

Southern Illinois University Carbondale

SIU Broadcasting Service

(WSIU Public Broadcasting)

Financial Statements
for the Year Ended June 30, 2010

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Independent Auditors' Report

The Board of Trustees
Southern Illinois University

We have audited the accompanying Statement of Net Assets of Southern Illinois University Broadcasting Service (SIU Broadcasting Service, a/k/a WSIU Public Broadcasting) as of June 30, 2010, and the related Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of SIU Broadcasting Service's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from SIU Broadcasting Service's 2009 financial statements, which were audited by other auditors whose report dated January 22, 2010 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of SIU Broadcasting Service are intended to present the financial position, the changes in financial position, and cash flows of only SIU Broadcasting Service's portion of the Southern Illinois University's financial position, the changes in financial position, and cash flows that is attributable to the transactions of the SIU Broadcasting Service. They do not purport to, and do not, present fairly the financial position of Southern Illinois University, as of June 30, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Locations

Jacksonville, IL • Belleville, IL • Carbondale, IL • Cape Girardeau, MO • St. Louis, MO • Milwaukee, WI

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIU Broadcasting Service as of June 30, 2010, and the respective changes in net assets, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2010 on our consideration of SIU Broadcasting Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedules of Functional Expenses for the year ended June 30, 2010 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kuhn, Eck & Brueckel LLP

Springfield, Illinois
December 20, 2010

Southern Illinois University Broadcasting Service Management's Discussion and Analysis June 30, 2010

The following discussion and analysis of the financial statements of WSIU Public Broadcasting which includes WSIU/WUSI TV & WSIU/WUSI/WVSI FM STATIONS provides an overview of the SIU Broadcasting Service financial activities for the year ended June 30, 2010 with comparative information for the year ended June 30, 2009. This discussion and analysis focuses on the financial activities of SIU Broadcasting Service, a public service unit housed within Academic Affairs in the College of Mass Communication and Media Arts at Southern Illinois University Carbondale (University). Complete financial statements for Southern Illinois University may be obtained from the University directly. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes.

Introduction

The financial statements are prepared in accordance with guidance found in the statements issued by the Governmental Accounting Standards Board (GASB), including the financial reporting format and underlying concepts for public higher education reporting of GASB Statement No. 35, *"Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities."*

As required by accounting principles, the annual report consists of three basic financial statements that provide information on the WSIU Public Broadcasting as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements will be discussed.

Financial Highlights

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net Assets is the difference between assets and liabilities and is one way to measure the financial health of WSIU Public Broadcasting.

The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets. In general, current assets are those that are available to satisfy current liabilities. Current liabilities are usually those that will be paid within one year of the date of the Statement of Net Assets.

Net Assets represent the difference between WSIU Public Broadcasting assets and liabilities and are divided into three major categories. The first category, invested in capital assets, represents WSIU Public Broadcasting's equity in capital assets. The next asset category is restricted net assets, which is divided into two categories, non-expendable and expendable. Non-expendable restricted net assets consist of endowments with specific restrictions requiring that the principal be invested and only the earnings be used. Expendable restricted net assets are available for expenditure by WSIU but must be spent for purposes as determined by donors or other external entities that have placed purpose restrictions on the use of the assets. The final category is unrestricted net assets, which represent balances from operational activities that have not been restricted by external parties and are available for use by WSIU Public Broadcasting.

**Southern Illinois University Broadcasting Service
Management's Discussion and Analysis - Continued
June 30, 2010**

The following summarizes the WSIU Public Broadcasting's assets, liabilities, and net assets at June 30:

	<u>2010</u>	<u>2009</u>
Assets		
Current assets	\$ 762,795	\$ 2,074,580
Capital assets, net	4,445,047	4,078,276
Restricted assets	<u>101,352</u>	<u>89,536</u>
Total Assets	<u>\$ 5,309,194</u>	<u>\$ 6,242,392</u>
Liabilities		
Current liabilities	\$ 53,982	\$ 980,681
Net assets		
Invested in capital assets	4,445,047	4,078,276
Expendable restricted	183,104	180,086 *
Non-expendable restricted	101,352	89,536 *
Unrestricted	<u>525,709</u>	<u>913,813</u>
Total Net Assets	<u>5,255,212</u>	<u>5,261,711</u>
Total Net Assets and Liabilities	<u>\$ 5,309,194</u>	<u>\$ 6,242,392</u>

* Certain reclassifications have been made to the June 30, 2009 financial statements in order to present them in conformity with the June 30, 2010 financial statements. These reclassifications had no effect on total net assets as previously reported. However, reclassifications between classes of restricted net assets were made. There were no reclassifications in net assets invested in capital assets and unrestricted net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The changes in total net assets as presented on the Statement of Net Assets are based on the activities presented in the Statement of Revenues, Expenses and Changes in Net Assets. The statement presents the operating results of WSIU Public Broadcasting, as well as the non-operating revenues and expenses.

In general, operating revenues are received for providing educational programs, goods and production services to agencies outside of the University to the public and private sector. Operating revenues from grants and contracts are from activities that have the characteristics of exchange transactions. In an exchange transaction, both parties receive a material benefit from the transaction. Operating expenses are those expenses paid to acquire goods or services provided in return for the operating revenues, and to carry out the mission of SIU Broadcasting Service. Non-operating revenues and expenses include state capital appropriations, investment income and capital grants. State appropriations are mandated as non-operating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues. Therefore, an operating loss will always result.

