

GASTON COLLEGE - WSGE-FM  
(A component unit of Gaston College, Inc.)

FINANCIAL REPORT

June 30, 2011

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McCANNON • ROGERS • DRISCOLL  
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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ANN DAWSON, CPA  
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INDEPENDENT AUDITOR'S REPORT

August 31, 2011

Board of Trustees  
Gaston College - WSGE-FM  
Dallas, North Carolina

We have audited the accompanying statements of net assets of Gaston College - WSGE-FM (a blended component of Gaston College) as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards for financial audits contained in the *Financial Reporting Guidelines* for preparing the Annual Financial Report (AFR) & Financial Summary Report (FSR) as published by the Corporation for Public Broadcasting. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audits provide 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 Gaston College - WSGE-FM as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years 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 August 31, 2011, on our consideration of Gaston College - WSGE-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

*McCannon, Rogers, Driscoll & Associates, L.L.P.*

WSGE 91.7 FM Radio Station of Gaston College  
(A unit of the Gaston College Foundation)

This section of the WSGE 91.7FM financial report represents our discussion and analysis of the financial performance of the Radio Station for the years ended June 30, 2011 and June 30, 2010. This information should be read in conjunction with the audited financial statements included in this report.

**Nature of Activities**

WSGE began broadcasting on October 27, 1980 on the assigned frequency 91.7FM. The mission of WSGE is to provide distinctive music and information programming designed to stimulate, educate, and entertain. WSGE serves the public's interest, while advancing the educational goals of Gaston College by providing a unique alternative to commercial broadcasting in Gaston, Lincoln, and surrounding counties.

The Radio Station receives funding from several sources. Gaston College provides financial support directly to the Radio Station. WSGE also receives gifts and holds membership drives to raise funds needed to support operations. The funds raised are held by the Gaston College Foundation, Inc. which is a legally separate nonprofit organization incorporated on December 26, 1980. The Radio Station also received an operating grant from the Corporation for Public Broadcasting for the first time in 2011.

**Financial Highlights:**

- WSGE received funding from the North Carolina Legislature for the years 2002 through 2009.
- When State funding was cut in 2010, the Station applied for a grant from the Corporation of Public Broadcasting. WSGE received a grant from the Corporation of Public Broadcasting for the first time in 2011.
- Fundraising has increased 151% since 2009. The Station holds membership drives twice a year to raise needed funds. The Station raised a total of \$68,618 in 2009; a total of \$113,516 in 2010; and a total of \$172,141 in 2011 by accepting gifts from the public sector and underwriting agreements from the business sector.

**Overview of the Financial Statements**

The audited financial statements of WSGE 91.7FM consist of 3 components:

- Management's Discussion and Analysis
- Basic Financial Statements
- Additional Information Required by the Corporation for Public Broadcasting

The basic financial statements are prepared using accrual basis of accounting. They consist of 3 statements. The first statement is the **Statement of Net Assets**. This statement provides a summary of the Station's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the **Statement of Revenues, Expenses, and Changes in Net Assets**. This statement is used in evaluating whether the Station has recovered its costs through revenues. This information can be used in determining credit worthiness.

The final required statement is the **Statement of Cash Flows**. This statement reports cash inflows and outflows in the following categories: operating, investing, and financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

The notes to the financial statement provide more detail information and should be read in conjunction with the statements.

The Corporation of Public Broadcasting requires information in addition to that required by accounting principles generally accepted in the United States of America. The Station must submit a Financial Statement Report to the Corporation of Public Broadcasting by November 1<sup>st</sup> of each year.

GASTON COLLEGE - WSGE-FM

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 449,131	\$ 277,740
Property and equipment, net	<u>18,239</u>	<u>-</u>
Total assets	<u>\$ 467,370</u>	<u>\$ 277,740</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 227
Unearned revenue	<u>42,075</u>	<u>-</u>
Total liabilities	42,075	227
<b>NET ASSETS</b>		
Unrestricted	<u>425,295</u>	<u>277,513</u>
Total liabilities and net assets	<u>\$ 467,370</u>	<u>\$ 277,740</u>

See notes to financial statements.

GASTON COLLEGE - WSGE-FM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Operating revenues	\$ -	\$ -
Expenses		
Operating expenses		
Salaries and wages	155,676	103,316
Payroll taxes	11,348	7,570
Retirement	11,928	8,284
Group Insurance	11,834	9,103
Office Supplies	821	3,684
Telecommunications data charges	1,562	709
Freight	404	-
Receptions and dinners	179	165
Printing	3,853	2,581
Dues and memberships	4,599	-
Rent	48,000	44,000
Fundraising	12,669	3,583
Repairs and maintenance	1,285	-
Recognition	1,087	758
Bank service charges	5,159	1,576
Miscellaneous	2,124	10,330
Depreciation	2,027	-
Small equipment	6,259	10,807
Advertising	3,357	145
Supplies	1,736	-
Contracted services	60,686	43,832
Travel	360	330
Total operating expenses	<u>346,953</u>	<u>250,773</u>
Operating loss	(346,953)	(250,773)
Nonoperating revenues		
Noncapital gifts	171,990	113,516
State funding	244,121	160,398
County funding	48,000	44,000
Grants received	27,801	-
Investment income	2,823	3,454
Total nonoperating revenues	<u>494,735</u>	<u>321,368</u>
Nonoperating expenses	<u>-</u>	<u>-</u>
Nonoperating income	<u>494,735</u>	<u>321,368</u>
Change in net assets	147,782	70,595
Net assets at the beginning of year	<u>277,513</u>	<u>206,918</u>
Net assets at the end of year	<u>\$ 425,295</u>	<u>\$ 277,513</u>

See notes to financial statements.

