

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
FINANCIAL STATEMENTS
JUNE 30, 2005

DYLEWSKY, GOLDBERG & BRENNER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

WSHU-FM
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Dylewsky, Goldberg & Brenner, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2005, 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, 2005, 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

November 16, 2005

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

ASSETS

Current Assets

Contributions receivable, net of allowance for doubtful accounts of \$55,204	\$ 223,347
Prepaid assets	4,480
Total Current Assets	227,827
 Due from Sacred Heart University	 225,031
 Equipment and furniture , net of accumulated depreciation of \$1,068,518	 152,688
 Broadcasting rights , net of accumulated amortization of \$513,943	 41,665
	 \$ 647,211

LIABILITIES AND NET ASSETS

Current Liabilities

Deferred income	\$ 12,500
Refundable advance	20,000
Total Current Liabilities	32,500

Net Assets

Unrestricted	614,711
Temporarily restricted	-
Total Net Assets	614,711
	 \$ 647,211

See accompanying notes to financial statements.

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Support and Revenue			
Membership contributions	\$ 1,727,588	\$ -	\$ 1,727,588
Business and industry grants	1,130,265	-	1,130,265
Grants from the Corporation for Public Broadcasting	205,837	71,984	277,821
Donated facilities and administrative support from Sacred Heart University	-	234,996	234,996
Foundation grants	147,500	-	147,500
Public broadcasting income - Non CPB	45,089	-	45,089
Donated services	-	31,697	31,697
Special event income	59,750	-	59,750
Special event expense	(38,512)	-	(38,512)
Net assets released from restrictions	<u>348,677</u>	<u>(348,677)</u>	<u>-</u>
Total Support and Revenue	<u>3,626,194</u>	<u>(10,000)</u>	<u>3,616,194</u>
Expenses			
Programs			
Programming and production	1,359,717	-	1,359,717
Broadcasting	413,406	-	413,406
Program information	<u>37,350</u>	<u>-</u>	<u>37,350</u>
Total Programs	<u>1,810,473</u>	<u>-</u>	<u>1,810,473</u>
Supporting Services			
Management and general	539,591	-	539,591
Membership and fundraising	<u>1,053,239</u>	<u>-</u>	<u>1,053,239</u>
Total Supporting Services	<u>1,592,830</u>	<u>-</u>	<u>1,592,830</u>
Total expenses	<u>3,403,303</u>	<u>-</u>	<u>3,403,303</u>
<u>CHANGES IN NET ASSETS</u>	<u>222,891</u>	<u>(10,000)</u>	<u>212,891</u>
Net assets - beginning of year	478,992	10,000	488,992
Prior period adjustment	<u>(87,172)</u>	<u>-</u>	<u>(87,172)</u>
Net assets - beginning of year, as restated	<u>391,820</u>	<u>10,000</u>	<u>401,820</u>
Net assets - end of year	<u>\$ 614,711</u>	<u>\$ -</u>	<u>\$ 614,711</u>

See accompanying notes to financial statements.

WSHU-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	<u>\$ 212,891</u>
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	75,840
Changes in Operating Assets and Liabilities:	
Contributions receivable	(13,941)
Allowance for doubtful accounts	8,863
Prepaid Expenses	(4,480)
Deferred income	12,500
Refundable advance	<u>20,000</u>
Total Adjustments	<u>98,782</u>
 Net Cash Provided by Operating Activities	 <u>311,673</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment, furniture and broadcast rights	<u>(58,394)</u>
 Net Cash Used by Investing Activities	 <u>(58,394)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments to Sacred Heart University	<u>(253,279)</u>
 Net Cash Used by Financing Activities	 <u>(253,279)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

	-
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
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 WSHU-FM

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%). WSHU receives approximately 7% of its total support and revenue from the Corporation for Public Broadcasting. The University has the ability and intent to provide financial support of WSHU operations, if necessary, through the 2005 fiscal year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 designated for future periods or restricted by the donor

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation and amortization are 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 3 DUE FROM 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. The amount due from the University for the fiscal year ended June 30, 2005 of \$225,031 is included in the accompanying statement of financial position.