**Southern Illinois University Broadcasting Service
Management's Discussion and Analysis - Continued
June 30, 2010**

The following summarizes the WSIU Public Broadcasting's financial activity for fiscal years ended June 30, 2010 and 2009:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Operating Revenues		
Operating grants	\$ 1,413,898	\$ 1,427,003
Local support	881,071	793,460
Special events	9,474	67,758
Project grants	152,436	101,467
Production and uplink	47,184	101,915
Indirect / in kind support	2,617,724	2,749,491
Other	155,765	171,885
Total Operating Revenues	5,277,552	5,412,979
Operating Expenses	(7,338,976)	(7,376,689)
Operating Loss	(2,061,424)	(1,963,710)
Non-operating revenues - net	2,054,925	1,254,650
Decrease in Net Assets	(6,499)	(709,060)
Net Assets, Beginning of Year	5,261,711	5,970,771
Net Assets, End of Year	\$ 5,255,212	\$ 5,261,711

The Statement of Revenues, Expenses and Changes in Net Assets reflects a loss resulting in a decrease in the net assets at the end of the year.

**Southern Illinois University Broadcasting Service
Management's Discussion and Analysis - Continued
June 30, 2010**

Operating Expenses (by functional classification)

A summary of WSIU Public Broadcasting's operating expenses by functional classification for fiscal years ended June 30, 2010 and 2009 is as follows:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Operating Expenses		
Local programming and production	\$ 2,869,720	\$ 3,059,344
Broadcasting	1,812,147	1,725,633
Program information	412,939	441,336
Fund raising	531,047	636,196
Management and general administration	1,050,608	832,441
Depreciation	662,515	681,739
Total Operating Expenses	\$ 7,338,976	\$ 7,376,689

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WSIU Public Broadcasting during the fiscal year. This statement helps users assess the WSIU Public Broadcasting's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The WSIU Public Broadcasting's statement uses the direct method presentation, which indicates the cash effects categorized by operations, non-capital financing activities, capital and related financing activities, and investing activities.

A summary of the WSIU Public Broadcasting's cash flow for fiscal years ended June 30, 2010 and 2009 is as follows:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Cash Provided By (Used In)		
Operating activities	\$ (1,489,797)	\$ (1,516,163)
Non-capital financing activities	1,039,794	1,026,060
Capital financing and related financing activities	(920,627)	(796)
Investing activities	4,326	1,176
Net decrease in cash and cash equivalents	(1,366,304)	(489,723)
Cash and cash equivalents, beginning of year	1,718,598	2,208,321
Cash and Cash Equivalents, End of Year	\$ 352,294	\$ 1,718,598

Southern Illinois University Broadcasting Service Management's Discussion and Analysis- Continued June 30, 2010

Capital Asset and Debt Administration

Information concerning WSIU Public Broadcasting's capital assets can be found in Note 9 to the accompanying financial statements. The WSIU Public Broadcasting has no long-term debt activity.

Economic Outlook

Fiscal year 2010 appropriations for higher education operations were approved at relatively the same funding level as the fiscal year 2009 appropriations due to Federal Stimulus funds given to the state for higher education. The State continues to request that public universities contribute toward the cost of group health insurance premiums, a cost previously paid in full by the State on behalf of the universities, and trim their administrative budgets.

WSIU Public Broadcasting's 2010 state appropriated funds have not been held as a contingency by the University and consist of salary dollars allocated to pay WSIU staff wages. For fiscal years 2003 through 2010, each unit has been asked to streamline operations, reallocating funds, reviewing priorities and utilizing other efficiency measures. The economic downturn impacted the ability to raise funds for the year 2009 and 2010 for both the state and university. The outlook for 2011 is unknown but does not look favorable for current funding levels.

The administrative staff continues to develop a long-term strategy to increase net fundraising revenues from all external funding sources to support the mission and goals of the WSIU Public Broadcasting.

Southern Illinois University Broadcasting Service

Statement of Net Assets

June 30, 2010 (with Comparative Totals for 2009)

	2010			2009 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Assets						
Current Assets						
Interest in pooled cash	\$ 179,346	\$ 172,948	\$ 352,294	\$ 1,315,875	\$ 402,723	\$ 1,718,598
Accounts receivable	44,895	28,146	73,041	76,347	43,459	119,806
Grants receivable	302,550	34,910	337,460	204,023	32,153	236,176
Total Current Assets	526,791	236,004	762,795	1,596,245	478,335	2,074,580
Non-current Assets						
Restricted Assets						
Investments	101,352	-	101,352	89,536	-	89,536
Total Restricted Assets	101,352	-	101,352	89,536	-	89,536
Capital Assets						
Land	21,194	2,193	23,387	21,194	2,193	23,387
Building	7,654,206	508,819	8,163,025	7,654,206	508,819	8,163,025
Equipment	4,534,307	798,736	5,333,043	3,378,740	798,736	4,177,476
Construction in progress	43,300	-	43,300	-	-	-
Less: accumulated depreciation	(7,909,664)	(1,208,044)	(9,117,708)	(7,092,725)	(1,192,887)	(8,285,612)
Total Capital Assets, net	4,343,343	101,704	4,445,047	3,961,415	116,861	4,078,276
Total Non-current Assets	4,444,695	101,704	4,546,399	4,050,951	116,861	4,167,812
Total Assets	\$ 4,971,486	\$ 337,708	\$ 5,309,194	\$ 5,647,196	\$ 595,196	\$ 6,242,392
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 6,382	\$ 2,432	\$ 8,814	\$ 127,832	\$ 371	\$ 128,203
Accrued salaries	26,349	2,086	28,435	19,630	8,327	27,957
Deferred revenues	9,794	6,939	16,733	818,817	5,704	824,521
Total Current Liabilities	42,525	11,457	53,982	966,279	14,402	980,681
Net Assets						
Invested in capital assets	4,343,343	101,704	4,445,047	3,961,415	116,861	4,078,276
Restricted:						
Expendable	131,538	51,566	183,104	163,603	16,483	180,086
Non-expendable	101,352	-	101,352	89,536	-	89,536
Unrestricted	352,728	172,981	525,709	466,363	447,450	913,813
Total Net Assets	4,928,961	326,251	5,255,212	4,680,917	580,794	5,261,711
Total Liabilities and Net Assets	\$ 4,971,486	\$ 337,708	\$ 5,309,194	\$ 5,647,196	\$ 595,196	\$ 6,242,392

