



WFUV-FM
(A Noncommercial, Educational FM Station
Owned and Operated by Fordham University)

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Fordham University:

We have audited the accompanying financial statements of WFUV-FM (a noncommercial, educational FM station owned and operated by Fordham University (the University)), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WFUV-FM (a noncommercial, educational FM station owned and operated by Fordham University) as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

December 16, 2014

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Balance Sheets

June 30, 2014 and 2013

Assets	2014	2013
Assets Held by Fordham University (notes 2 and 8)	\$ 9,019,817	7,955,434
Contributions receivable, net (note 3)	579,112	488,375
Investments held by Fordham University, at fair value (note 11)	140,443	107,301
Fixed assets, net (notes 4 and 8)	4,555,886	5,551,312
Total assets	<u>\$ 14,295,258</u>	<u>14,102,422</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,703	32,496
Deferred revenue	82,453	—
Due to Fordham University (note 8)	8,938,875	9,278,875
Total liabilities	<u>9,032,031</u>	<u>9,311,371</u>
Net assets:		
Unrestricted	4,705,140	4,226,106
Temporarily restricted (note 9)	348,087	354,945
Permanently restricted (note 11)	210,000	210,000
Total net assets	<u>5,263,227</u>	<u>4,791,051</u>
Total liabilities and net assets	<u>\$ 14,295,258</u>	<u>14,102,422</u>

See accompanying notes to financial statements.

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Statements of Activities

Years ended June 30, 2014 and 2013

	2014	2013
Changes in unrestricted net assets:		
Revenues:		
Appropriation from Fordham University (note 5)	\$ 2,131,397	2,154,071
Contributions – members	2,990,240	2,822,418
Contributions – underwriting	1,512,316	1,313,855
Contributions – gala, net	325,473	358,301
Miscellaneous revenue	139,144	123,316
Corporation for Public Broadcasting grants (note 6)	408,690	455,322
New York State grants	50,197	52,104
Contributed services	23,400	23,400
Net assets released from restrictions (note 9)	33,043	518,779
Total revenues	7,613,900	7,821,566
Expenses:		
Program services:		
Production	2,602,051	2,416,434
Programming	90,476	175,050
Broadcasting	1,464,299	1,432,165
Program information	390,551	303,349
Total program services	4,547,377	4,326,998
Supporting services:		
Management and general	1,456,994	1,523,602
Fund-raising and membership development	881,947	807,275
Underwriting and grant solicitation	248,548	400,584
Total supporting services	2,587,489	2,731,461
Total expenses	7,134,866	7,058,459
Increase in unrestricted net assets	479,034	763,107
Change in temporarily restricted net assets:		
Contributions – capital campaign	18,043	500,666
Contributions – other	—	56,666
Net assets released from restrictions (note 9)	(33,043)	(518,779)
Appreciation in fair value of investments, net (note 11)	8,142	5,274
(Decrease) increase in temporarily restricted net assets	(6,858)	43,827
Increase in net assets	472,176	806,934
Net assets at beginning of year	4,791,051	3,984,117
Net assets at end of year	\$ 5,263,227	4,791,051

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 472,176	806,934
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,064,169	1,083,564
Contributions for capital purposes	(18,043)	(500,666)
Net appreciation in fair value of investments	(8,142)	(5,274)
Changes in operating assets and liabilities:		
Increase in assets held by Fordham University	(1,064,383)	(1,483,707)
(Increase) decrease in contributions receivable	(115,737)	21,975
Decrease in accounts payable and accrued expenses	(21,793)	(46,307)
Increase in deferred revenue	82,453	—
Net cash provided by (used in) operating activities	390,700	(123,481)
Cash flows from investing activities:		
Purchases of fixed assets	(68,743)	(37,185)
Purchases of investments held by Fordham University	(25,000)	(25,000)
Net cash used in investing activities	(93,743)	(62,185)
Cash flows from financing activities:		
Contributions for capital purposes	18,043	500,666
Decrease in permanently restricted contributions receivable	25,000	25,000
Decrease in due to Fordham University	(340,000)	(340,000)
Net cash (used in) provided by financing activities	(296,957)	185,666
Change in cash and cash equivalents held by Fordham University	—	—
Cash and cash equivalents held by Fordham University at beginning of year	—	—
Cash and cash equivalents held by Fordham University at end of year	\$ —	—

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2014 and 2013

(1) Nature of Operations

WFUV-FM (WFUV) is a noncommercial, educational FM station owned and operated by Fordham University (the University). Through the station, the University seeks to share its academic and intellectual resources with the general public. The station provides radio service in the public interest through the medium of public radio. Programming includes news, information, and cultural and entertainment programming designed to meet the needs of several distinct audiences whose needs are not otherwise well met in WFUV's service area. WFUV also offers a structured work and educational opportunity for students at the University.

