required by the Station; however management has elected to provide one. The MD&A, financial statements, and notes thereto, are the responsibility of the Station's management.

The notes to the financial statements provides required disclosures and other information that are essential to full understanding of the material data provided in the statements. The notes present information about the Station's accounting policies, significant account balances and activities, obligations and subsequent events, if any and can be found beginning on page 10 of this report. The information contained in the basic financial statements of the Station is incorporated within Morgan State University's Annual Financial Statements.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Management's Discussion and Analysis
As of June 30, 2014**

Statement of Net Position

The Statement of Net Position presents the financial position of the Station at the end of the fiscal year and includes all assets and liabilities of the Station. Assets and liabilities are presented as either current or noncurrent to provide an indication of their anticipated liquidation.

The difference between total assets and total liabilities equals net position. The net position is an indicator of the current financial condition of the Station. A summary of assets, liabilities, and net position as of June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Assets		
Total Current Assets	<u>\$ 324,768</u>	<u>\$ 199,172</u>
Liabilities		
Current liabilities	257,665	157,580
Non-current liabilities	46,030	43,071
Total Liabilities	<u>303,695</u>	<u>200,651</u>
Net Position		
Unrestricted	<u>\$ 21,073</u>	<u>\$ (1,479)</u>

Fiscal Year 2014 compared to Fiscal Year 2013

- Current assets as of the fiscal year ended 2014, increased by \$125,596 or 63.1%, due to increase in cash from membership, underwriting, and university support.
- Current liabilities in fiscal year ended 2014, increased by \$100,085 or 63.5%, due to increase in grant receipts that remained unspent as of the end of June 30, 2014.
- Total net position in fiscal year ended 2014, increased by \$22,552, due to increase in revenues and donations.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Management's Discussion and Analysis
As of June 30, 2014**

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Station's results of operations. The statement distinguishes revenues and expenses between operating and non-operating categories and provides a view of the Station's operating margin. A summary of revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Operating Income		
Operating revenues	\$ 437,159	\$ 380,526
Operating expenses	<u>1,705,493</u>	<u>1,541,511</u>
Operating Loss	<u>(1,268,334)</u>	<u>(1,160,985)</u>
Non-operating Revenues		
Appropriations from Morgan State University	687,463	671,826
Donated facilities and administrative support from Morgan State University	534,488	467,622
In-kind contributions	<u>68,935</u>	<u>19,675</u>
Total Non-operating Revenues	<u>1,290,886</u>	<u>1,159,123</u>
Total Change in Net Position	22,552	(1,862)
Net position, beginning of year	<u>(1,479)</u>	383
Net Position, End of Year	<u>\$ 21,073</u>	<u>\$ (1,479)</u>

Fiscal Year 2014 compared to Fiscal Year 2013

- Total operating revenues for fiscal year 2014, increased by \$56,633 or 14.9%, from fiscal year 2013. The fluctuation is mainly due to an increase in membership and underwriting income.
- Total operating expenses in fiscal year 2014, increased by \$163,982 or 10.6%, as compared to fiscal year 2013, due to increase in support services.
- Non-operating revenues increased by \$131,763 or 11.4%, from fiscal year 2013, because of an increase of in-kind contributions and donated facilities from Morgan State University.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Management's Discussion and Analysis
As of June 30, 2014**

Statement of Cash Flows

The statement of cash flows provides information about the Station's receipts and disbursement of cash during the year. This statement also assists users in assessing the Station's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. A summary of cash flows for the years ended June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Cash Provided by (Used in):		
Operating activities	\$ (650,023)	\$ (596,815)
Non-capital financing activities	<u>687,463</u>	<u>671,826</u>
Net Increase in Cash	37,440	75,011
Cash, beginning of year	<u>189,144</u>	114,133
Cash, End of Year	<u><u>\$ 226,584</u></u>	<u><u>\$ 189,144</u></u>

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Statements of Net Position
As of June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 226,584	\$ 189,144
Accounts receivable, net	2,983	658
Pledges receivable, net	73	2,591
Grant receivable	75,998	6,779
Prepaid expenses	19,130	-
Total Current Assets	<u>324,768</u>	<u>199,172</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued expenses	33,300	1,448
Accrued vacation	10,154	19,247
Accrued payroll	43,047	36,970
Unexpended grants	170,051	96,324
Unearned revenue	1,113	3,591
Total Current Liabilities	<u>257,665</u>	<u>157,580</u>
Non-Current Liabilities		
Accrued vacation, net of current portion	46,030	43,071
Total Liabilities	<u>303,695</u>	<u>200,651</u>
Net Position		
Unrestricted	<u>\$ 21,073</u>	<u>\$ (1,479)</u>