NOTE 4 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, 2005 was \$234,996 and is included in revenues and expenses in the accompanying statement of activities. In addition, WSHU received in-kind contributions for various services amounting to \$31,697 for the year ended June 30, 2005.

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 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 they do not meet the recognition criteria.

NOTE 5 EQUIPMENT, FURNITURE AND BROADCASTING RIGHTS

Equipment, furniture and broadcasting rights as of June 30, 2005 were comprised of the following:

Equipment	\$ 1,174,081
Furniture	32,080
Software	<u>15,045</u>
	1,221,206
Accumulated depreciation	<u>(1,068,518)</u>
Equipment and furniture, net	\$ <u>152,688</u>
Broadcasting rights	\$ 555,608
Accumulated amortization	<u>(513,943)</u>
Broadcasting rights, net	\$ <u>41,665</u>

NOTE 6 DEFERRED INCOME

During the year, deposits were made for a trip to France for patron members in September 2005. Revenue on those deposits is recorded as deferred income as of June 30, 2005.

NOTE 7 REFUNDABLE ADVANCE

During June 2005, WSHU received payment of a challenge grant for a fundraising drive occurring subsequent to the end of the fiscal year.

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 COMMITMENTS

WSHU maintains antenna site operating 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, 2005 is \$176,203.

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

2006	\$ 131,522
2007	51,805
2008	50,961
2009	50,961
2010	50,961

NOTE 9 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.

OTHER FINANCIAL INFORMATION



Dylewsky, Goldberg & Brenner, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sacred Heart University

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of WSHU-FM, a public telecommunications entity owned and operated by Sacred Heart University for the year ended June 30, 2005 and have issued our report thereon dated November 16, 2005. We have also audited the accompanying Schedule of Non Federal Financial Support Schedule for the year ended June 30, 2005 pursuant to the Public Telecommunications Financial Act of 1978. This schedule is the responsibility of the management of WSHU-FM Radio. Our responsibility is to express an opinion on this schedule 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.

The attached schedule was prepared for the purpose of complying with the criteria for revenue established in the Corporation for Public Broadcasting's Fiscal Year 2005 Annual Financial Report Handbook of Instructions, and is not intended to be a complete presentation of WSHU-FM's revenue and support.

In our opinion, the aforementioned schedule presents fairly, in all material respects, the Non Federal financial support of WSHU-FM, a public telecommunications entity owned and operated by Sacred Heart University for the year ended June 30, 2005, and, as defined by the Communications Act of 1934, as amended; and adheres to the appropriate source, form, purpose, and recipient criteria as described in the Corporation for Public Broadcasting's Fiscal Year 2005 Annual Financial Report Handbook of Instructions and includes only amounts that are also included in Sacred Heart University's financial statements for the year ended June 30, 2005.

This report is intended solely for the information and use of the management of WSHU-FM, a public telecommunications entity owned and operated by Sacred Heart University and for filing with the Corporation of Public Broadcasting and should not be used for any other purpose.

Dylewsky, Goldberg & Brenner, LLC

Dylewsky, Goldberg & Brenner, LLC

November 16, 2005

WSHU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY SACRED HEART UNIVERSITY
SCHEDULE OF NON FEDERAL FINANCIAL SUPPORT
YEAR ENDED JUNE 30, 2005

Direct revenues

Membership contributions	\$ 1,727,588
Business and industry grants	1,130,265
Foundation grants	<u>147,500</u>
	<u>3,005,353</u>
Donated facilities - Sacred Heart University	234,996
Other donated services	31,697
Special event income	59,750
Special event expense	<u>(38,512)</u>
	<u>287,931</u>
Total Nonfederal Financial Support	<u><u>\$ 3,293,284</u></u>

Revenues

Membership contributions	\$ 1,727,588
Business and industry grants	1,130,265
Grants from the Corporation for Public Broadcasting	277,821
Donated facilities and administrative support from Sacred Heart University	234,996
Foundation grants	147,500
Public broadcasting income - non CPB	45,089
Donated services	31,697
Special event income	59,750
Special event expense	<u>(38,512)</u>
	<u>3,616,194</u>
Total Unrestricted Revenues	<u><u>\$ 3,616,194</u></u>

See accompanying notes to financial statements.