



WDAV-FM RADIO
(A Public Telecommunication Entity Operated by The Trustees of
Davidson College)

Financial Statements

June 30, 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 400
300 North Greene Street
Greensboro, NC 27401

Independent Auditors' Report

Board of Trustees
The Trustees of Davidson College:

We have audited the accompanying statement of financial position of WDAV-FM Radio, a public telecommunication entity operated by The Trustees of Davidson College, as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of WDAV-FM Radio. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from WDAV-FM Radio's June 30, 2007 financial statements and, in our report dated November 2, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WDAV-FM Radio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WDAV-FM Radio as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 26, 2008

WDAV-FM RADIO
(A Public Telecommunication Entity Operated by The Trustees of Davidson College)

Statement of Financial Position

June 30, 2008

(with comparative financial information as of June 30, 2007)

Assets	2008	2007
Cash and cash equivalents	\$ 131,113	118,913
Contributions receivable, net (note 2)	217,237	287,006
Investments (note 3)	<u>3,024,357</u>	<u>3,138,016</u>
	<u>3,372,707</u>	<u>3,543,935</u>
Property and equipment:		
Land	10,682	10,682
Land Improvements	40,000	—
Building	1,801,415	1,801,415
Transmission, antenna, and tower equipment	708,503	708,503
Studio and broadcast equipment	<u>472,870</u>	<u>481,370</u>
	3,033,470	3,001,970
Less accumulated depreciation	<u>(871,176)</u>	<u>(767,870)</u>
Net property and equipment	<u>2,162,294</u>	<u>2,234,100</u>
Total assets	<u>\$ 5,535,001</u>	<u>5,778,035</u>
Liabilities and Net Assets		
Liabilities:		
Deferred revenue	<u>\$ 45,103</u>	<u>44,749</u>
Net assets:		
Unrestricted	5,043,277	5,216,896
Temporarily restricted (note 5)	217,237	287,006
Permanently restricted (note 5)	<u>229,384</u>	<u>229,384</u>
Total net assets	<u>5,489,898</u>	<u>5,733,286</u>
Total liabilities and net assets	<u>\$ 5,535,001</u>	<u>5,778,035</u>

See accompanying notes to financial statements.

WDAV-FM RADIO
(A Public Telecommunication Entity Operated by The Trustees of Davidson College)
Statement of Activities
Year ended June 30, 2008
(with summarized financial information for the year ended June 30, 2007)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2008</u>	<u>2007</u>
Revenues, gains and other support:					
Contributions	\$ 819,764	180,187	—	999,951	1,050,826
Donated facilities and administrative support from Davidson College	784,388	—	—	784,388	699,745
Community service grants from the Corporation for Public Broadcasting	180,058	—	—	180,058	186,896
Investment income	130,202	—	—	130,202	118,030
Other income	32,093	—	—	32,093	31,768
Realized and unrealized gains (losses) on investments	(44,467)	—	—	(44,467)	390,422
Total revenues and gains	<u>1,902,038</u>	<u>180,187</u>	<u>—</u>	<u>2,082,225</u>	<u>2,477,687</u>
Net assets released from restrictions	<u>249,956</u>	<u>(249,956)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>2,151,994</u>	<u>(69,769)</u>	<u>—</u>	<u>2,082,225</u>	<u>2,477,687</u>
Expenses:					
Program services:					
Programming and production	951,307	—	—	951,307	951,227
Broadcasting	209,511	—	—	209,511	184,394
Programming information	228,240	—	—	228,240	186,500
Supporting services:					
Fund raising	518,533	—	—	518,533	468,301
Management and general	418,022	—	—	418,022	378,660
Total expenses	<u>2,325,613</u>	<u>—</u>	<u>—</u>	<u>2,325,613</u>	<u>2,169,082</u>
Change in net assets	<u>(173,619)</u>	<u>(69,769)</u>	<u>—</u>	<u>(243,388)</u>	<u>308,605</u>
Net assets at beginning of year	<u>5,216,896</u>	<u>287,006</u>	<u>229,384</u>	<u>5,733,286</u>	<u>5,424,681</u>
Net assets at end of year	<u>\$ 5,043,277</u>	<u>217,237</u>	<u>229,384</u>	<u>5,489,898</u>	<u>5,733,286</u>

See accompanying notes to financial statements.

