STUDENT MEDIA CORPORATION

FINANCIAL STATEMENTS

Year Ended June 30, 2002

THE MIRROR

UNIVERSITY OF
NORTHERN
COLORADO

ANDERSON & WHITNEY PC

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Year Ended June 30, 2002

Overview

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement Number 34 followed by Statement Number 35 in November 1999. Together these statements require comprehensive changes to financial reporting for public colleges and universities. The State of Colorado is required to implement GASB No. 34 for the fiscal year ending June 30, 2002. As part of the University of Northern Colorado, which is part of the State of Colorado, the Student Media Corporation is required to adopt GASB Nos. 34 and 35.

The new statements report the Corporation's assets, liabilities, and net assets; revenues, expenses and changes in net assets; and cash flows for the Corporation as a whole, rather than as a fund, as previously required. The Management Discussion and Analysis is prepared by Corporation management. In future reports, comparisons with the prior year will be made.

The Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets report the Corporation's net assets and changes in them. You can think of the Corporation's net assets - the difference between assets and liabilities - as one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors to assess the overall health of the Corporation. Another way to assess the financial health of a corporation is to look at the Statement of Cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period.

Financial Highlights

The net assets of the Corporation decreased by $36,555 to $131,467 during the fiscal year ended June 30, 2002. Year-end net assets for fiscal years 2002 and 2001 follow:

	2001	**2002**
Capital Assets Net of Debt	$64,018	$73,359
Unrestricted	104,004	58,108
Total Net Assets	**5168,022**	**5131,467**

Selected financial highlights for the fiscal year ended June 30, 2002 are:

- Corporation assets totaled $165,491 with liabilities of $34,024 resulting in net assets of $131,467.

• Capital assets of $104,287 comprised 63 percent of Corporation assets.

• Total revenue was $200,372, made up of $194,368 in advertising revenue and $6,004 in interest income and capital gifts.

• Operating expenses totaled $233,661, including $127,836 in personnel expenses.

• No student-fee funding from UNC was received. In fiscal year 2001, $74,473 came from student fees.

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the Student Media Corporation at June 30, 2002. It presents the Corporation's assets, liabilities and net assets. Assets and liabilities are classified by liquidity as either current or non-current. Net assets are classified by the ways in which they may be used for future operations. The following is a condensed statement of the Corporation's net assets at June 30, 2002:

Assets	
Current Assets	$ 61,204
Capital	104,287
Total Assets	**$165,491**
Liabilities	
Current Liabilities	$ 23,333
Notes Payable	10,691
Total Liabilities	**$34,024**
Net Assets	
Invested in Capital Assets Net of Debt	$ 73,359
Unrestricted	58,108
Total Net Assets	**$131,467**

Liquid Assets

Cash and cash equivalents of $50,706 comprise 31 percent of the Corporation's assets.

Capital Assets

The Corporation's single-largest fiscal resource is its building. Capital assets net of $60,705 depreciation total $104,287.

Liabilities

The Corporation's commitments of resources include amounts owed to vendors and accrued expenses. The single-largest liability, however, is $30,928 in outstanding loan principal for The Mirror building. The loan is due to UNC in semi-annual payments of $11,092 including interest of 7.5%. The final payment is due Dec. 1, 2003.

Net Assets

Net assets are the resources available for future operations, that is, assets reduced by liabilities. The Corporation's largest class of assets is its capital assets, and even after consideration of related debt, capital assets net of debt comprise about 56 percent of the Corporation's net assets.

Statement of Revenues, Expenses and Changes in Net Assets

This statement presents the financial activity of the Corporation during fiscal year 2002. The focus is on operating revenues and expenses:

Operating Revenues	
Display Advertising	$179,125
Classified Advertising	15,243
Total Operating Revenues	**$194,368**
Operating Expenses	
Program Services	$150,828
Management and General	82,833,
Total Operating Expenses	**$233,661**
Operating Loss	**(39,293)**
Non-Operating Revenues (Expenses)	
Capital Gift	$1,520
Interest income	4,484
Interest Expense on Capital Debt	(3,266)
Net Non-Operating Revenues	**$2,738**
Decrease in Net Assets	**($36,555)**
Net Assets - Beginning of the Year	**168,022**
Net Assets - End of Year	**$131,467**

Total Revenues

Revenue from all sources totals $200,372 with $194,368 of that being advertising revenue. Advertising revenue was down from $198,825 in fiscal year 2001 primarily because of sluggish sales in national and local advertising after the Sept. 11, 2001, terrorist attacks.