(2) Summary of Significant Accounting Policies

By itself, WFUV does not constitute a legal entity; therefore, the accompanying financial statements have been prepared on the basis of it being a separate accounting entity. The significant accounting policies followed by WFUV are described below:

(a) Financial Statement Presentation

WFUV prepares its financial statements on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Those standards require the classification of activities and net assets into one of three classes as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of WFUV or by the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by WFUV with the income earned thereon available for general purposes. There was no change in permanently restricted net assets during the years ended June 30, 2014 and 2013.

(b) Contributed Services

Contributed services are recorded at estimated fair value based upon compensation levels for comparable paid positions at WFUV and similar university-operated radio stations.

(c) Assets Held by Fordham University

WFUV is not a stand-alone entity, and accordingly, it does not possess a bank account. All payments and receipts are transacted through the University's accounts. The balance in Assets Held by Fordham University is for the benefit of WFUV.

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(d) Fixed Assets

Fixed assets are stated at historical cost as estimated by an independent appraiser in fiscal year 1989. Additions subsequent to the 1989 appraisal have been capitalized at cost or fair market value at the date of donation, in the case of gifts.

Depreciation of fixed assets is computed on a straight-line basis over their estimated useful lives. Depreciable lives range from 3 to 20 years.

(e) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB Accounting Standards Codification No. 820, *Fair Value Measurement*, also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(f) Contributions and Grants

WFUV engages in fund-raising campaigns consisting of special on-air and mail fund-raising appeals. These appeals encourage supporters, both individuals and organizations, to provide contributions to WFUV for enhancement of program offerings and to finance operating expenses. Contributions, including unconditional promises to give, are reported as revenues in the period received, net of an allowance for uncollectible accounts. Contributions to be received after one year are presented at their discounted present value at a risk-adjusted rate, which is considered to be a Level 3 input in the fair value hierarchy. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Grants are reported as revenue when expenses are incurred in accordance with the terms of the agreement.

(g) Expenses

Expenses are reported as decreases in unrestricted net assets and reported by functional categories. Expenses that can be directly identified with the program or supporting service to which they relate

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are charged accordingly. Other expenses are allocated to components of these services based on relative use of the costs.

(h) Accounting Estimates

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

(i) Risk and Uncertainties

Investment securities are exposed to various risks and other factors such as interest rate changes, market fluctuations, and credit risks. Due to the level of fluctuation in values associated with certain investment securities due to these factors, it is reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the balance sheets in future periods.

(j) Tax Status

WFUV is exempt, as part of the University's exemption, from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. WFUV recognizes the effect of income tax positions only if such positions are more likely than not of being sustained. WFUV believes it has taken no significant uncertain tax positions and does not have any material unrelated business income tax liability at June 30, 2014 and 2013.

(k) Deferred Revenue

Deferred revenue includes grants received in advance of incurring related expenses.

(3) Contributions Receivable

Contributions receivable at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Amounts expected to be collected in:		
Less than one year	\$ 541,997	351,112
One to five years	110,000	208,333
	651,997	559,445
Less:		
Allowance for uncollectible amounts	(65,200)	(55,944)
Discount to present value (rates from 1.41% to 3.17%)	(7,685)	(15,126)
	\$ 579,112	488,375

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Approximately, 25% and 44% of the contributions receivable at June 30, 2014 and 2013, respectively, are from an individual donor.

(4) Fixed Assets

Fixed assets at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Tower and antenna	\$ 5,097,464	5,097,464
Keating Hall improvements	7,091,987	7,091,987
Equipment	2,318,158	2,249,415
	14,507,609	14,438,866
Less accumulated depreciation	(9,951,723)	(8,887,554)
	\$ 4,555,886	5,551,312

(5) Appropriation from Fordham University

The appropriation from the University represents amounts to cover expenses incurred by the University directly attributable to WFUV's operations, depreciation on assets used by WFUV, and indirect administrative expenses calculated in accordance with Corporation for Public Broadcasting (CPB) guidelines.

(6) CPB Grants

CPB is a private, nonprofit, grant-making organization responsible for funding more than 1,000 public television and radio stations. In addition to National Program Production Acquisition Grants of \$82,733 and \$115,033 in 2014 and 2013, respectively, CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. Each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. WFUV uses these funds for purposes relating primarily to production and acquisition of programming. Also, the CSGs may be used to sustain activities begun with CSGs awarded in prior years.

CSGs are reported in the accompanying financial statements as unrestricted revenue; however, certain guidelines must be satisfied in connection with application for and use of CSGs to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record-keeping, audits, and financial reporting and licensee status with the Federal Communications Commission. WFUV believes it is in compliance with these guidelines.