Southern Illinois University Broadcasting Service
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010			2009 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Operating Revenues						
Operating grants						
State of Illinois	\$ 302,550	\$ 34,910	\$ 337,460	\$ 317,384	\$ 55,535	\$ 372,919
Corporation for Public Broadcasting	812,844	176,136	988,980	826,933	227,151	1,054,084
CPB Stabilization Funds	69,248	18,210	87,458	-	-	-
Local support						
Membership income	343,660	199,783	543,443	284,939	175,707	460,646
Contributions	52,426	534	52,960	49,744	1,500	51,244
Underwriting	107,037	163,528	270,565	122,077	148,819	270,896
Local SIRIS Support	-	14,103	14,103	-	10,674	10,674
Special events						
Auction income	9,474	-	9,474	67,758	-	67,758
Project grants						
Illinois State Library SIRIS grant	-	21,352	21,352	-	21,352	21,352
Public Broadcasting Service:						
Electric Company Grant	5,000	-	5,000	-	-	-
We Shall Remain	1	-	1	1,000	-	1,000
Teacherline	10,309	-	10,309	12,615	-	12,615
Corporation for Public Broadcasting:						
Ready to Lead Service	-	-	-	1,500	-	1,500
Raising Readers	30,000	-	30,000	50,000	-	50,000
My Source Community Impact	3,006	-	3,006	8,000	-	8,000
Super Why Summer Reading	-	-	-	5,000	-	5,000
American Archive Project	67,792	-	67,792	-	-	-
Outreach Extension-Biz Kids	2,000	-	2,000	2,000	-	2,000
WETA	7,500	-	7,500	-	-	-
Forest Service	676	-	676	-	-	-
Johnson County Grant	4,800	-	4,800	-	-	-
Production and uplink activities						
Contract production	46,034	-	46,034	100,715	-	100,715
Uplink	1,150	-	1,150	1,200	-	1,200
Other						
Federal work study	26,987	3,000	29,987	30,295	4,961	35,256
Tower rental income	7,560	63,753	71,313	7,560	63,683	71,243
Miscellaneous income	54,442	23	54,465	64,431	955	65,386
Indirect / In-kind support						
Personnel related support	631,932	259,182	891,114	619,571	236,347	855,918
Other indirect/in-kind services and materials	1,341,866	384,744	1,726,610	1,515,169	378,404	1,893,573
Total Operating Revenues	3,938,294	1,339,258	5,277,552	4,087,891	1,325,088	5,412,979

Southern Illinois University Broadcasting Service
Statement of Revenues, Expenses and Changes in Net Assets – Continued
For the Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010			2009 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Operating Expenses						
Program services						
Local programming and production	\$ 2,073,018	\$ 796,702	\$2,869,720	\$2,275,427	\$ 783,917	\$3,059,344
Broadcasting	1,492,187	319,960	1,812,147	1,355,222	370,411	1,725,633
Program information	362,655	50,284	412,939	386,215	55,121	441,336
Supporting services						
Fundraising	300,767	230,280	531,047	431,421	204,775	636,196
Management and general administration	858,404	192,204	1,050,608	669,437	163,004	832,441
Depreciation	647,359	15,156	662,515	611,540	70,199	681,739
Total Operating Expenses	5,734,390	1,604,586	7,338,976	5,729,262	1,647,427	7,376,689
Operating Loss	(1,796,096)	(265,328)	(2,061,424)	(1,641,371)	(322,339)	(1,963,710)
Non Operating Revenues (Expenses)						
State of Illinois University direct appropriations	733,235	309,924	1,043,159	719,702	290,327	1,010,029
Capital Grants – Public Telecommunications Facilities Program	-	-	-	-	27,423	27,423
Investment income	16,395	(253)	16,142	(18,924)	-	(18,924)
SIU matching funds for capital grant Corporation for Public Broadcasting - Digital Distribution grants	960,703	-	960,703	23,241	-	23,241
Equipment transferred from University	34,921	-	34,921	89,975	-	89,975
Total Non Operating Revenues	1,745,254	309,671	2,054,925	936,900	317,750	1,254,650
Change in Net Assets	(50,842)	44,343	(6,499)	(704,471)	(4,589)	(709,060)
Net Assets, Beginning of Year	4,680,917	580,794	5,261,711	5,385,388	585,383	5,970,771
Reallocation of Net Assets	298,886	(298,886)	-	-	-	-
Net Assets, End of Year	\$ 4,928,961	\$ 326,251	\$5,255,212	\$ 4,680,917	\$ 580,794	\$ 5,261,711

