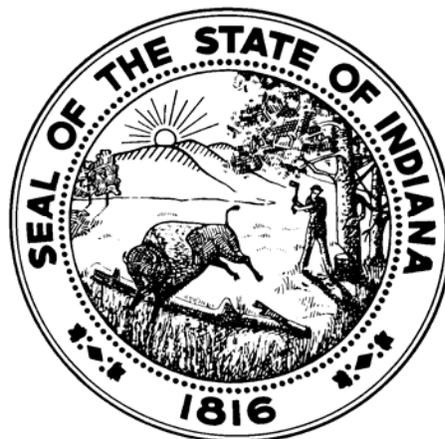


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF

WVUB-FM
A PUBLIC RADIO STATION OPERATED BY
VINCENNES UNIVERSITY
VINCENNES, INDIANA

July 1, 2005 to June 30, 2006



FILED
12/27/2006

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Vice-President for Financial Services and Government Relations	Phillip S. Rath	07-01-04 to 06-30-07
President	Richard E. Helton	08-01-04 to 06-30-07
Chairman of the Board	Roderick H. Morgan	07-01-04 to 06-30-07
General Manager	Phillip L. Smith	07-01-04 to 06-30-07



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WVUB-FM, A PUBLIC RADIO STATION OPERATED
BY VINCENNES UNIVERSITY, VINCENNES, INDIANA

We have audited the accompanying financial statements of WVUB-FM (Station), a public radio station operated by Vincennes University, as of and for the years ended June 30, 2006 and 2005. 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 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 WVUB-FM, as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis (MD and A) is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

December 22, 2006

WVUB-FM

A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY

Management's Discussion and Analysis

INTRODUCTION

WVUB-FM is proud to present its financial statements for fiscal year 2006. This discussion and analysis provides an overview of the financial position and activities of WVUB-FM for the year ended June 30, 2006 and 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes following this section.

WVUB-FM is a 50,000 watt public radio station serving twelve counties in Southwestern Indiana. WVUB-FM is licensed to the Board of Trustees of Vincennes University.

USING THE FINANCIAL STATEMENTS

The WVUB-FM report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) principles. During 2001 WVUB-FM adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. In 2002 WVUB-FM implemented GASB Statement No. 35, *Basic Financial Statements-Management's Discussion and Analysis-for Public Colleges and Universities*, released in November 1999. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the entity as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Previously, financial statements focused on the accountability of individual fund groups rather than on the entity as a whole.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of WVUB-FM at the end of the fiscal year and includes all assets and liabilities of WVUB-FM. The difference between total assets and total liabilities--net assets-- is one indicator of the current financial condition of WVUB-FM, while the change in net assets is an indicator of whether the overall financial condition has

improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarization of the WVUB-FM's assets, liabilities, and net assets at June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 171,992	\$ 133,526
Noncurrent Assets		
Capital assets, net of depreciation	<u>90,766</u>	<u>99,690</u>
Total assets	<u>262,758</u>	<u>233,216</u>
Current liabilities	<u>127,500</u>	<u>119,045</u>
Total liabilities	<u>127,500</u>	<u>119,045</u>
Net assets	<u>\$ 135,258</u>	<u>\$ 114,171</u>

Current assets consist of cash and cash equivalents, accounts receivable and prepaid expenses. Current liabilities consist of accounts payable and deferred revenue. WVUB-FM has no long-term liabilities.

Net Assets

Net assets represent the residual interest in WVUB-FM's assets after liabilities are deducted. WVUB-FM's net assets at June 30, 2006 and 2005, are summarized as follows:

	<u>2006</u>	<u>2005</u>
Invested in capital assets	\$ 90,766	\$ 99,690
Unrestricted	44,492	14,481
Total net assets	<u>\$ 135,258</u>	<u>\$ 114,171</u>