Expenses

Operating expenses of $233,661 comprise the largest part of expenses:

Program Services	$150,828	64.5%
Management and General	82,833	35.5%
Total Operating Expenses	**$233,661**	**100.0%**

For a natural classification perspective, the largest expenditure is for personnel:

Salaries and Benefits	$127,836	54.0%
Other Operating Expenses	97,037	40.9%
Depreciation	12,054	5.1
Total Operating Expenses	**$236,927**	**100.0%**

Operating expenses were down from $250,834 in fiscal year 2001 due to decreases in printing and utility expenses.

Statement of Cash Flows

This statement provides information about the cash activity during the past year. A summary is presented here with more detail on the actual statement:

Cash Flows Provided (Used) By:	
Operating Activities	($32,944)
Capital Financing	(23,259)
Investing	4,484
Net Decrease in Cash	**($51,719)**
Beginning Cash Balance	**102,425**
Ending Cash Balance	**$50,706**

Economic Outlook

The Corporation's financial future depends on support from UNC and successful advertising sales. While the Corporation received $74,473 in student-fee funding in fiscal year 2001, it received no student-fee funding in fiscal year 2002, which caused a net decrease in cash of $51,719. Fortunately, student fees for fiscal year 2003 have been set at $37,500.

The Corporation's Board of Directors also made the decision on Sept. 20, 2002, to pay off its loan on The Mirror building to UNC. The payoff in the amount of $31,701 was made Sept. 30, 2002. While paying off the loan further decreases the Corporation's cash reserves, the Board of Directors felt that it would be wise to do for future student-fee-funding processes. The building, which was built in 1898, will require the corporation to spend money on its upkeep every year.

Successful advertising sales also are critical to the Corporation's financial future. UNC students sell all advertising in The Mirror. Depending on the talent of the student advertising staff in a given year, advertising revenues can go up or down. The health of the economy, both locally and nationally, also impacts sales.

ANDERSON & WHITNEY

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Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the statement of net assets of the Student Media Corporation as of June 30, 2002, the related statements of revenue, expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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. 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 Student Media Corporation as of June 30, 2002 and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1, the Corporation adopted the provisions of the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis -for Public Colleges and Universities* as of July 1, 2001. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 1 through 4 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Anderson & Whitney, P. C

September 27, 2002

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STUDENT MEDIA CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2002

	JUNE 30, 2002
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 50,706
Accounts receivable, net allowance of $934	4,951
Prepaid items	5,547
Total Current Assets	61,204
Noncurrent Assets:	
Non-depreciable capital assets:	
Land	5,500
Depreciable capital assets:	
Building (less accum depr of $23,897)	83,103
Land improvements (less accum depr of $1,460)	8,275
Equipment & furniture (less accum depr of $35,348)	7,409
Total Noncurrent Assets	104,287
TOTAL ASSETS	165,491
LIABILITIES	
Current Liabilities:	
Accounts payable	2,903
Current portion of debt	20,237
Accrued expenses	193
Total Current Liabilities	23,333
Noncurrent Liabilities:	
Long-term debt	10,691
TOTAL LIABILITIES	34,024
NET ASSETS	
Invested in capital assets, net of debt	73,359
Unrestricted	58,108
TOTAL NET ASSETS	$ 131,467

STUDENT MEDIA CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002

	YEAR ENDED JUNE 30, 2002
REVENUES	
Operating revenues	
Advertising:	
Display	$ 179,125
Classified	15,243
Total operating revenue	**194,368**
EXPENSES	
Operating expenses	
Program services	150,828
Management and general	82,833
Total operating expenses	233,661
Operating income (loss)	**(39,293)**
NON-OPERATING REVENUES (EXPENSES)	
Capital gift	1,520
Interest income	4,484
Interest expense on capital debt	(3,266)
Net non-operating revenues	**2,738**
Increase (decrease) in net assets	**(36,555)**
NET ASSETS	
Net assets - beginning of year	168,022
Net assets - end of year	**$ 131,467**