Southern Illinois University Broadcasting Service
Statement of Cash Flows
For the Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010			2009 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Cash Flows From Operating Activities						
Cash received from customers	\$ 602,777	\$ 442,658	\$ 1,045,435	\$ 582,657	\$ 362,314	\$ 944,971
Cash operating grants	1,163,941	247,851	1,411,792	1,087,668	271,885	1,359,553
Gifts and contributions	81,523	18,616	100,139	144,311	15,816	160,127
Payments to employees	(1,443,686)	(588,170)	(2,031,856)	(1,424,459)	(529,062)	(1,953,521)
Payments for goods and services	(1,653,792)	(361,515)	(2,015,307)	(1,596,088)	(431,205)	(2,027,293)
Net Cash Used In Operating Activities	(1,249,237)	(240,560)	(1,489,797)	(1,205,911)	(310,252)	(1,516,163)
Cash Flows From Noncapital Financing Activities						
State appropriations	729,870	309,924	1,039,794	720,836	305,224	1,026,060
Net Cash Provided By Noncapital Financing Activities	729,870	309,924	1,039,794	720,836	305,224	1,026,060
Cash Flows From Capital and Related Financing Activities						
Reallocation of net assets for capital	298,886	(298,886)	-	-	-	-
Capital grants received	204,225	-	204,225	-	73,088	73,088
Payments for capital acquisitions	(1,124,852)	-	(1,124,852)	(58,987)	(14,897)	(73,884)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(621,741)	(298,886)	(920,627)	(58,987)	58,191	(796)
Cash Flows from Investing Activities						
Interest payments received	16,395	(253)	16,142	(18,924)	-	(18,924)
Sale (Purchase) of investments	(11,816)	-	(11,816)	20,100	-	20,100
Net Cash Provided By (Used In) Investing Activities	4,579	(253)	4,326	1,176	-	1,176
Net Increase (Decrease) in Cash and Cash Equivalents	(1,136,529)	(229,775)	(1,366,304)	(542,886)	53,163	(489,723)
Cash and Cash Equivalents, Beginning of Year	1,315,875	402,723	1,718,598	1,858,761	349,560	2,208,321
Cash and Cash Equivalents, End of Year	\$ 179,346	\$ 172,948	\$ 352,294	\$ 1,315,875	\$ 402,723	\$ 1,718,598

Southern Illinois University Broadcasting Service
Statement of Cash Flows - Continued
For the Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010			2009 (Comparative Totals Only)		
	TV	FM	TOTAL	TV	FM	TOTAL
Reconciliation of Operating Loss to Net Cash Used In Operating Activities						
Operating Loss	\$ (1,796,096)	\$ (265,328)	\$ (2,061,424)	\$ (1,641,371)	\$ (322,339)	\$ (1,963,710)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities						
Depreciation expense	647,359	15,156	662,515	611,540	70,199	681,739
Change in assets and liabilities:						
Accounts receivable	34,815	15,316	50,131	1,811	(24,837)	(23,026)
Grants receivable	(151,786)	(2,757)	(154,543)	(136,764)	(32,153)	(168,917)
Other assets	20,423	-	20,423	-	-	-
Accounts payable	(11,385)	2,060	(9,325)	(35,534)	(3,928)	(39,462)
Accrued salaries	6,719	(6,241)	478	(2,031)	6,138	4,107
Deferred revenues	714	1,234	1,948	(3,562)	(3,332)	(6,894)
Total adjustments	<u>546,859</u>	<u>24,768</u>	<u>571,627</u>	<u>435,460</u>	<u>12,087</u>	<u>447,547</u>
Net cash used in operating activities	<u>\$ (1,249,237)</u>	<u>\$ (240,560)</u>	<u>\$ (1,489,797)</u>	<u>\$ (1,205,911)</u>	<u>\$ (310,252)</u>	<u>\$ (1,516,163)</u>

Southern Illinois University Broadcasting Service

Notes to Financial Statements

For the Year Ended June 30, 2010

1. Organization Description

SIU Broadcasting Service a/k/a WSIU Public Broadcasting is a public telecommunications service operated by Southern Illinois University (University) as part of the Academic Affairs department within the College of Mass Communication and Media Arts located at the University's campus in Carbondale, Illinois. WSIU Public Broadcasting consists of WSIU-TV and WSIU-FM of Carbondale, IL; WUSI-TV and WUSI-FM of Olney, IL; and WWSI-FM of Mount Vernon, IL. The financial statements of WSIU Public Broadcasting also include the accounts for the Friends of WSIU/WUSI. The Friends of WSIU/WUSI solicit funds in the name of and with the approval of WSIU Public Broadcasting. Funds are distributed by the Friends of WSIU/WUSI in amounts determined and approved by the Director of WSIU Public Broadcasting.

WSIU Public Broadcasting is a part of the University as a whole, and thus, for financial reporting purposes the financial balances and activities included in these financial statements are also included in the University's financial statements. These financial statements present only the SIU Broadcasting Service, and do not purport to, and do not, present fairly the financial position of Southern Illinois University as of June 30, 2010, and changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Principles

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. SIU Broadcasting Service now follows the business-type activity reporting requirements of GASB Statement No. 35 that provides a comprehensive, entity-wide perspective of WSIU Public Broadcasting's financial activities and replaces the fund group presentation previously required.

For financial reporting purposes, WSIU Public Broadcasting is considered a part of the University, and thus, like the University is a special-purpose government engaged only in business-type activities. Accordingly, WSIU Public Broadcasting's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting applicable to public colleges and universities. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation to pay has been incurred. All significant intra-agency transactions have been eliminated. WSIU Public Broadcasting has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. WSIU Public Broadcasting has elected to not apply FASB pronouncements issued after the applicable date.

The accounts of WSIU Public Broadcasting are still maintained internally in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives.

