

**Friends of West Virginia Public Broadcasting, Inc.**

Regular Audit

July 1, 2007 Through June 30, 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.****REGULAR AUDIT REPORT****YEAR ENDED JUNE 30, 2008****TABLE OF CONTENTS**

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Independent Auditor's Report.....	1
Financial Statements:	
Statement of Financial Position .....	2
Statement of Financial Activity .....	3
Statement of Cash Flows .....	4
Notes to the Financial Statements.....	5
Supplementary Information:	
Independent Auditor's Report on Supplementary Information .....	9
Schedule of Functional Expenses .....	10

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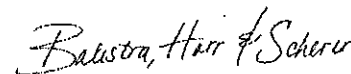
**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Friends of West Virginia Public  
Broadcasting, Inc.  
Charleston, West Virginia

We have audited the accompanying statement of financial position of the Friends of West Virginia Public Broadcasting, Inc. (the Friends) as of June 30, 2008, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the Friends' 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 the Friends, as of June 30, 2008, and the results of its operations and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Balestra, Harr & Scherer, CPAs, Inc.  
September 11, 2008

**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2008 WITH COMPARATIVE**  
**TOTALS AS OF JUNE 30, 2007**

<b>ASSETS</b>				<b>2007 Totals</b>
	<b>Television</b>	<b>Radio</b>	<b>2008</b>	<b>(Memorandum</b>
	<u>          </u>	<u>          </u>	<u>Total</u>	<u>Only)</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 97,014	\$ 169,952	\$ 266,966	\$ 245,337
Accounts receivable	3	20	23	4,427
Program rights, less accumulated amortization	<u>39,010</u>	<u>-</u>	<u>39,010</u>	<u>38,352</u>
<b>TOTAL CURRENT ASSETS</b>	<u>136,027</u>	<u>169,972</u>	<u>305,999</u>	<u>288,116</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>50</u>	<u>-</u>	<u>50</u>	<u>5,678</u>
<b>TOTAL ASSETS</b>	<u>\$ 136,077</u>	<u>\$ 169,972</u>	<u>\$ 306,049</u>	<u>\$ 293,794</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 18,201	\$ 14,361	\$ 32,562	\$ 20,949
<b>TOTAL CURRENT LIABILITIES</b>	<u>18,201</u>	<u>14,361</u>	<u>32,562</u>	<u>20,949</u>
<b>NET ASSETS</b>				
Unrestricted	<u>117,876</u>	<u>155,611</u>	<u>273,487</u>	<u>272,845</u>
<b>TOTAL NET ASSETS</b>	<u>117,876</u>	<u>155,611</u>	<u>273,487</u>	<u>272,845</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 136,077</u>	<u>\$ 169,972</u>	<u>\$ 306,049</u>	<u>\$ 293,794</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.**  
**STATEMENT OF FINANCIAL ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE**  
**TOTALS FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Television</u>	<u>Radio</u>	<u>2008 Total</u>	<u>2007 Totals (Memorandum Only)</u>
<b>SUPPORT AND REVENUE</b>				
Membership income and individual payments	\$ 575,910	\$ 667,309	\$ 1,243,219	\$ 1,297,239
Interest income	128	129	257	270
Other income	-	-	-	50
<b>TOTAL SUPPORT AND REVENUE</b>	<u>576,038</u>	<u>667,438</u>	<u>1,243,476</u>	<u>1,297,559</u>
<b>EXPENSES</b>				
Program Services:				
Programming and production	177,683	161,615	339,298	257,082
Broadcasting	97,040	34,993	132,033	111,411
Public information	54,369	91,370	145,739	91,413
Total program expenses	<u>329,092</u>	<u>287,978</u>	<u>617,070</u>	<u>459,906</u>
Supporting Services:				
Fundraising	144,607	157,103	301,710	345,866
Management and general	73,457	61,218	134,675	96,309
Total supporting expenses	<u>218,064</u>	<u>218,321</u>	<u>436,385</u>	<u>442,175</u>
<b>TOTAL EXPENSES</b>	<u>547,156</u>	<u>506,299</u>	<u>1,053,455</u>	<u>902,081</u>
<b>CHANGE IN NET ASSETS</b>	28,882	161,139	190,021	395,478
<b>NET ASSETS, BEGINNING</b>	166,221	106,624	272,845	170,912
Transfers from/(to) West Virginia Educational Broadcasting Authority and Affiliates	<u>(77,227)</u>	<u>(112,152)</u>	<u>(189,379)</u>	<u>(293,545)</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 117,876</u>	<u>\$ 155,611</u>	<u>\$ 273,487</u>	<u>\$ 272,845</u>

The accompanying notes to the financial statements are an integral part of the financial statements.