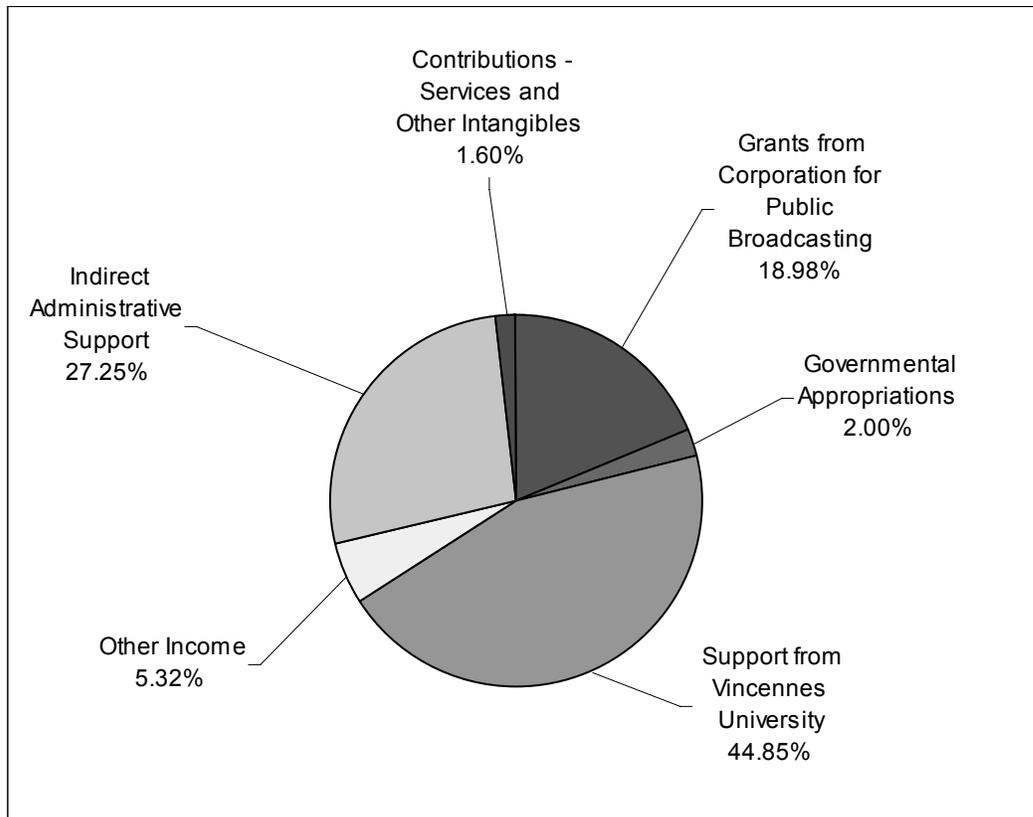
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenue, Expenses and Changes in Net Assets presents the operating results of WVUB-FM as well as the non-operating revenues and expenses. Governmental appropriations,

while used for operations, are considered non-operating revenues as defined by GASB Statement No. 35. A summary of the Statement of Revenue, Expenses and Changes in Net Assets for the year ended June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Operating Revenue	\$ 118,657	\$ 107,172
Operating expenses	<u>604,070</u>	<u>661,255</u>
Net operating income (loss)	(485,413)	(554,083)
Non-operating Revenue	<u>506,500</u>	<u>533,265</u>
Increase (decrease) in net assets	21,087	(20,818)
Net assets - Beginning of year	<u>114,171</u>	<u>134,989</u>
Net assets - End of year	<u>\$ 135,258</u>	<u>\$ 114,171</u>

The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund WVUB-FM for the year ended June 30, 2006.