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

2. Summary of Significant Accounting Principles - Continued

Prior Year Information

The basic financial statements include certain prior year partial comparative information, which has been derived from the WSIU Public Broadcasting's 2009 financial statements. Such information does not include all disclosures required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the WSIU Public Broadcasting's financial statements for the year ended June 30, 2009.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or at the fair market value at the date of donation in the case of gifts. In accordance with accounting principles generally accepted in the United States of America for public colleges and universities, depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following month prorate convention is being used, in which no depreciation is recorded in the month of acquisition and an entire month of depreciation is recorded in the month of disposition. Capitalization thresholds and useful lives are as follows:

<u>Category</u>	<u>Threshold</u>	<u>Useful Life</u>
Land	\$ ---	Not depreciated
Improvements	25,000	15 years
Infrastructure	1,000,000	20 years
Buildings	100,000	40 years
Building improvements	25,000	15 years
Equipment	5,000	5-7 years
Intangible assets	100,000	7-20 years

Electronic data processing equipment is depreciated over 5 years. Other equipment is depreciated over 7 years.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

Cash and Cash Equivalents

The University has pooled its cash and investments, except for certain funds that are required by bond resolution to be in separate accounts. Interest in pooled cash at June 30, 2010 represents WSIU Public Broadcasting's share of this pooled cash account.

For purposes of the Statement of Cash Flows, all short-term investments that are highly liquid are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than 90 days.

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

2. Summary of Significant Accounting Principles - Continued

Investments

Investments are reported at fair value. The investments held by WSIU Public Broadcasting include only those that are insured or registered, or for which the securities are held by the University or its related organizations, or an agent in their name.

Investment income, including gains and losses resulting from the sale or other disposition of investments, is distributed on a monthly basis to the pooled participants based upon their respective average balances over the prior three-month period. The fair value is determined to be the amount at which financial instruments could be exchanged in current transactions between willing partners, usually quoted at market prices. Also, certain money market investments having a remaining maturity of one year or less at time of purchase and nonnegotiable certificates of deposit with redemption terms that do not consider market rates are carried at amortized cost.

Indirect/In kind Contributions of Services, Materials and Supplies

During the year ended June 30, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Facilities allocated from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense on a prorated basis. Administrative support from the University consists of adjusted allocated financial and physical plant charges incurred by the University on behalf of WSIU Public Broadcasting.

Promises-to-Give

In prior years, the Friends of WSIU/WUSI sponsored fundraising events to solicit promises-to-give on behalf of WSIU Public Broadcasting, but in 2010 no such events were held. If these promises-to-give are not collected in a reasonable period of time, they are written off as uncollectible. Contributions and collected promises-to-give are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of WSIU Public Broadcasting.

Accounts Receivable

Accounts receivable represent uncollected underwriting revenue, uncollected promises-to-give, and monthly rental payments due under lease agreements for the right to utilize space on transmission towers.

Southern Illinois University Broadcasting Service Notes to Financial Statements – Continued For the Year Ended June 30, 2010

2. Summary of Significant Accounting Principles - Continued

Revenue Recognition

WSIU Public Broadcasting has classified its revenues as either operating or non-operating revenues as follows:

Operating revenues include activities that have the characteristics of exchange transactions, such as providing educational programs, goods and production services to the public and private sector, and include most grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, such as state appropriations, investment income, and capital grants. Appropriations made to the University from the State of Illinois General Revenue Fund are recognized as non-operating revenues in the year appropriated to the extent expended. Other non-operating revenues include transactions relating to capital and financial activities, non-capital financing activities, and investing activities.

Net Assets

WSIU Public Broadcasting’s net assets are classified as follows:

- Invested in capital assets: This represents the total investment in capital assets, net of accumulated depreciation.
- Restricted net assets, expendable: Restricted expendable net assets include resources in which WSIU Public Broadcasting is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- Restricted net assets, non-expendable: Restricted non-expendable net assets consist of endowments with specific restrictions requiring that the principal be invested and only the earnings be used.
- Unrestricted net assets: Unrestricted net assets represent resources that have not been restricted by external parties and are available for use by WSIU Public Broadcasting.

It is WSIU Public Broadcasting’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available.

Gifts of Long-Lived Assets

WSIU Public Broadcasting reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, WSIU Public Broadcasting reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

2. Summary of Significant Accounting Principles - Continued

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 at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses, and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using estimates if necessary.

Reclassifications

Certain reclassifications have been made to the June 30, 2009 financial statements in order to present them in conformity with the June 30, 2010 financial statements. These reclassifications had no effect on total net assets as previously reported. However, reclassifications between classes of restricted net assets were made. There were no reclassifications in net assets invested in capital assets and unrestricted net assets.

Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through December 20, 2010, which is the date the financial statements were available to be issued. Through December 20, 2010, no subsequent events required recognition or disclosure in the financial statements.