**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE**  
**TOTALS FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Television</u>	<u>Radio</u>	<u>2008 Total</u>	<u>2007 Total (Memorandum Only)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Excess (deficiency) of support and revenue over/(under) expenses	\$ 28,882	\$ 161,139	\$ 190,021	\$ 395,478
Adjustments to reconcile excess (deficiency) of support and revenue over expenses and to cash provided by/(used for) operating activities:				
Amortization and Depreciation	42,523	-	42,523	39,806
Changes in assets and liabilities:				
Receivables	1,538	2,866	4,404	(4,428)
Other assets	(37,553)	-	(37,553)	(8,122)
Accounts payable	9,261	2,352	11,613	(15,761)
	<u>44,651</u>	<u>166,357</u>	<u>211,008</u>	<u>406,973</u>
<b>NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>	<b>44,651</b>	<b>166,357</b>	<b>211,008</b>	<b>406,973</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers in/(out)	<u>(77,227)</u>	<u>(112,152)</u>	<u>(189,379)</u>	<u>(293,545)</u>
<b>NET CASH PROVIDED BY/(USED FOR) NON- CAPITAL FINANCING ACTIVITIES</b>	<b>(77,227)</b>	<b>(112,152)</b>	<b>(189,379)</b>	<b>(293,545)</b>
Net increase/(decrease) in cash and cash equivalents	(32,576)	54,205	21,629	113,428
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>129,590</u>	<u>115,747</u>	<u>245,337</u>	<u>131,909</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 97,014</u>	<u>\$ 169,952</u>	<u>\$ 266,966</u>	<u>\$ 245,337</u>

The accompanying notes to the financial statements are an integral part of the financial statements

**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008 & 2007**

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Friends of West Virginia Public Broadcasting, Inc. (Friends) is a nonprofit entity that is financially interrelated with West Virginia Educational Broadcasting Authority (WVEBA). Friends is organized to support and promote West Virginia Educational Broadcasting Authority.

**Stewardship Responsibilities**

All assets of the Friends have been used for the purpose for which they were contributed, or have been accumulated to allow management to conduct the operations of the organization as effectively and efficiently as possible.

**A Summary of Significant Accounting Policies Follows:**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with the applicable standards for governmental nonprofit organizations whereby revenues are recognized when earned and expenses are recognized when incurred.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting the statement of cash flows, Friends considers cash on hand, cash in banks and certificates of deposit which are not subject to withdrawal restrictions or penalties and which have original maturities of ninety days or less to be cash equivalents.

**Equipment**

Equipment items are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to operating expense as incurred.

**Program Rights**

Program rights purchased by WVEBA and affiliates from the Public Broadcasting Service on an annual basis are expensed in the year of purchase. All other program rights are amortized over the period of their expected usage and are reported net of accumulated amortization. Amortization expense for the year ended June 30, 2008 was \$36,895, respectively.

**Trade Receivables**

Trade receivables are carried at original invoice. Past experience has enabled management to determine that the collectability of trade receivables is such that no allowance for uncollectible accounts is required for fair presentation of the financial statements. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

**Compensated Absences**

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008 & 2007**

**NOTE 1 – NATURE OF ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Unrestricted contributions and pledges are recorded as revenue in the statement of financial activity in the period received. Contributions and grants restricted for specific projects are reported as revenue when qualifying expenses have been incurred. Donated or contributed services and materials are recorded at their fair value on the date of the contribution.

**Functional Allocation of Expenses**

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of financial activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are allocated based upon percentage of time spent in each function by the employees. Other costs requiring allocation to the functions are allocated mainly based upon usage.

**Distribution of Assets Upon Event of Dissolution**

In the event of dissolution, all assets of the Friends would revert to the WVEBA or its nonprofit successor.

**Income Taxes**

Friends, which is not classified as a private foundation, is a nonprofit corporation which is recognized as exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

**Advertising**

Advertising is expensed as incurred.

**Total Columns (Memorandum Only)**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. These amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

**NOTE 2 – REVENUE CONCENTRATION**

Friends receives substantially all of its revenue from membership income. A significant curtailment in this revenue source may, if it were to occur, have a significant effect on Friends programs and activities.

**NOTE 3 – DEPOSITS/CONCENTRATION OF CREDIT RISK**

At June 30, 2008, the carrying amount of deposits held by three financial institutions was \$266,966 and the bank balance was \$345,288. The principal difference between these amounts is generally outstanding checks.

Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the Friends bank balance, \$45,384 was held in excess of FDIC insurance.



**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008 & 2007**

**NOTE 4 – PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2008 follows:

	<u>2008</u>
Vehicles	\$ 61,200
Less: Accumulated depreciation	<u>(61,150)</u>
Property and equipment, net	<u>\$ 50</u>

Depreciation expense for the years ended June 30, 2008 totaled \$5,628, respectively.

