

WAMU-FM

**(A noncommercial educational FM station
owned and operated by American University)**

Financial Statements

As of April 30, 2008 and 2007

And Report Thereon

Report of Independent Auditors

The Executive Committee, Board of Trustees
American University:

In our opinion, the accompanying balance sheets and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of WAMU-FM (the Station), a noncommercial educational FM station owned and operated by American University, at April 30, 2008 and 2007, 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. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

PricewaterhouseCoopers LP

July 15, 2008

WAMU-FM

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Balance Sheets**April 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 5,969,081	\$ 3,368,968
Accounts receivable; net of allowance of \$156,000 and \$130,650 as of April 30, 2008 and 2007, respectively	1,556,639	1,569,644
Prepaid expenses	42,825	28,420
Station and studio improvements and equipment, net of accumulated depreciation of \$964,391 in 2008 and \$911,980 in 2007	<u>2,088,383</u>	<u>2,213,506</u>
Total assets	<u>\$ 9,656,928</u>	<u>\$ 7,180,538</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 436,599	\$ 291,030
Deferred revenue	<u>176,290</u>	<u>180,281</u>
Total liabilities	<u>612,889</u>	<u>471,311</u>
Unrestricted net assets		
General operations	6,955,656	4,495,721
Station and studio improvements and equipment	<u>2,088,383</u>	<u>2,213,506</u>
Total net assets	<u>9,044,039</u>	<u>6,709,227</u>
Total liabilities and net assets	<u>\$ 9,656,928</u>	<u>\$ 7,180,538</u>

The accompanying notes are an integral part of these financial statements.

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Statements of Activities**Years ended April 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Unrestricted support and revenues		
Contributions	\$ 5,916,328	\$ 5,133,147
Corporate underwriting	7,224,476	6,357,908
Community service grant from CPB	507,086	508,814
National program acquisition grant from CPB	195,656	196,404
Program grants	137,066	201,396
National public radio licensing fees	203,565	181,091
Facilities and other income	173,397	294,248
Donated services from American University	297,822	304,046
Donated goods and services	316,562	275,952
Total unrestricted support and revenues	<u>14,971,958</u>	<u>13,453,006</u>
Expenses		
Program services		
Programming and production	6,430,355	5,072,436
Broadcasting	697,082	1,078,259
Public information and promotion	654,654	577,530
Total program services	<u>7,782,091</u>	<u>6,728,225</u>
Supporting services		
Management and general	1,126,081	973,439
Fund-raising and membership development	3,728,974	3,488,779
Total supporting services	<u>4,855,055</u>	<u>4,462,218</u>
Total expenses	<u>12,637,146</u>	<u>11,190,443</u>
Change in net assets	2,334,812	2,262,563
Net assets at beginning of year	6,709,227	4,446,664
Net assets at end of year	<u>\$ 9,044,039</u>	<u>\$ 6,709,227</u>

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Statements of Cash Flows**Years ended April 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ 2,334,812	\$ 2,262,563
Adjustments to reconcile increase in net assets to cash flows provided by operating activities		
Depreciation	148,811	155,064
Bad debt	25,350	70,650
Decrease (increase) in accounts receivable	(12,345)	(569,723)
Decrease (increase) in prepaid expenses	(14,405)	573,581
(Decrease) increase in accounts payable and accrued expenses	145,569	267,930
(Decrease) in deferred revenue	(3,991)	(47,240)
Net cash provided by operating activities	<u>2,623,801</u>	<u>2,712,825</u>
Cash flows from investing activities		
Purchases of property	(23,688)	(89,914)
Net cash used in investing activities	<u>(23,688)</u>	<u>(89,914)</u>
Net increase in cash and cash equivalents	2,600,113	2,622,911
Cash and cash equivalents, beginning of year	<u>3,368,968</u>	<u>746,057</u>
Cash and cash equivalents, end of year	<u>\$ 5,969,081</u>	<u>\$ 3,368,968</u>

The accompanying notes are an integral part of these financial statements.

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Notes to Financial Statements

April 30, 2008 and 2007

1. Organization

WAMU 88.5 FM (the Station or WAMU) is a 24-hour, 50,000 watt public radio station, licensed to American University (the University) since 1961. The Station serves more than 575,000 listeners in Virginia, Maryland, and the District of Columbia with news, talk programming, and traditional American music. WAMU is dependent for its continued operations on the financial support of the University.