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The CSGs awarded and expended during 2014 and 2013 were \$325,957 and \$340,289, respectively.

(7) Pension and Other Postretirement Benefits

University employees who work for WFUV are covered under one of the University's defined-contribution plans. Contributions by the University range from 5% to 11% of an employee's earnings and are determined by the employee's level of earnings and length of service. The University's contributions for retirement benefits of WFUV employees totaled \$174,742 and \$169,035 for the years ended June 30, 2014 and 2013, respectively, and are included in expenses in the accompanying statements of activities.

In addition to providing pension benefits, the University provides certain healthcare and life insurance benefits for retired faculty and administrative employees who meet certain minimum age and length-of-service requirements. As a separate actuarial review of WFUV's share is not feasible and the amount is deemed immaterial, the net periodic postretirement benefit cost for the years ended June 30, 2014 and 2013 was not determined.

(8) Due to Fordham University

The amount due to the University, which relates to capital improvements, does not bear interest and is expected to be repaid as follows: \$340,000 per year for fiscal years 2014 through 2022, \$400,000 per year for fiscal years 2023 through 2032 and \$443,775 per year for fiscal years 2033 through 2037. The unrecorded imputed interest (at 4%) associated with this interest-free financing approximates \$358,000 and \$371,000 in 2014 and 2013, respectively. If recorded (as equal amounts of revenue and expense), this imputed interest would have no effect on the change in net assets.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are available for capital projects and pledges pending.

Net assets were released from restrictions for capital projects.

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(10) Operating Lease

In April 2006, the University entered into an operating lease, expiring March 31, 2026, as the lessee of property at 3450 Wayne Avenue, Bronx, New York. Rent and related expense for this lease were approximately \$127,615 and \$123,898 in 2014 and 2013, respectively. The following is a schedule by year of future minimum rental payments as of June 30, 2014:

Year ending June 30:		
2015	\$	130,180
2016		134,085
2017		138,108
2018		142,251
2019		146,518
2020 and thereafter		<u>1,110,316</u>
Total	\$	<u><u>1,801,458</u></u>

(11) Endowment Funds

WFUV's investments are held in an investment pool operated by the University. The investment balance represents WFUV's share in the fair value of the investment pool. Fair value is based upon quoted market prices or values provided by the University's external investment managers.

In 2006, the Uniform Law Commission approved a model act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), to serve as a guideline for states to use in enacting new legislation to govern the investment and use of endowment funds. In September 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), its version of UPMIFA, effective immediately. Among NYPMIFA's most significant changes was the elimination of the prior law's important concept of the historical dollar-value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

Pursuant to the investment policy approved by the board of trustees of the University, WFUV has interpreted NYPMIFA as allowing WFUV to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as WFUV deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument, absent explicit donor stipulations to the contrary. As a result of this interpretation, WFUV has not changed the way permanently restricted net assets are classified.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

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Changes in WFUV's endowment net assets, excluding contributions receivable related to endowments, for the fiscal years ended June 30, 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, June 30, 2013	\$ —	22,301	85,000	107,301
Net appreciation (realized and unrealized)	—	13,113	—	13,113
Contributions	—	—	25,000	25,000
Appropriation for expenditure	—	(4,971)	—	(4,971)
Net assets, June 30, 2014	<u>\$ —</u>	<u>30,443</u>	<u>110,000</u>	<u>140,443</u>
	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, June 30, 2012	\$ —	17,027	60,000	77,027
Net appreciation (realized and unrealized)	—	8,387	—	8,387
Contributions	—	—	25,000	25,000
Appropriation for expenditure	—	(3,113)	—	(3,113)
Net assets, June 30, 2013	<u>\$ —</u>	<u>22,301</u>	<u>85,000</u>	<u>107,301</u>

The University maintains an investment pool for substantially all of its investments. The pool is managed to achieve the maximum prudent long-term total return. The University's board of trustees has authorized a policy designed to preserve the value of these investments in real terms (after inflation) and provide a predictable flow of funds to support operations. This policy permits the use of total return at a rate (spending rate) of 4.0% of the average quarterly fair value during the three preceding calendar years for the permanently restricted and other board-designated portions of the pool.

In accordance with NYPMIFA, the University considers the duration and preservation of the fund, the purposes of the University and endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, the University's investment policy, and certain other resources in making a determination to appropriate or accumulate endowment funds.

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(12) Subsequent Events

In connection with the preparation of the financial statements, WFUV evaluated subsequent events from June 30, 2014 through December 16, 2014, which was the date the financial statements were available for issuance, and concluded that no additional disclosures are required.