3. Accounts and Grants Receivable

Accounts and grants receivable consisted of the following at June 30, 2010:

Accounts and grants receivable	TV	FM	TOTAL
Accounts receivable			
State of Illinois appropriations	\$ 8,793	\$ -	\$ 8,793
Miscellaneous activities	7,568	300	7,868
Memberships	8,284	12,029	20,313
Contributions	14,950	40	14,990
Tower rental	-	1,613	1,613
Underwriting	5,300	14,164	19,464
Total accounts receivable	\$ 44,895	\$ 28,146	\$ 73,041
Grants receivable			
State of Illinois	\$ 302,550	\$ 34,910	\$ 337,460
Total grants receivable	\$ 302,550	\$ 34,910	\$ 337,460

Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010

4. Restricted Assets

Restricted assets are stated at fair value and consist of cash, life insurance and endowment funds. Fair values and unrealized appreciation (depreciation) at June 30, 2010 is summarized as follows:

Restricted assets	Cost	Fair value
Investments		
Life insurance policies	\$ 17,441	\$ 17,441
Endowment funds	85,257	83,911
Total restricted assets	\$ 102,698	\$ 101,352

5. Investment Income

The following schedule summarizes the investment return and its classification in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2010:

Investment returns	Unrestricted	Restricted	Total
Interest	\$ 75	\$ -	\$ 75
Dividends	-	2,588	2,588
Net realized/unrealized losses	-	13,479	13,479
Total investment return	\$ 75	\$ 16,067	\$ 16,142

6. Non-Expendable Restricted Net Assets

Non-Expendable restricted net assets are available for the following purposes at June 30, 2010:

Non-Expendable restricted net assets	TV	FM	Total
Investments: Endowments			
WSIU/WUSI Future Excellence	\$ 87,265	\$ -	\$ 87,265
O'Brien Student of Year	14,087	-	14,087
Total Non-Expendable restricted net assets	\$ 101,352	\$ -	\$ 101,352

Endowment funds represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and only the earnings be used.

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

7. Expendable Restricted Net Assets

Expendable restricted net assets are available for the following purposes at June 30, 2010:

Expendable restricted net assets	TV	FM	Total
Education Innovation Fund	\$ 3,000	\$ -	\$ 3,000
PBS Teacherline	4,582	-	4,582
Trail of Tears	2,474	-	2,474
The Electric Company	385	-	385
Raising Readers	18,620	-	18,620
WSIU Expanded Coverage	200	-	200
SIRIS	-	15,192	15,192
Super Why	682	-	682
Biz Kids	1,963	-	1,963
WSIU FM Underwriting	-	73	73
WSIU Friends Board Campaign	23,870	40	23,910
Early Childhood Services	12,482	-	12,482
O'Brien Student of the Year	240	-	240
WSIU Community Outreach	5,873	-	5,873
TV Local Production	9,635	-	9,635
WSIU/WUSI TV Miscellaneous Income	8,655	-	8,655
TV Equipment Support Fund	6,519	-	6,519
TV News Excellence Fund	4,289	-	4,289
WSIU/WUSI Development	2,577	-	2,577
Digital Conversion	1,552	-	1,552
K-12 Education Support	1,189	-	1,189
WSIU Facilities/Tech	1,033	258	1,291
WSIU Public Broadcasting	8,163	2,416	10,579
SIRIS Outreach Fund	-	25,405	25,405
WSIU-FM Mt. Vernon Clear Signal	-	542	542
Electoral Coverage Support	360	-	360
FM Equipment Support Fund	-	259	259
FM Local Production Fund	-	3,852	3,852
FM News Excellence Fund	-	1,712	1,712
WSIU/WUSI FM Miscellaneous Income	-	696	696
Saluki Sports Broadcasting	-	784	784
SIRIS Equipment Support	-	337	337
Cargill Foundation	13,195	-	13,195
	<u>\$ 131,538</u>	<u>\$ 51,566</u>	<u>\$ 183,104</u>

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

8. Grants

WSIU Public Broadcasting is the recipient of several grant awards. During the fiscal year ended June 30, 2010, WSIU Public Broadcasting was awarded the following grant funds:

<u>Granting Agency</u>	<u>Grant Funds Awarded</u>
Corporation for Public Broadcasting	\$ 2,137,939
State of Illinois Public Broadcasting/IAC	337,460
Illinois State Library	21,352
Public Broadcasting Service	15,000

The Corporation for Public Broadcasting (CPB) provides a major source of funding for SIU Broadcasting Service. The operating grant for fiscal year 2010 was \$ 988,980. The grant period is October 1, 2009 through September 30, 2011. The purpose of the grant is to augment the capability of CPB-qualified public broadcasting stations to expand the quality and scope of their services to the community. During fiscal year 2010, an additional \$ 87,458 was provided in fiscal stabilization grant funds to maintain local programming and services and preserve jobs threatened by declines in other revenue sources. CPB provided \$ 30,000 for the Raising Readers grant, for the grant period May 1, 2007 through September 14, 2010. In addition, CPB provided \$ 3,006 for the My Source Community Impact grant. Also, CPB provided \$ 67,792 for American Archive-Pilot Program through Oregon Public Broadcasting, for the grant period July 15, 2009 through December 1, 2009. Finally, CPB provided a \$ 960,703 Digital Distribution Grant for renovating WSIU Public Broadcasting's master control, for the grant period July 1, 2004 through December 31, 2009.

The Illinois Arts Council grants are operating grants. The grant period was from July 1, 2009 through August 31, 2010.

PBS provided \$ 10,000 for the Teacherline grant, for the grant period August 1, 2009 through July 31, 2010. They also provided \$ 5,000 for the Electric Company event with the grant period of June 1, 2009 through October 31, 2009.

The Illinois State Library grant funds were used to provide library services and augment media services to blind and physically handicapped residents within the coverage area of WSIU-FM/WUSI-FM. The grant period was from July 1, 2009 through June 30, 2010.

The above grants were recorded as revenue when the grant was received or pledged and the related costs were incurred. In some instances, these are multi-year grants, and therefore, current year's revenue includes amounts which will not be expended in the current year. In other instances, funds are received on a cost-reimbursement basis.