GASTON COLLEGE - WSGE-FM  
 STATEMENTS OF CASH FLOWS  
 Years Ended June 30, 2011 and 2010

	2011	2010
NET CASH FLOWS USED IN OPERATING ACTIVITIES,		
Payments to vendors and suppliers	\$ (345,153)	\$ (250,546)
CASH FLOWS FROM NONCAPITAL ACTIVITIES		
Noncapital gifts received	171,990	113,516
State funding	244,121	160,398
County funding	48,000	44,000
Grants received	69,876	-
Net cash provided by noncapital activities	533,987	317,914
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,823	3,454
Purchase of equipment	(20,266)	-
Net cash provided by (used in) investing activities	(17,443)	3,454
Net increase in cash and cash equivalents	171,391	70,822
Cash and cash equivalents:		
Beginning	277,740	206,918
Ending	\$ 449,131	\$ 277,740
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (346,953)	\$ (250,773)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,027	-
Changes in assets and liabilities:		
Accounts payable	(227)	227
Net cash used in operating activities	\$ (345,153)	\$ (250,546)

See notes to financial statements.

GASTON COLLEGE - WSGE-FM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

WSGE began broadcasting on October 27, 1980 on the assigned frequency 91.7FM. The mission of WSGE is to provide distinctive music and information programming designed to stimulate, educate, and entertain. WSGE serves the public's interest, while advancing the educational goals of Gaston College by providing a unique alternative to commercial broadcasting in Gaston, Lincoln, and surrounding counties.

The Radio Station receives funding from several sources. Gaston College provides financial support directly to the Radio Station. WSGE also receives gifts and holds membership drives to raise funds needed to support operations. The funds raised are held by the Gaston College Foundation, Inc. which is a legally separate nonprofit organization incorporated on December 26, 1980. The Radio Station also received an operating grant from the Corporation for Public Broadcasting for the first time in 2011.

A summary of the Station's significant accounting policies follows:

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. Gaston College - WSGE-FM is a component unit of Gaston College and is included in the financial statements of the College as a blended component unit.

The Station is considered a blended component unit of the College because of the appointment of its Board of Trustees by the College and the exclusive benefits and services provided to the college by the relationship.

Basis of Presentation

The accompanying financial statements are presented in a manner similar to the presentation of financial statements and transactions of the College. Therefore, the accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Consistent with the financial reporting requirements of Gaston College, the Station follows the provisions of GASB Statement No. 34, as amended by GASB Statement No. 35. The full scope of the Station's activities is considered to be a single business-type activity (BTA) and, accordingly, is reported within a single column in the basic financial statement.

GASTON COLLEGE - WSGE-FM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Note A - Nature of Activities and Summary of Significant Accounting Policies - Continued

Basis of Accounting

The accompanying financial statements were prepared in accordance with the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants, pledges, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the WSGE-FM does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

Cash and Cash Equivalents

The Station does not maintain bank accounts in its own name but has a share of the Gaston College, Inc.'s accounts. This includes cash on deposit with private banks as well as short-term investments with the State Treasurer's Cash and Investment Pool (a government external investment pool).

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed by the straight-line method over the estimated and useful lives of 5 years.

Additions are charged to the property accounts while maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any profit or loss on disposition is credited or charged to earnings.

Donations of furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Station reclassifies temporarily restricted net assets to unrestricted net assets at that time.

GASTON COLLEGE - WSGE-FM

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011

Note A - Nature of Activities and Summary of Significant Accounting Policies - Continued

Net Assets

The Station's net assets are classified as follows:

Unrestricted Net Assets

Unrestricted net assets include resources derived from unrestricted gifts and interest income.

Use of Estimates in Preparation of Financial Statements

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 disclosure of contingent assets and liabilities 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.

Revenue and Expense Recognition

The Station presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB Settlement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the Station. Revenues from non-exchange transactions and subsidies or gifts to the Station, as well as investment income or (loss) are considered non-operating in nature. Operating expenses are all expense transactions incurred other than those related to capital or non-capital financing or investing activities.

Income Tax Status

The College is organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. In addition, the State of North Carolina has granted the Station tax-exempt status.

The College has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2011. The College has tax years 2007, 2008 and 2009 subject to examination by the Internal Revenue Service.

GASTON COLLEGE - WSGE-FM

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2011

Note B - Property and Equipment

Property and equipment at June 30, 2011 are composed of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 20,266	\$ 2,027	\$ 18,239

Note C - Retirement Plans

Each permanent, full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2011, these rates were set at 10.51 of covered payroll for employers and 6% of covered payroll for members. Costs paid by the college amounted to \$11,928 and \$8,284 for the year ended June 30, 2011 and 2010 respectively.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of the college. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College.

Note D - Rent and County Funding

The Station receives funding from Gaston County for the rent of its communications tower. Rent is \$4,000 per month through August 2012. Beginning September 2012 and annually thereafter, the rent increases 3% annually. Total rent expense was \$48,000 and \$44,000 for the years ended June 30, 2011 and 2010, respectively. The lease expires February 28, 2015.

Remaining minimum rental payments due on the lease are as follows:

2012	\$ 48,000
2013	49,200
2014	50,676
2015	<u>34,713</u>
	<u>\$ 182,589</u>

GASTON COLLEGE - WSGE-FM  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2011

Note E - Subsequent Events

The Station has evaluated subsequent events through August 31, 2011, the date on which the financial statements were available to be issued.