The accompanying notes are an integral part of these financial statements.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Statements of Revenues, Expenses and Change in Net Position
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Subscription and membership income	\$ 114,502	\$ 83,325
Underwriting income	140,908	92,148
Grants	176,046	186,684
Fundraising income	4,639	11,577
Rental income	1,064	6,792
Total Operating Revenues	<u>437,159</u>	<u>380,526</u>
Operating Expense		
Program services:		
Programming and production	422,082	407,115
Broadcasting	453,832	372,682
Program information	22,607	21,857
Total program services	<u>898,521</u>	<u>801,654</u>
Management and general	554,917	490,594
Fundraising and membership development	252,055	249,263
Total Operating Expense	<u>1,705,493</u>	<u>1,541,511</u>
Operating Loss	<u>(1,268,334)</u>	<u>(1,160,985)</u>
Non-Operating Revenues		
Appropriations from Morgan State University	687,463	671,826
Donated facilities and administrative support from Morgan State University	534,488	467,622
In-kind contributions	68,935	19,675
Total Non-Operating Revenues	<u>1,290,886</u>	<u>1,159,123</u>
Change in Net Position	22,552	(1,862)
Net position, beginning of year	(1,479)	383
Net position, End of Year	<u>\$ 21,073</u>	<u>\$ (1,479)</u>

The accompanying notes are an integral part of these financial statements.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013**

	2014	2013
Cash Flows From Operating Activities		
Subscription and membership income	\$ 122,262	\$ 83,575
Underwriting income	128,644	119,329
Grants	180,553	625,375
Rental income	1,064	6,792
Fundraising income	4,639	11,577
Payments to employees	(778,027)	(755,193)
Payments to suppliers and contractors	(309,158)	(688,270)
Net Cash from Operating Activities	(650,023)	(596,815)
 Cash Flows from Noncapital Financing Activities		
Appropriations from Morgan State University	687,463	671,826
 Net change in cash	37,440	75,011
Cash, Beginning of Year	189,144	114,133
Cash, End of Year	\$ 226,584	\$ 189,144
 Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating Loss	\$ (1,268,334)	\$ (1,160,985)
Donated facilities and administrative support from Morgan State University	534,488	467,622
In-kind contributions	68,935	19,675
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	(2,325)	10,839
Pledges receivable, net	2,518	2,254
Grant receivable	(69,219)	452,850
Prepaid expenses	(19,130)	(21,539)
Accounts payable and accrued expenses	31,852	1,202
Accrued vacation	(6,134)	337
Accrued payroll	6,077	(24,535)
Unexpended grants	73,727	(5,765)
Unearned revenue	(2,478)	(338,770)
Net Cash from Operating Activities	\$ (650,023)	\$ (596,815)

The accompanying notes are an integral part of these financial statements.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Notes to the Financial Statements
June 30, 2014 and 2013**

1. DESCRIPTION OF ORGANIZATION

WEAA-FM (the Station) is a National Public Radio Station licensed and owned by Morgan State University (the University). The Station, which broadcasts in stereo on a frequency of 88.9 MHz, began operating on January 10, 1977, and serves the Baltimore/Washington Metropolitan area. Both the University and the Station are governed by a Board of Regents appointed by the State of Maryland.

The financial activity of the Station is included in the financial statements of the University. These accompanying financial statements of the Station present only that portion of the business-type activities of the University that is attributable to the transactions of the Station. They do not represent the financial position, changes in financial position, or cash flows of the University.

Relationship with the University

Administrative support from the University consists of allocated financial costs and certain other expenses incurred by the University on behalf of the Station, and are reported as operating revenues and expenses in accordance with valuation guidelines prescribed by the Corporation for Public Broadcasting. Revenues and expenses for administrative support totaling \$534,488 and \$467,622 was reported for the years ended June 30, 2014 and 2013, respectively. This allocation from the University is not necessarily representative of the Station's cost as if they were a stand-alone entity and could significantly change in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Notes to the Financial Statements
June 30, 2014 and 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable represents amounts related to underwriting sales that have not been collected as of year end and are recorded at their net realizable value. The allowance for doubtful accounts is based on specific identification of uncollectable accounts and the Station's historical collection experience. The reserve for doubtful accounts as of June 30, 2014 was \$6,231. There was no allowance for doubtful accounts as of June 30, 2013.

Pledges Receivable

Pledges receivable represents amounts pledged to the Station by individual donors and is reported at its net realizable value. The Station distinguishes contributions received for each net position category in accordance with donor restrictions. For the years ended June 30, 2014 and 2013, there were no pledges with donor restrictions.

Pledges are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded as revenue when received. A receivable is considered to be past due when the balance is outstanding for greater than one year. The reserve for doubtful accounts as of June 30, 2014 and 2013, was \$28,655 and \$34,415, respectively.

Grants Receivable

Grants receivable represents amounts due from grants and is reported at their net realizable value. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Station's historical collection experience. As of June 30, 2014 and 2013, management believes all grants receivable were fully collectable.