STUDENT MEDIA CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

	YEAR ENDED JUNE 30, 2002
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received	
Sales	$ 194,352
Cash payments	
Payments to or for employees	(127,836)
Payments to suppliers	(99,460)
Net cash provided (used) by operating activities	(32,944)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest paid	(3,384)
Payments of long-term debt	(18,801)
Purchase of property & equipment	(1,074)
Net cash provided (used) by capital financing activities	(23,259)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	4,484
Net cash provided (used) by investing activities	4,484
Net Increase (Decrease) in Cash	(51,719)
Beginning cash balance	102,425
Ending cash balance	$ 50,706
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	$ (39,293)
Adjustments to reconcile	
Depreciation	12,054
Decrease (increase) in assets	
Accounts Receivable	(17)
Prepaid items	(5,472)
Increase (decrease) in liabilities	
Accounts Payable	(216)
Net Cash provided (used) by operating activities	$ (32,944)

Note 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Student Media Corporation (the Corporation) conform to generally accepted accounting principles for nonprofit organizations. The following summary of significant accounting policies is presented to assist the reader in evaluating the Corporation's financial statements.

Organization:

The Corporation publishes the *MIRROR* three times a week during the academic year and weekly during summer sessions. The *MIRROR* is the official school newspaper of the University of Northern Colorado (UNC).

The Corporation grants credit to its advertising customers, substantially all of whom are local businesses or national agencies.

Reporting Entity:

The Student Media Corporation was created in February, 1989 as a nonprofit Colorado organization and began operations on July 1. The Corporation's Board of Directors includes university students and faculty as well as community members.

The financial report of the Corporation includes all of the integral parts of the Corporation's separate operations. The Corporation has determined that it has no oversight responsibility for any other agency which would require it to be in the reporting entity. Oversight responsibility is determined based on consideration of financial interdependency, selection of governing authority, designation of management, ability to significantly influence management and accountability for fiscal matters.

The Corporation is considered a component unit by UNC, and, as such, is included in UNC's financial statements.

Financial Statement Presentation and Changes in Accounting Principles:

In June 1999, GASB approved Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This was followed by the approval of Statement No. 35. "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities". The State of Colorado is required to implement GASB No. 34 as of and for the year ended June 30, 2002. As a component unit of the University of Northern Colorado, who is a component unit of the State of Colorado, the Corporation is also required to adopt GASB No. 34 and 35. The Corporation has elected to follow the financial statement presentation guidelines for special-purpose governments engaged only in business-type activities as outlined in GASB No. 34. Those guidelines require the financial statements to be prepared using an entity-wide perspective. Therefore, the financial statements report the Corporation's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows for the Corporation as a whole, rather than fund, as previously required.

The Corporation was required to make the following significant changes in accounting principles to conform to GASB No. 34 and 35:

1.) Depreciation Expense: The Corporation is required to record depreciation expense for capital assets. Previously depreciation expense was not recognized.

2.) Acquisitions of Capital Assets and Payments of Debt Principal: Under the fund perspective, the Corporation recognized an expenditure or fund deduction for the acquisition of capital assets and payment of debt principal. Under the entity-wide perspective, these items are not considered an expense against operations.

Net assets at July 1, 2001 were reduced by $61,571 for the cumulative effect of these changes on years prior to fiscal year 2002.

Basis of Accounting:

For financial reporting purposes, the Corporation, a component of the University of Northern Colorado, is considered a special-purpose government engaged only in business-type activities. Accordingly, the Corporation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The Corporation has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB standards conflict with Governmental Accounting Standards Board (GASB) standards. The Corporation has elected not to apply FASB pronouncements issued after the applicable date.

Cash Equivalents:

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested by the University through the State Treasurer's Cash Management Program are considered cash equivalents.

Accounts Receivable:

Accounts receivable consists of advertising fees charged to individuals and businesses. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital Assets:

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Corporation's capitalization policy includes all items with a unit cost of $1,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 years for buildings, 10 years for land improvements, and 3 to 5 years for equipment.

Noncurrent Liabilities:

Noncurrent liabilities include principal amounts of notes payable, for building purchase with contractual maturities greater than one year.

Net Assets:

The Corporation's net assets are classifies as follows:

Invested in capital assets, net of related debt:

This represents the Corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Unrestricted net assets:

Unrestricted net assets represent resources derived from sales of advertising. These resources are used for transactions relating to the general operations of the Corporation, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Income Taxes:

The Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision is made in these financial statements for income taxes.