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

9. Capital Assets

A summary of the changes in capital assets is as follows:

	<u>Balance as of July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance as of June 30, 2010</u>
Land	\$ 23,387	\$ -	\$ -	\$ -	\$ 23,387
Building	8,163,025	-	-	-	8,163,025
Equipment	4,177,476	971,488	-	184,079	5,333,043
Construction in progress	-	43,300	-	-	43,300
Less: accumulated depreciation	<u>(8,285,612)</u>	<u>(903,672)</u>	<u>-</u>	<u>71,576</u>	<u>(9,117,708)</u>
Total Capital Assets	<u>\$ 4,078,276</u>	<u>\$ 111,116</u>	<u>\$ -</u>	<u>\$ 255,655</u>	<u>\$ 4,445,047</u>

The Federal Communications Commission has determined that all television stations in the United States of America must cease analog transmission by 2009. All noncommercial stations began digital transmission on new channel assignments in 2003.

10. Lease Commitments

WSIU Public Broadcasting currently has an operating lease agreement with Wabash Independent Networks Incorporated to lease space on the tower located at the 300 block of Old US-50 West, Flora, IL 62839 to transmit the digital television signal. The term of original the lease was five years commencing on June 9, 2003 and may automatically be renewed for up to one separate and successive period of five years each. On May 25, 2009, the lease was amended to expire on June 30, 2012. Lease payments are \$ 8,000 annually.

WSIU Public Broadcasting currently has an operating lease agreement with Southern Illinois RSA Partnership (First Cellular of Southern Illinois) to lease land and space on the tower located at 15621 North 42nd Street, Mount Vernon, IL to transmit an FM radio signal. The term of the lease is ten years beginning April 1, 2001. Lessee may, at its option renew the lease for one additional year under the same terms and conditions. Lease payments are \$ 400 monthly.

Future minimum lease payments are:

<u>Year ending June 30</u>	<u>Rental payments</u>
2011	\$ 11,600
2012	8,000

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

11. State University Retirement System

Plan Description

The University, and therefore WSIU Public Broadcasting, contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents and other beneficiaries of state employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Funding Policy

Plan members are required to contribute 8% of their annual covered salary, and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 21.27 % of annually covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. WSIU Public Broadcasting's contribution to SURS for the year ended June 30, 2010 was approximately \$ 313,706, an amount equal to the required contributions for the year.

Like all employees of Southern Illinois University, employees of WSIU Public Broadcasting are covered in the pension plan of the University.

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

12. Post-Employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$ 5,000.

The State pays the WSIU Public Broadcasting's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

13. Commitments and Contingencies

The University, and therefore, WSIU Public Broadcasting, received monies from federal and state government agencies under grants and contracts for research and other activities, including medical service reimbursements. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. WSIU Public Broadcasting's management believes that any disallowances or adjustments would not have a material effect on WSIU Public Broadcasting's financial position.

**Southern Illinois University Broadcasting Service
Notes to Financial Statements – Continued
For the Year Ended June 30, 2010**

14. Allocation of Net Assets for Television Master Control Capital Project

WSIU Public Broadcasting is a Joint University licensee that maintains and administers both television and radio stations. WSIU has a fundraising process that solicits funds for the overall benefit of both television and radio. WSIU Public Broadcasting's revenue allocation policy for funds not specifically designated for television or radio is allocated 80% to television and 20% to radio. The pooled Capital Campaign funds and Friends Auction funds are an example of pooled funds for the benefit of both television and radio.

In 2003, WSIU applied for and received a grant from the Corporation for Public Broadcasting Digital Distribution Fund. Also in 2003, WSIU Public Broadcasting made a budget decision to reserve the Capital Campaign and Auction funds to be used in a future year. Both television and radio have had capital projects since 2003, but the master control project was not completed until 2010. Therefore, for the past seven years, pooled funds have not been spent, but reserved in the SIUC Foundation accounts for known future capital projects for both television and radio.

However, the allocation annually of revenue continued based on the policy instituted for revenue recognition between television and radio. During the June 30, 2010 fiscal year, the television master control project was completed and the funds were released from the SIUC Foundation accounts to complete the television project. The effect of the adjustment and release of funds impacted the cash flow and the net assets for year ended June 30, 2010 between television and radio in the amount of \$ 298,886. Since the use of pooled funds and re-allocation is material, WSIU disclosed the amount as an adjustment to net assets increasing television and decreasing radio in the Statement of Cash Flows and the Statement of Revenues, Expenses and Changes in Net Assets. The re-allocation is a necessary reconciliation to balance net assets in the Statement of Net Assets to the reconciliation for total net assets in the Statement of Revenues, Expenses and Changes in Net Assets for the use of pooled funds.

Schedule of Functional Expenses – Combined

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2010

	<u>Local Programming and Production</u>	<u>Broadcasting</u>	<u>Program Information</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total (Memorandum Only)</u>
Salaries and wages	\$ 783,716	\$ 544,637	\$ 149,036	\$ 189,644	\$ 415,801	\$ 2,082,834
Payroll taxes and employee benefits	315,343	241,941	59,675	90,657	200,005	907,621
Professional services, excluding in-kind contributions	17,349	60,079	2,163	20,304	37,808	137,703
Professional services and support, in-kind contributions	398,504	234,785	53,169	82,075	245,725	1,014,258
Office supplies	3,472	2,335	16,669	2,154	3,653	28,283
Telephone	13,303	12,562	13,623	4,289	8,294	52,071
Postage	434	2,096	5,580	20,313	1,670	30,093
Advertising	20	1,450	29,970	-	1,296	32,736
Occupancy	250,147	256,159	34,638	17,828	84,977	643,749
Rental and maintenance of equipment	10	47,933	-	-	5,665	53,608
Printing and publications	1,322	2,052	31,899	7,616	4,849	47,738
Travel	14,533	12,025	9,230	1,713	10,577	48,078
Operating taxes and licenses	154,899	-	-	-	-	154,899
Program acquisition	884,114	35,776	464	-	-	920,354
Miscellaneous, excluding in-kind contributions	32,554	358,317	6,076	91,064	29,801	517,812
Miscellaneous, in-kind contributions	-	-	747	3,390	487	4,624
	<u>\$ 2,869,720</u>	<u>\$ 1,812,147</u>	<u>\$ 412,939</u>	<u>\$ 531,047</u>	<u>\$ 1,050,608</u>	<u>\$ 6,676,461</u>