2. Summary of Significant Accounting Policies

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Station and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the Station pursuant to those stipulations.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Station.

At April 30, 2008 and 2007, and for the years then ended, there were no transactions that resulted in temporarily or permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless restricted by time or purpose. Contributions are reported as increases in the appropriate category of net assets, except that contributions which impose restrictions that are met in the same year they are received are included in unrestricted revenues. Contributions are classified as unrestricted if their usage is not limited to specific activities of the Station by the contributor. This treatment is consistent with appeals for contributions and pledges. WAMU engages in annual fundraising campaigns, including on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to WAMU for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Expenses are reported as decreases in unrestricted net assets. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Cash

Cash and cash equivalents represent funds held by American University on behalf of the Station.

Station and Studio Improvements and Equipment

Station and studio improvements and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of receipt.

The Station depreciates station and studio improvements and equipment using the straight-line method over estimated useful lives of 50 and 5 years, respectively. Half of one year's depreciation expense is recognized in the year of acquisition.

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April 30, 2008 and 2007

Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG's) to qualifying public telecommunications entities. CSG's are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act. In any event, each CSG must be expended within two years of the initial grant authorization.

Under the Communications Act, funds may be used at the discretion of recipients. WAMU uses these funds for purposes relating primarily to production and acquisition of programming.

The CSG's are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the CSG's to maintain eligibility and compliance requirements. These guidelines pertain to the use of CSG funds, record keeping, financial reporting, and licensee status with the Federal Communications Commission.

Indirect Support from American University

WAMU-FM reimburses the University for a portion of University indirect support that includes facilities and administrative support, based on a predetermined formula, and is allocated among program and supporting services expense in the accompanying statements of activities. Facilities support from the University includes occupancy costs at estimated fair value based on market rental rates for similar tower and occupancy space usage. Administrative support from the University includes allocated services and certain other expenses incurred by the University on behalf of the Station. For the years ended April 30, 2008, and 2007, WAMU-FM reimbursed the University \$1,079,000 and \$934,000, respectively, which has been recorded as expenses that have been allocated among program and supporting services in the statements of activities.

Donated Goods and Services

Donated goods and services are recorded as revenue and expense in the accompanying statements of activities at estimated fair value. Legal services donated to the station were valued at \$14,607 and \$17,197 for the years ended April 30, 2008 and 2007, respectively. Underwriting trade agreements with businesses to provide goods and/or services in trade for underwriting credit and/or other media recognition are included in this amount.

This section also includes the portion of indirect support from the University that was donated to the Station for the years ended April 30, 2008 and 2007. The University donated amount totaled approximately \$297,822 and \$304,046, respectively for each year. Beginning with year ended April 30, 2007, WAMU began using the University's negotiated indirect cost rate as developed with the University's cognizant federal audit agency. The rate applicable to the Station in 2007 and 2008 was 13.1% and was applied to the Station's net direct expenses. This rate is subject to change in the future given negotiation with the University's cognizant federal audit agency.

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Notes to Financial Statements

April 30, 2008 and 2007

The following amounts included in expenses for the years ended April 30, 2008 and 2007 relate to donated goods and services (excluding University donated services):

	<u>2008</u>	<u>2007</u>
Programming	\$ 22,800	\$ 1,585
Public information	210,308	236,047
Fundraising	57,693	21,123
Management and general	<u>25,761</u>	<u>17,197</u>
Total donated goods and services	<u>\$ 316,562</u>	<u>\$ 275,952</u>

Functional Expenses

Costs related to facilities and administrative support and depreciation are allocated between the functional expenses based upon the number of full-time equivalent staff assigned to each function.

Income Taxes

The Station is exempt, as part of the University's exemption granted by the Internal Revenue Service, from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except on activities unrelated to its exempt purpose.

Accrual Basis

The financial statements have been prepared using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ materially, in the near term, from the amounts reported.