**NOTE 5 – RELATED PARTY TRANSACTIONS**

The Friends is organized exclusively for the benefit of WVEBA and shares common administrative and management personnel. Due to this close affiliation, expenditures paid by Friends for the benefit of WVEBA vary annually based upon available funding.

During the years ended June 30, 2008, net expenses and transfers to The West Virginia Educational Broadcasting Authority and Affiliates were \$189,379.

**NOTE 6 – ENDOWMENT TRUSTS**

In 2003, Television Friends of West Virginia Public Broadcasting, Inc. and Friends of West Virginia Public Radio, Inc. each contributed \$5,000 to a \$10,000 endowment established at the Beckley Area Foundation (BAF) to benefit the West Virginia Public Broadcasting Foundation, Inc. Under the terms of the agreement, West Virginia Public Broadcasting Foundation, Inc., has the right to receive the income from the fund, but has no control over, or access to, the assets of the fund. Therefore, the assets are not included in these financial statements. Funds received by the Friends groups or the Foundation for the benefit of this fund are transferred to the BAF on an annual basis or more often as a significant amount of funds accumulate with spending will be authorized by the Foundation's Board of Directors. At June 30, 2008 the fund had a fair value of approximately \$49,807. This is a decrease of \$2,569 from the prior year.

**NOTE 8 – RISK MANAGEMENT**

The Friends is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The Friends manages these risks of loss through the purchase of various insurance policies.

**NOTE 9 – BUSINESS COMBINATION**

On July 1, 2007, Friends of West Virginia Public Radio, Inc. (Radio Friends) and Television Friends of West Virginia Public Broadcasting, Inc. (TV Friends) completed a merger of their operations. As a result of the merger, the combined organization has been renamed Friends of West Virginia Public Broadcasting, Inc. The merger was accounted for similar to a pooling of interests.

There were no material transactions between Radio Friends and TV Friends prior to the merger and there were no material adjustments to conform the accounting policies of the combining organizations.

The merger resulted in a new total combined net assets as of July 1, 2007 as follows:

TV Friends	\$ 166,221
Radio Friends	<u>\$ 106,624</u>
Total	<u>\$ 272,845</u>

**SUPPLEMENTAL INFORMATION**

**BALESTRA, HARR & SCHERER CPAs, INC.**

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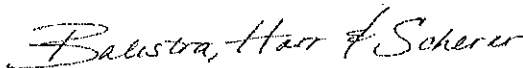
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**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

Board of Directors  
Friends of West Virginia Public  
Broadcasting, Inc.  
Charleston, West Virginia

Our report on our audit of the basic financial statements of the Friends of West Virginia Public Broadcasting, Inc. (the Friends) as of and for the year ended June 30, 2008 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 10-11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

September 11, 2008

**FRIENDS OF WEST VIRGINIA PUBLIC BROADCASTING, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE**  
**TOTALS FOR THE YEAR ENDED ENDED JUNE 30, 2007**

	Program Services			
	Programming and Production	Broadcasting	Public Information	Total
Professional services	\$ 58,818	\$ 6,179	\$ 35,820	\$ 100,817
Office expense	5,245	11,220	644	17,109
Telephone	8	2,046	-	2,054
Postage	1,279	622	22,557	24,458
Advertising	743	516	1,323	2,582
Occupancy	130	2,974	-	3,104
Rental and maintenance of equipment	10,578	104,973	-	115,551
Printing and publication	60	-	83,278	83,338
Travel and transportation	9,284	2,409	1,353	13,046
Program costs	238,294	30	651	238,975
Miscellaneous	14,859	1,064	113	16,036
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>339,298</b>	<b>132,033</b>	<b>145,739</b>	<b>617,070</b>
Depreciation	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 339,298</b>	<b>\$ 132,033</b>	<b>\$ 145,739</b>	<b>\$ 617,070</b>

See Independent Auditor's Report on the Supplementary Information.

**Supporting Services**

<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>	<b>2008 Total Functional Expenses</b>	<b>2007 Total (Memorandum Only)</b>
\$ 85,190	\$ 9,568	\$ 94,758	\$ 195,575	\$ 180,271
426	10,076	10,502	27,611	27,884
-	1,196	1,196	3,250	2,433
41,322	22,502	63,824	88,282	72,550
1,514	198	1,712	4,294	8,335
-	1,813	1,813	4,917	2,776
3,009	26,074	29,083	144,634	142,809
24,658	13,204	37,862	121,200	69,582
3,421	11,513	14,934	27,980	21,546
2,293	-	2,293	241,268	182,115
139,877	32,903	172,780	188,816	185,409
301,710	129,047	430,757	1,047,827	895,710
-	5,628	5,628	5,628	6,371
<u>\$ 301,710</u>	<u>\$ 134,675</u>	<u>\$ 436,385</u>	<u>\$ 1,053,455</u>	<u>\$ 902,081</u>