Schedule of Functional Expenses – TV

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2010

	Local Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 500,101	\$ 441,296	\$ 130,388	\$ 96,458	\$ 332,662	\$ 1,500,905
Payroll taxes and employee benefits	191,850	194,130	51,774	45,502	160,006	643,262
Professional services, excluding in-kind contributions	15,040	54,207	2,163	14,354	30,006	115,770
Professional services and support, in-kind contributions	275,652	191,425	45,942	45,942	207,959	766,920
Office supplies	2,582	1,762	16,077	1,354	2,879	24,654
Telephone	8,642	6,207	11,039	2,149	6,617	34,654
Postage	287	1,902	5,160	11,099	1,328	19,776
Advertising	20	1,210	24,751	-	1,296	27,277
Occupancy	211,900	188,302	28,426	14,127	70,476	513,231
Rental and maintenance of equipment	10	47,286	-	-	4,532	51,828
Printing and publications	1,173	1,662	30,687	5,728	3,951	43,201
Travel	11,696	10,995	9,099	825	8,334	40,949
Operating taxes and licenses	144,425	-	-	-	-	144,425
Program acquisition	677,868	2,890	393	-	-	681,151
Miscellaneous, excluding in-kind contributions	31,772	348,913	6,009	63,229	27,912	477,835
Miscellaneous, in-kind contributions	-	-	747	-	446	1,193
	<u>\$ 2,073,018</u>	<u>\$ 1,492,187</u>	<u>\$ 362,655</u>	<u>\$ 300,767</u>	<u>\$ 858,404</u>	<u>\$ 5,087,031</u>

Schedule of Functional Expenses – FM

SOUTHERN ILLINOIS UNIVERSITY - SIU BROADCASTING SERVICES

Fiscal Year Ended June 30, 2010

	Programming and Production	Broadcasting	Program Information	Fund Raising	Management and General	Total (Memorandum Only)
Salaries and wages	\$ 283,615	\$ 103,341	\$ 18,648	\$ 93,186	\$ 83,139	\$ 581,929
Payroll taxes and employee benefits	123,493	47,811	7,901	45,155	39,999	264,359
Professional services, excluding in-kind contributions	2,309	5,872	-	5,950	7,802	21,933
Professional services and support, in-kind contributions	122,852	43,360	7,227	36,133	37,766	247,338
Office supplies	890	573	592	800	774	3,629
Telephone	4,661	6,355	2,584	2,140	1,677	17,417
Postage	147	194	420	9,214	342	10,317
Advertising	-	240	5,219	-	-	5,459
Occupancy	38,247	67,857	6,212	3,701	14,501	130,518
Rental and maintenance of equipment	-	647	-	-	1,133	1,780
Printing and publications	149	390	1,212	1,888	898	4,537
Travel	2,837	1,030	131	888	2,243	7,129
Operating taxes and licenses	10,474	-	-	-	-	10,474
Program acquisition	206,246	32,886	71	-	-	239,203
Miscellaneous, excluding in-kind contributions	782	9,404	67	27,835	1,889	39,977
Miscellaneous, in-kind contributions	-	-	-	3,390	41	3,431
	<u>\$ 796,702</u>	<u>\$ 319,960</u>	<u>\$ 50,284</u>	<u>\$ 230,280</u>	<u>\$ 192,204</u>	<u>\$ 1,589,430</u>



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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

The Board of Trustees
Southern Illinois University

We have audited the financial statements of Southern Illinois University Broadcasting Service (SIU Broadcasting Service) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 20, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SIU Broadcasting Service's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SIU Broadcasting Service's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SIU Broadcasting Service's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting:

Classifications of Restricted Net Assets

Finding: While performing our audit, we noted that SIU Broadcasting Service incorrectly classified approximately \$ 61,000 of certain restricted net assets as non-expendable when they were in fact expendable. As a result, amounts available for use in the future for specific purposes were understated. The amounts were corrected at June 30, 2010. We recommend management obtain the necessary knowledge to properly classify net assets in accordance with accounting principles prescribed by the Governmental Accounting Standards Board.

Management Response: WSIU management staff researched the definition and classification of net assets and concur that the reclassification of \$ 61,000 was necessary. Therefore the June 30, 2010 statements are correctly and properly presenting the restrictions of assets for WSIU Public Broadcasting. The management staff at WSIU is now properly informed, trained and acquired the knowledge needed to properly classify net assets in accordance with accounting principles prescribed by the Government Accounting Standards Board. WSIU management staff will use this knowledge in the future to properly classify assets.

A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SIU Broadcasting Service's financial statements are free of 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*.

SIU Broadcasting Service's response is included above. We did not audit SIU Broadcasting Service's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and the appropriate granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kuhn, Eck & Brantel LLP

Springfield, Illinois
December 20, 2010