



**Dylewsky, Goldberg & Brenner, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

30 Oak Street, Stamford, Connecticut 06905-5522

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sacred Heart University

We have audited the accompanying statement of financial position of the WSHU-FM ("WSHU"), a Public Telecommunications Entity Owned and Operated by Sacred Heart University as of June 30, 2004, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Sacred Heart University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WSHU, as of June 30, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Dylewsky, Goldberg & Brenner, LLC*

Dylewsky, Goldberg & Brenner, LLC

January 11, 2005

**WSHU-FM**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**OWNED AND OPERATED BY SACRED HEART UNIVERSITY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2004**

**ASSETS**

Contributions receivable, net of allowance for doubtful accounts of \$46,341	\$ 218,269
Equipment, furniture and broadcast rights, net of accumulated depreciation and amortization of \$1,419,449	<u>298,971</u>
	<u>\$ 517,240</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>	
Due to Sacred Heart University	<u>\$ 28,248</u>
 <b>Net Assets</b>	
Unrestricted	478,992
Temporarily restricted	<u>10,000</u>
Total Net Assets	<u>488,992</u>
	<u>\$ 517,240</u>

See accompanying notes to financial statements.

**WSHU-FM**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2004**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>Support and Revenue</b>			
Membership contributions	\$ 1,701,191	\$ -	\$ 1,701,191
Business industry grants	1,040,176	-	1,040,176
Grants from the Corporation for Public Broadcasting	194,289	74,067	268,356
Donated facilities and administrative support			
from Sacred Heart University	-	223,878	223,878
Foundation grants	109,300	15,000	124,300
Public broadcasting income - non CPB	43,114	-	43,114
Donated services	-	20,638	20,638
Special event income	38,082	-	38,082
Special event expense	(20,265)	-	(20,265)
Net assets released from restrictions	<u>338,632</u>	<u>(338,632)</u>	<u>-</u>
Total Support and Revenue	<u>3,444,519</u>	<u>(5,049)</u>	<u>3,439,470</u>
<b>Expenses</b>			
<b>Programs</b>			
Programming and production	1,370,324	-	1,370,324
Broadcasting	345,407	-	345,407
Program information	<u>30,494</u>	<u>-</u>	<u>30,494</u>
Total Programs	<u>1,746,225</u>	<u>-</u>	<u>1,746,225</u>
<b>Supporting Services</b>			
Management and general	505,824	-	505,824
Membership and fundraising	<u>1,067,060</u>	<u>-</u>	<u>1,067,060</u>
Total Supporting Services	<u>1,572,884</u>	<u>-</u>	<u>1,572,884</u>
Total expenses	<u>3,319,109</u>	<u>-</u>	<u>3,319,109</u>
<b><u>CHANGES IN NET ASSETS</u></b>	<u>125,410</u>	<u>(5,049)</u>	<u>120,361</u>
Net assets - beginning of year	(266,851)	15,049	(251,802)
Recapitalization to net assets	<u>620,433</u>	<u>-</u>	<u>620,433</u>
Net assets - beginning of year, as restated	<u>353,582</u>	<u>15,049</u>	<u>368,631</u>
Net assets - end of year	<u>\$ 478,992</u>	<u>\$ 10,000</u>	<u>\$ 488,992</u>

See accompanying notes to financial statements.

**WSHU-FM RADIO**  
**STATEMENT OF CASH FLOWS**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**OWNED AND OPERATED BY SACRED HEART UNIVERSITY**  
**JUNE 30, 2004**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in Net Assets	\$ 120,361
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	96,624
Changes in Operating Assets and Liabilities:	
Contributions receivable	45,026
Allowance for doubtful accounts	<u>(5,546)</u>
Total Adjustments	<u>136,104</u>
Net Cash Provided by Operating Activities	<u>256,465</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of equipment, furniture and broadcast rights	<u>(15,597)</u>
Net Cash Used by Investing Activities	<u>(15,597)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Borrowing from Sacred Heart University	<u>(240,868)</u>
Net Cash Used by Financing Activities	<u>(240,868)</u>
<b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u></b>	<b>-</b>
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**WSHU-FM**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose**

WSHU-FM Radio (“WSHU”) is a public telecommunications entity owned and operated by Sacred Heart University (the “University” or “Sacred Heart”). WSHU began broadcasting in June 1964 as a non-commercial, educational station. The assets, change in net assets, and cash flows of WSHU are clearly distinguished from those of the University. In May 1984, WSHU was accredited by the Corporation for Public Broadcasting and declared eligible for funding under the Community Service Grant Program. WSHU is also a member of the National Association of Broadcasters and the Connecticut Broadcasters Association. These affiliations and satellite interconnections allowed expanded broadcasting of fine arts and news information programs. WSHU operates WSHU-FM, WSUF-FM, and WSHU-AM with effective radiated power of 20,000, 12,500, and 1,000 watts, respectively.