Compensated Absences

Compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the statement of net position and as a component of the appropriate functional category of expense in the statement of revenues, expenses, and change in net position.

Unearned Revenue

Unearned revenues are funds collected for underwriting sales before the yearend for radio spots that run after the yearend.

Unearned grant revenues represent funds earned or received from granting agencies before the yearend that have not been expended as of the end of the year.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Notes to the Financial Statements
June 30, 2014 and 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenues and Expenses

The Station has classified its revenue as either operating or non-operating according to the following criteria:

(1) *Operating*

Operating revenues includes activities that have the characteristics of exchange transactions such as subscription and membership income, underwriting income, grants income, and other income.

(2) *Non-operating*

Non-operating revenues includes activities that have the characteristics of non-exchange transactions, such as appropriations from Morgan State University, donated facilities and services, and in-kind donations.

Donated Facilities and Administrative Support

The University provides certain facilities and administrative support to the Station. Donated facilities and administrative support represents the Station's allocated amounts of institutional support and donated facilities and is recorded as revenues and expenses in the statement of revenues, expenses, and change in net assets. Institutional support is based on the Station's pro-rata share of the University's total salaries, wages, and administrative expenses. Donated facilities are the Station's pro-rate share of the University's total plant expenses along with calculated occupancy costs permitted by the Corporation for Public Broadcasting. For the year ended June 30, 2014, the Station's allocated amounts of donated facilities and administrative support are calculated based on amounts stated in the University's audited financial statements.

Appropriations from Morgan State University

The appropriation from the University represents support from the University for salaries and operating expenses not provided through other resources.

Risk Management

The Station is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The Station, through the University, participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and antitrust liabilities, and certain employee health benefits.

**MORGAN STATE UNIVERSITY
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**Notes to the Financial Statements
June 30, 2014 and 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk Management (continued)

The State allocates the cost of providing claims servicing and claims payment by charging a “premium” to the University based on a percentage of the University’s estimated current-year payroll or based on the average loss experienced by the University. This charge considers recent trends in actual claims experience of the State as a whole and makes provisions for catastrophic losses.

Subsequent Events

The Station’s management evaluated subsequent events and transactions through January 14, 2015, the date the financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

Reclassification

Certain 2013 amounts have been reclassified to conform to the 2014 financial statement presentation. These reclassifications had no effect on previously reported results of operations or net position.

3. CASH

As of June 30, 2014 and 2013, the Station had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (the Treasurer) in the amount of \$226,584 and \$189,144, respectively. The Treasurer has statutory responsibility for the State’s cash management activities. The Treasurer maintains these and other State agency funds on a pooled basis in accordance with State statutes. As of June 30, 2014 and 2013, the Station’s amount due from the Treasurer was less than 1% of total deposits with the Treasurer. For additional information on cash risk, see the State of Maryland Comprehensive Annual Financial Report for the year ended June 30, 2014.

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Notes to the Financial Statements
June 30, 2014 and 2013**

4. NON-CURRENT LIABILITIES

Changes in non-current liabilities consisted of the following for the year ended June 30, 2014:

	Balance as of June 30, 2013	Additions	Reductions	Balance as of June 30, 2014	Amount Due Within One Year
Accrued vacation	<u>\$ 62,318</u>	<u>\$ 18,335</u>	<u>\$ 24,469</u>	<u>\$ 56,184</u>	<u>\$ 10,154</u>

Changes in non-current liabilities consisted of the following for the year ended June 30, 2013:

	Balance as of June 30, 2012	Additions	Reductions	Balance as of June 30, 2013	Amount Due Within One Year
Accrued vacation	<u>\$ 83,857</u>	<u>\$ 20,705</u>	<u>\$ 42,244</u>	<u>\$ 62,318</u>	<u>\$ 19,247</u>

5. RETIREMENT PLANS

Eligible employees who perform services for the Station and employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. The Station's only liability for retirement and post-employment benefits is its required annual contribution to the University, which in turn was paid in full to the State of Maryland prior to year end. The System is considered part of the State's financial reporting entity, and is not considered a part of the Fund's reporting entity. The System prepares a separate Comprehensive Annual Financial Report, which can be obtained from the Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

SUPPLEMENTAL INFORMATION

**MORGAN STATE UNIVERSITY
WEAA-FM**

**Schedule of Non-Federal Support
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$ 290,286	\$ 219,074
Non-Operating Revenues		
Appropriations from Morgan State University	687,463	671,826
Donated facilities and administrative support from Morgan State University	534,488	467,622
In-kind contributions	68,935	19,675
Total Non-Operating Revenues	<u>1,290,886</u>	<u>1,159,123</u>
Total Non-Federal Support	<u><u>\$ 1,581,172</u></u>	<u><u>\$ 1,378,197</u></u>