3. Sub-carrier Frequency Rental Agreements

The Station has two rental agreements to broadcast the lessee's programming over a sub-carrier of the Station's broadcast signal. Approximate minimum annual rental income for the remaining years of these agreements is as follows:

Years ending April 30:

2009	<u>4,000</u>
	<u>\$ 4,000</u>

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April 30, 2008 and 2007

Station, Studio Improvements, and Equipment

Station, studio improvements, and equipment and related accumulated depreciation at April 30, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 518,088	\$ 590,800
Station and studio equipment	<u>2,534,686</u>	<u>2,534,686</u>
	3,052,774	3,125,486
Accumulated depreciation	<u>(964,391)</u>	<u>(911,980)</u>
	<u>\$ 2,088,383</u>	<u>\$ 2,213,506</u>

For the years ended April 30, 2008 and 2007, depreciation expense was \$148,811 and \$155,064, respectively.

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Notes to Financial Statements
April 30, 2008 and 2007

4. Expenses

For the year ended April 30, 2008, expenses were incurred for:

	Programming and Production	Broadcasting	Public Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Total Supporting Services	Total
Salaries, wages, and benefits	\$ 2,956,016	\$ 425,247	\$ 257,199	\$ 3,638,462	\$ 718,426	\$ 1,414,799	\$ 2,133,225	\$ 5,771,687
Production costs	423,531	21,994	-	445,525	35,255	1,300,610	1,335,865	1,781,390
National Public Radio dues	1,567,169	-	-	1,567,169	-	-	-	1,567,169
Travel	43,107	4,093	1,165	48,365	5,891	27,045	32,936	81,301
Telecommunications	88,827	17,788	231	106,846	4,853	16,360	21,213	128,059
Facilities and administrative	857,386	140,866	81,876	1,080,128	229,280	463,953	693,233	1,773,361
Printing	4,081	25	3,670	7,776	8,244	146,248	154,492	162,268
Professional services	64,300	-	-	64,300	1,435	-	1,435	65,735
Supplies	322,191	73,558	92,356	488,105	77,015	100,588	177,603	665,708
Postage	2,383	585	319	3,287	2,626	71,643	74,269	77,556
Telemarketing	-	-	-	-	-	97,539	97,539	97,539
Subtotals	6,328,991	684,156	436,816	7,449,963	1,083,025	3,638,785	4,721,810	12,171,773
Depreciation	78,564	12,926	7,530	99,020	17,295	32,496	49,791	148,811
Donated legal and other services	22,800	-	210,308	233,108	25,761	57,693	83,454	316,562
Total	\$ 6,430,355	\$ 697,082	\$ 654,654	\$ 7,782,091	\$ 1,126,081	\$ 3,728,974	\$ 4,855,055	\$ 12,637,146

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Notes to Financial Statements
April 30, 2008 and 2007

For the year ended April 30, 2007, expenses were incurred for:

	Programming and Production	Broadcasting	Public Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Total Supporting Services	Total
Salaries, wages, and benefits	\$ 2,276,660	\$ 656,792	\$ 183,495	\$ 3,116,947	\$ 606,438	\$ 1,218,847	\$ 1,825,285	\$ 4,942,232
Production costs	299,819	51,654	33,231	384,704	6,113	1,195,973	1,202,086	1,586,790
National Public Radio dues	1,493,162	-	-	1,493,162	-	-	-	1,493,162
Travel	29,280	7,169	1,949	38,398	3,458	14,712	18,170	56,568
Telecommunications	72,140	14,737	523	87,400	3,469	17,326	20,795	108,195
Facilities and administrative	706,221	222,560	59,707	988,488	240,481	534,988	775,469	1,763,957
Printing	3,916	-	2,869	6,785	3,564	218,855	222,419	229,204
Professional services	60,950	-	-	60,950	543	-	543	61,493
Supplies	51,048	101,257	52,943	205,248	73,084	40,958	114,042	319,290
Postage	3,284	568	419	4,271	1,941	64,603	66,544	70,815
Telemarketing	-	-	-	-	-	127,721	127,721	127,721
Subtotals	4,996,480	1,054,737	335,136	6,386,353	939,091	3,433,983	4,373,074	10,759,427
Depreciation	74,371	23,522	6,347	104,240	17,151	33,673	50,824	155,064
Donated legal and other services	1,585	-	236,047	237,632	17,197	21,123	38,320	275,952
Total	\$ 5,072,436	\$ 1,078,259	\$ 577,530	\$ 6,728,225	\$ 973,439	\$ 3,488,779	\$ 4,462,218	\$ 11,190,443