

WFDD-FM RADIO
(A Public Telecommunications Entity Operated by Wake Forest University)

Financial Statements
June 30, 2003 and 2002

(With Independent Auditors' Report Thereon)

KPMG

Suite 700
301 N. Elm Street
Greensboro, NC 27401

Independent Auditors' Report

The Board of Trustees
Wake Forest University:

We have audited the accompanying statements of financial position of WFDD-FM Radio, a public telecommunications entity operated by Wake Forest University (WFDD), as of June 30, 2003 and 2002 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of WFDD. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 WFDD as of June 30, 2003 and 2002, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KMPG LLP

September 12, 2003

WFDD-FM RADIO
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Statements of Financial Position
June 30, 2003 and 2002

Assets	2003	2002
Cash	\$ 486,113	486,113
Accounts receivable (net of allowance for doubtful accounts of \$19,863 and \$18,102 at June 30, 2003 and 2002, respectively)	46,900	42,238
Contributions receivable (net of allowance for doubtful accounts of \$6,027 and \$6,532 at June 30, 2003 and 2002, respectively)	14,065	15,242
Property and equipment (note 4):		
Land	144,200	144,200
Studio improvements	754,099	754,099
Transmission, antenna and tower equipment	232,107	232,107
Office equipment	13,829	13,829
Record library	22,297	22,297
Total property and equipment	1,424,053	1,424,053
Less accumulated depreciation	(919,566)	(899,200)
Net property and equipment	504,487	524,853
Total assets	\$ 1,051,565	1,051,565
Liabilities and Net Assets		
Accounts payable and accruals	\$ 25,694	5,762
Other liabilities	2,556	-
Deferred revenue (note 2)	32,844	31,385
Note payable (note 4)	13,042	31,449
Due to Wake Forest University (note 5)	101,142	101,142
Total liabilities	175,278	169,738
Net assets -		
Unrestricted	876,287	898,708
Total liabilities and net assets	\$ 1,051,565	1,068,446

See accompanying notes to financial statements

2

WFDD-FM RADIO
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Statements of Activities
Years ended June 30, 2003 and 2002

Assets	2003	2002
Revenues:		
General appropriation from Wake Forest University	\$ 134,888	127,177
Underwriting	433,063	367,529
Contributions and fund-raising projects	488,804	487,992
Donated personal services of volunteers	8,119	9,030
Donated facilities and administrative support from Wake Forest University	353,476	176,524
Community service grants from the Corporation for Public Broadcasting (note 2)	129,911	126,168
In-kind contributions	94,738	63,015
Other income	4,500	7,830
Total revenues	1,647,499	1,365,265
Expenses:		
Program services:		
Programming and production	1,034,711	786,119
Broadcasting	208,070	199,703
Supporting services:		
Fund-raising	148,102	123,498
Management and general	144,028	134,958
Underwriting grant solicitation	135,009	112,302
Total expenses	1,669,920	1,356,580
Change in net assets	(22,421)	8,685
Net assets at beginning of year	898,708	890,023
Net assets at end of year	\$ 876,287	898,708

See accompanying notes to financial statements.

3

WFDD-FM RADIO
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Statements of Cash Flows
Years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Change in net assets	\$ (22,421)	8,685
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	20,366	44,729
Change in assets or liabilities:		
Accounts receivable	(4,662)	(42,238)
Contributions receivable	1,177	13,334
Accounts payable and accruals	19,932	(6,714)
Other liabilities	2,556	-
Deferred revenue	1,459	(631)
Net cash provided by operating activities	18,407	17,165
Cash flows from financing activities:		
Repayments of note payable	(18,407)	(17,165)
Net cash used in financing activities	(18,407)	(17,165)
Net change in cash	-	-
Cash at beginning of year	486,113	486,113
Cash at end of year	\$ 486,113	\$ 486,113
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 8,283	\$ 9,524

See accompanying notes to financial statements.

4

WFDD-FM RADIO
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Notes to Financial Statements
June 30, 2003 and 2002

(1) Significant Accounting Policies

(a) Description of Entity

WFDD is a public telecommunications entity operated by Wake Forest University. The entity operates a classical music/fine arts radio station in the Greater Winston-Salem area.

(b) Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. WFDD's net assets are not subject to donor-imposed stipulations and have been classified as unrestricted in the accompanying financial statements.

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, this 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 restriction, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgement including such factors as prior collection history, type of contribution and nature of fund-raising activity.

(c) Revenue Recognition

Contributions and grants that are unrestricted are recorded as revenue in the statements of activities when received. Grants from the Corporation for Public Broadcasting are considered to be exchange transactions and, accordingly, are recorded as deferred revenue and recognized as revenue over the period stipulated by the grantor (see note 2).

(d) Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at the estimated fair value at date of receipt. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful life for studio improvements and the estimated useful lives for other equipment ranges between 5 and 40 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

(e) In-Kind Contributions

In-kind contributions are recorded as revenue and expense in the statements of activities at estimated fair value.

5

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Notes to Financial Statements
June 30, 2003 and 2002

(f) Donated Facilities and Administrative Support

Donated facilities from Wake Forest University (the University) consist of office and studio space together with related occupancy costs and are recorded in revenues and expenses at estimated fair rental values. Administrative support from the University consists of costs and expenses incurred on behalf on the station.

(g) Functional Expense Classification

In accordance with not-for-profit accounting standards, expenses are reported in the statements of activities in functional categories. WFDD's primary program services are broadcasting and programming and production. Expenses reported as fund-raising, management and general, and underwriting and solicitation are incurred in support of the primary program services.

(h) Use of Estimates

Management of WFDD 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) Deferred Revenue

Changes in deferred revenue consist of the following at June 30:

	2003	2002
Balance at beginning of year	\$ 31,385	32,016
Additions:		
Grant by the Corporation for Public Broadcasting	131,370	125,537
Deductions:		
Grants recognized as revenue	(129,911)	(126,168)
Balance at end of year	\$ 32,844	31,385

Deferred revenue consists of approximately twenty-five percent of the grant received from the Corporation for Public Broadcasting for the period from October 1 to September 30 of each year.

6

(Continued)

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Notes to Financial Statements
June 30, 2003 and 2002

(3) Income Taxes

WFDD-FM is operated by the University, a not-for-profit corporation, which is exempt from federal income taxes on related income under Internal Revenue Code Section 501(c)(3).

(4) Note Payable

The note payable is due in monthly installments of \$1,676, including interest at 7.0%, through March 2004, and is secured by a first deed of trust on the land with a cost of \$144,200. Interest expense was \$1,708 and \$2,949 in 2003 and 2002, respectively, which is included in management and general expense in the statements of activities. Principal maturities of the note payable are as follows: \$13,042 in 2004.

(5) Due to Wake Forest University

The amount due to the University is due on demand and bears interest at an annual rate of 6.5%. Interest expense was \$6,575 in 2003 and 2002, respectively, which is included in management and general expense in the statements of activities.

(6) Benefit Plans

WFDD's employees are eligible to participate in the University's defined contribution benefit plan. In addition, the University sponsors a defined benefit postretirement medical and dental plan that covers all of its full-time employees (including WFDD employees) who elect coverage and satisfy the plan's eligibility requirements when they retire.

It is not possible to present separately the employer contributions under the defined contribution benefit plan or to present separately the net postretirement benefit cost or the actuarially determined accumulated benefit obligation for WFDD for the postretirement medical and dental plan because no determination has been made of the allocation of such amounts between the University and WFDD.

7