WDAV-FM RADIO
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Statement of Cash Flows
Year ended June 30, 2008
(with comparative financial information for the year ended June 30, 2007)

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ (243,388)	308,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	112,411	115,074
Unrealized (gains) losses on investments	44,467	(390,422)
Gain on disposal of fixed assets	(605)	—
Decrease in accounts receivable	—	18,750
Increase (decrease) in deferred revenue	354	(7,902)
Decrease in contributions receivable	69,769	31,606
Net cash (used in) provided by operating activities	(16,992)	75,711
Cash flows from investing activities:		
Purchases of property and equipment	(40,000)	(60,237)
Purchases of investments	(51,177)	(43,667)
Proceeds from sales and maturities of investments	120,369	37,171
Net cash provided by (used in) investing activities	29,192	(66,733)
Net increase in cash	12,200	8,978
Cash and cash equivalents at beginning of year	118,913	109,935
Cash and cash equivalents at end of year	\$ 131,113	118,913

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2008

(1) Significant Accounting Policies

Description of the Entity

WDAV-FM Radio is a public telecommunication entity operated as a department of the Trustees of Davidson College (Davidson College). The entity is a 100,000 watt classical music/fine arts station in the Greater Charlotte area.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets and revenues, expenses and gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WDAV-FM Radio and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of WDAV-FM Radio and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by WDAV-FM Radio. Generally, the donors of these assets permit WDAV-FM Radio to use all of, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

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 reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net assets class.

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Income and realized and unrealized gains (losses) on investments of endowment are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases (decreases) in unrestricted net assets in all other cases.

Cash and Cash Equivalents

Cash and cash equivalents include interest bearing checking and money market accounts and short-term investments with an original maturity of three months or less.

Investments

Investments are recorded at estimated fair value. In the case of certain less marketable investments, principally real estate and private investments, value is established based on either external events which substantiate a change in fair value or a reasonable methodology that exists to capture and quantify changes in fair value. In some instances, those changes in fair value may require use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for the investments existed. The estimated values, provided primarily by investment managers, are reviewed and evaluated by Davidson College personnel.

The investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the WDAV-FM Radio financial statements.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is recorded using the straight-line method over the estimated useful life of each asset. Estimated useful life for each asset class is as follows: building – 50 years; land improvements – 10 years; transmission, antenna and tower equipment – 20 years; and studio and broadcast equipment – 5-20 years.

Donated Facilities and Administrative Support

Administrative support from the College consists of allocated costs and expenses incurred on behalf of WDAV-FM Radio, and is recorded as revenue and expenses in the statement of activities.

Prior Year Comparative Information

The statement of activities includes certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with

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June 30, 2008

accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2007, from which the information was derived.

Use of Estimates

Management of WDAV-FM Radio has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(2) Contributions Receivable

Contributions receivable, net, are summarized as follows at June 30, 2008:

	<u>2008</u>	<u>2007</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 188,868	253,255
One year to five years	17,599	25,156
More than 5 years	21,084	23,532
	<u>227,551</u>	<u>301,943</u>
Less:		
Allowance for uncollectible contributions receivable	(3,643)	(5,656)
Unamortized discount (discount rates ranging from 3.5% to 6.25%)	(6,671)	(9,281)
	<u>\$ 217,237</u>	<u>287,006</u>

(3) Investments

At June 30, 2008, WDAV-FM Radio had 5,912.42 units in the pooled endowment funds of Davidson College with a market value of \$511.52 per unit. At June 30, 2007, WDAV-FM Radio had 6,053.11 units in the pooled endowment funds of Davidson College with a market value of \$518.41 per unit. Cost of investments at June 30, 2008 and 2007 totaled \$1,948,863 and \$2,011,559, respectively. Investment fees of \$12,434 and \$10,951 were allocated to WDAV-FM Radio for the years ended June 30, 2008 and 2007, respectively.

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(4) Income Taxes

WDAV-FM Radio is operated by Davidson College, a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and is generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the financial statements.

(5) Restrictions and Limitations on Net Assets Balances

Temporarily restricted net assets consist of outstanding pledges available for operational support.

Permanently restricted net assets consist of endowment funds held in perpetuity. The income from these investments in perpetuity is available for operations.

(6) Benefit Plans

WDAV-FM Radio's employees are eligible to participate in Davidson College's defined contribution retirement plan. In addition, Davidson College provides postretirement health care benefits to its retired employees.

It is not possible to present separately the employer contributions under the defined contribution retirement plan or to present separately the net postretirement benefit cost or the actuarially determined accumulated benefit obligation for WDAV-FM Radio for the postretirement health care benefits because no determination has been made of the allocation of such amounts between Davidson College and WDAV-FM Radio.