Note 2 - Related Party Transactions:

Advertising revenue from UNC-related entities for 2002 was approximately $49,474.

The University provides various accounting, purchasing, payroll, and banking services to the Corporation at a rate of 10.0% of the personnel costs. Administrative fees for 2002 were $12,380.

Note 3 - Cash on Deposit with UNC:

At June 30, 2002 the Corporation had deposits with the University of $50,706 which were interest-bearing.

Note 4 - Receivables and Payables:

Receivables at June 30, 2002, were as follows:

	Gross Receivables	Allowance for Uncollectible Accounts	Net Receivables
Accounts Receivable	$ 5,885	$ 934	$ 4,951
Total Receivables	$ 5,885	$ 934	$ 4,951

Payables at June 30, 2002 were as follows:

Accounts Payable, Vendors	$ 2,903
Total Payables	$ 2,903

Note 5 - Capital Assets:

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2002.

	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
Cost of fixed assets				
Land	$ 5,500	$	$	$ 5,500
Land improvements	9,735			9,735
Buildings	107,000			107,000
Equipment	53,083	2,594	(12,920)	42,757
Total cost of fixed assets	175,318	2,594	(12,920)	164,992
Less accumulated depreciation				
Land improvements	730	730		1,460
Building and improvements	19,617	4,280		23,897
Equipment	41,224	7,044	(12,920)	35,348
Total accumulated depreciation	61,571	12,054	(12,920)	60,705
Net carrying amount	$ 113,747	$ (9,460)	$	$ 104,287

Note 6 - Long-Term Liabilities

The following presents changes in long-term liabilities for the year ended June 30, 2002.

	Balance June 30, 2001	Additions	Reductions	Balance June 30, 2002	Amounts due within one year
Note Payable - UNC (7.5%, due December 2003)	$ 49,729	$ 0	$ (18,801)	$ 30,928	$ 20,237
Total Long-Term Liabilities	$ 49,729	$ 0	$ (18,801)	$ 30,928	$ 20,237

Amounts shown in "Balance, June 30, 2002" of long-term liabilities include both current and long-term portions.

Note 7 - Schedule of Functional Expenses:

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
PERSONNEL EXPENSES:			
Salaries and wages	$ 81,959	$ 41,847	$ 123,806
Payroll taxes		4,030	4,030
TOTAL PERSONNEL EXPENSES	81,959	45,877	127,836
OTHER EXPENSES:			
Activities and travel	2,101		2,101
Administrative fees		12,380	12,380
Advertising	98		98
Books & subscriptions	363		363
Depreciation	9,914	2,140	12,054
Dues & memberships	753		753
Building maintenance	2,787	2,788	5,575
Insurance		6,136	6,136
Miscellaneous	376		376
Postage		1,200	1,200
Printing	39,643		39,643
Professional fees		4,943	4,943
Publicity	1,404		1,404
Rent		168	168
Supplies	7,688		7,688
Telephone		4,561	4,561
Property taxes	1,012	1,012	2,024
Utilities	1,628	1,628	3,256
Interest	1,633	1,633	3,266
Purchased services	1,102		1,102
TOTAL OTHER EXPENSES	70,502	38,589	109,091
TOTAL EXPENSES	$ 152,461	$ 84,466	$ 236,927

Note 8 - Risk Management:

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation carries commercial insurance for these and other risks of loss, including worker's compensation, employee fidelity, and director liability. Settled claims have not exceeded this coverage since inception.

ANDERSON & WHITNEY

A Professional Corporation of
Certified Public Accountants

Members of the Legislative Audit Committee:

We have audited the financial statements of Student Media Corporation for the year ended June 30, 2002, and have issued our report thereon dated September 27, 2002. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. The significant policies used by Student Media Corporation are described in Note 1 to the financial statements. New accounting policies were adopted and the application of existing policies was changed during the year, to comply with implementation of Governmental Accounting Standards Board Statement No. 35. We noted no transactions entered into by the institution during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. No audit adjustments were proposed.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The allowance for doubtful accounts is particularly sensitive because of its significance to the financial statements and because of the possibility that future events affecting it may differ significantly from those expected.

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The process used by management in formulating the allowance for doubtful accounts is based on an analysis of delinquent accounts receivable. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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This information is intended solely for the use of the Legislative Audit Committee and is not intended and should not be used by any others than these specified parties.

Anderson + Whitney, P.C.

September 27, 2002

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