In April 1991, WSHU and Suffolk Community College (the “College”) became party to a cooperative agreement in which the College allows WSHU to use office and studio space at their Ammerman Campus in Seldon, New York to produce Long Island shows for WSHU. In return, WSHU provides educational internships to College students and professional supervision for their production projects. The fair value of this agreement is not readily determinable and not reflected in the financial statements as revenues or expenses.

WSHU is supported by contributions from individuals (60%), corporate donations (21%), and grants, government and other miscellaneous support (10%). The University has the ability and intent to provide financial support of WSHU operations, if necessary, through the 2005 fiscal year.

**Accounting Basis**

WSHU’s financial statements are presented on the accrual basis of accounting and in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, WSHU is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. WSHU follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, under which contributions are recognized as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions

*Contributions:* All contributions are recognized as unrestricted support unless their use is specifically restricted by the donor. When a donor restriction expires, the stipulated time restriction ends, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Amounts received that are

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

designated for future periods or restricted by the donor for specific purposes are recognized as temporarily restricted or permanently restricted support that increases those net asset classes.

However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization recognizes the support as unrestricted. The Organization has no permanently restricted net assets.

*Promises to give:* Unconditional promises to give (including multi-year promises) are recognized as revenue in the period received and recorded as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*Non-cash contributions:* WSHU receives a substantial amount of volunteer services in carrying out its programs and activities. Volunteers perform various administrative and fundraising functions. However, no amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. In-kind contributions are measured at the fair value of the asset transferred to WSHU or the liability cancelled or settled.

**Contributions Receivable**

Contributions receivable are recorded when pledges for individual and corporate support are made and when underwriting and other charges for services are billed.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts evaluated by management on an annual basis based on historical performance levels of the varying types of contributions-matching gifts, corporate underwriting, and individual memberships. The allowance is increased as necessary by recording an estimate of bad debt expense in each period. Amounts determined to be uncollectible during the year are written off against the existing allowance.

**Equipment, Furniture and Broadcasting Rights**

Equipment, furniture and broadcasting rights are carried at cost, if purchased, or at fair values on dates donated, if contributed. WSHU reports gifts of 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 are reported as restricted support. Absent explicit donor stipulations about how long those donated assets must be

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**JUNE 30, 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

maintained, WSHU reports expirations of donor restrictions when the donated or acquired long-lived assets replaced in service.

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the related assets. Equipment and furniture are depreciated over seven years; broadcasting rights are amortized over ten years. WSHU capitalizes equipment costing greater than \$500 and estimated to last greater than three years. Repairs and maintenance to existing facilities are charged as expenses as incurred. Minor replacements are charged to expenses as incurred.

**Use of Estimates**

The preparation of financial statements in conformity with general accepted accounting principles 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. WSHU's management regularly assesses these estimates and while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

**NOTE 2 DUE TO SACRED HEART UNIVERSITY**

The University pays all expenditures and collects all revenues earned by WSHU. Advances to WSHU are made by the University, as necessary. WSHU reduces the liability to the University when revenue is collected. During 2004, in agreement with the University, \$620,434 of amounts previously due to the University were recapitalized as net assets. The amount due to the University for the fiscal year ended June 30, 2004 of \$28,248 is included in the accompanying statement of financial position and the amount recapitalized is included in the Statement of Activities.

**NOTE 3 CONTRIBUTED SERVICES AND FACILITIES**

Sacred Heart University donates certain office, broadcasting, and production facilities to WSHU and provides security, plant maintenance, utilities, and administrative support. The fair value of the donated facilities and services provided by the University for the fiscal year ended June 30, 2004 was \$223,878 and is included in revenues and expenses in the accompanying statement of activities.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 3 CONTRIBUTED SERVICES AND FACILITIES (continued)**

WSHU receives certain donated programming the value of which has not been recorded because it is not readily determinable. In addition, certain donated services provided by volunteers in connection with fundraising have not been recorded because it does not meet the recognition criteria.

**NOTE 4 EQUIPMENT, FURNITURE AND BROADCASTING RIGHTS**

Equipment, furniture and broadcasting rights as of June 30, 2004 were comprised of the following:

Equipment	\$ 1,115,687
Broadcasting rights	555,608
Furniture	32,080
Software	<u>15,045</u>
	1,718,420
Accumulated depreciation and amortization	<u>(1,419,449)</u>
Equipment, furniture and broadcasting rights, net	\$ <u>298,971</u>

**NOTE 5 COMMITMENTS**

WSHU maintains antenna site lease agreements in various locations in Connecticut and Long Island, New York to support its broadcasting operations. The lengths of the leases vary and are subject to renewal based on the terms in the specific lease agreements. Rent expense for the year ended June 30, 2004 is \$142,268.

Minimum lease payments are as follows for the years ended June 30:

2005	\$ 94,199
2006	63,452
2007	422

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 INCOME TAXES**

WSHU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal taxes on income other than unrelated business income, as defined by Section 512 of the Internal Revenue Code, as amended. Contributions made to WSHU qualify for the maximum deduction allowable under the United States Internal Revenue Code.