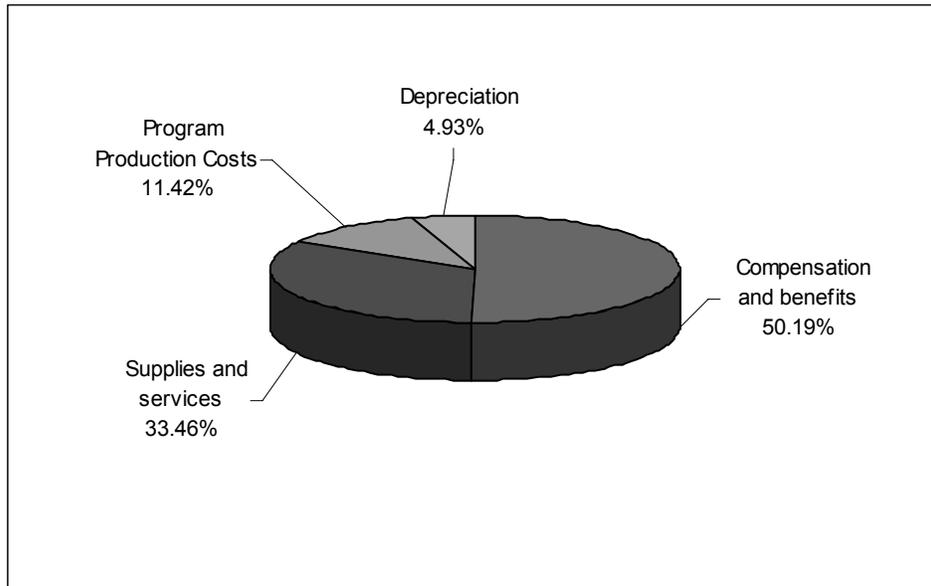


WVUB-FM continues to make cost containment an ongoing effort. This action is necessary since the radio station continues to face significant financial pressure due to the state's fiscal situation. Governmental appropriations to WVUB-FM and the University for operating and capital repair and rehabilitation increases are uncertain at this time.

A summary of WVUB-FM's expenses by object for the year ended June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Operating:		
Compensation and benefits	\$ 303,211	\$ 298,109
Supplies and services	202,136	270,256
Program Production Costs	68,968	70,620
Depreciation	29,755	22,270
Total operating expenses	<u>\$ 604,070</u>	<u>\$ 661,255</u>

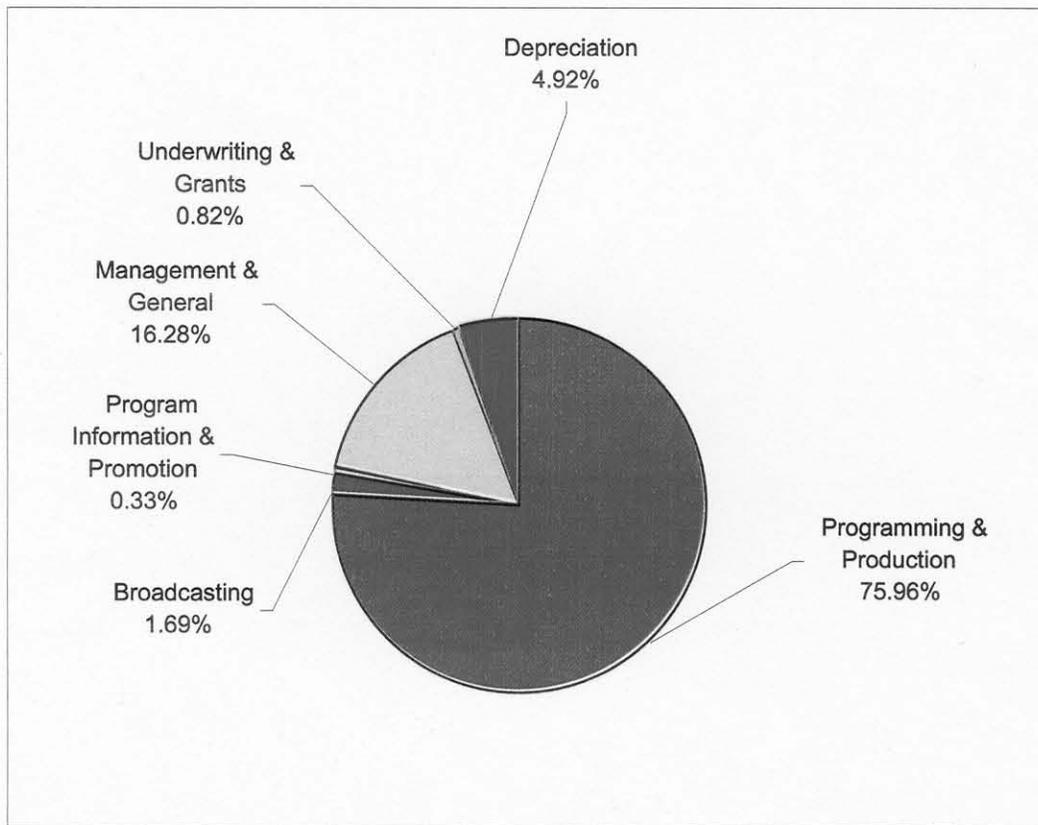
The following is a graphic illustration of total expenses by object for the year ended June 30, 2006:



In addition to their natural (object) classification, it is also informative to review operating expenses by function. A summary of WVUB-FM's expenses by functional classification for the year ended June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Operating:		
Programming & Production	\$ 458,846	\$ 469,052
Broadcasting	10,219	24,295
Program Information & Promotion	2,000	43,700
Management & General	98,320	96,708
Underwriting & Grants	4,930	5,230
Depreciation	29,755	22,270
Total operating expenses	<u>\$ 604,070</u>	<u>\$ 661,255</u>

The following graphic illustration presents total expenses by function for the year ended June 30, 2006:



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about WVUB-FM's financial results by reporting the major sources and uses of cash. A summary of the Statement of Cash Flows for the year ended June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Cash received from operations	\$ 127,044	\$ 118,657
Cash expended for operations	<u>(389,984)</u>	<u>(400,934)</u>
Net cash used in operating activities	(262,940)	(282,277)
Net cash provided by non-capital financing activities	303,155	294,186
Net cash used in Capital and related financing activities	<u>(504)</u>	<u>(29,544)</u>
Net decrease in cash and cash equivalents	39,711	(17,635)
Cash and cash equivalents, beginning of year	<u>132,281</u>	<u>149,916</u>
Cash and cash equivalents, end of year	<u>\$ 171,992</u>	<u>\$ 132,281</u>

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Management believes that WVUB-FM is well positioned to continue in good financial condition and can serve the general public well by offering quality public broadcasting programs coupled with local origination programs focusing on community issues.

The largest source of funding for WVUB-FM is university funding. The largest outside source of funding is a grant from the federal government through the Corporation for Public Broadcasting (CPB). The radio station is classified as a Level Five station. Changes in format in the past have resulted in increased listenership as determined by Arbitron Radio Audience surveys. With this increased audience, the radio station was able to return to Level Five funding for 2003 and future years. This increased funding will help the station's operation budget. The station received \$127,044 for FY2006 and \$118,657 for FY2005. In addition, WVUB-FM is focusing on increasing underwriting income. This will supplement current funding and help to achieve income levels required to maintain Level Five funding.

The State of Indiana has always supported public radio and WVUB-FM, but the radio station has only recently received direct state financial support. During the year ended June 30, 2006 and 2005, the radio station received \$12,500 in state funding. Vincennes University's current strong financial condition should help offset the state's economic uncertainties. Funding has remained good through the university even though staffing cutbacks have occurred equal to university cutbacks in areas of Vincennes University Broadcasting. The State of Indiana has supported public broadcasting in the past and is expected to continue to do so as the state's economic crisis improves.

Indiana Public Broadcasting Stations, Inc. (IPBS) has received a grant of \$250,000 for fiscal year 2006. This grant is in support of a study of the strengths and weaknesses of Public Radio and TV in the state. There are a total of sixteen stations sharing in this income. WVUB-FM's share of the grant is \$15,625.

During the fiscal year ending June 30, 2007, WVUB-TV will be receiving a Digital Radio Grant of \$110,000 from CPB. These funds are to be used to purchase and install a new digital and analog transmitter. The addition of digital radio will open new possibilities for the future. WVUB-FM will be able to broadcast multiple streams and allow programming to various groups without changing daily program schedules on the main programming channel.

WVUB-FM
 A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
 STATEMENT OF NET ASSETS
 June 30, 2006 and 2005

<u>Assets</u>	<u>06-30-06</u>	<u>06-30-05</u>
Current assets:		
Cash and cash equivalents	\$ 171,992	\$ 132,281
Accounts receivable	-	1,125
Prepaid expenses	-	120
Total current assets	<u>171,992</u>	<u>133,526</u>
Noncurrent assets:		
Capital assets	556,882	537,074
Less accumulated depreciation	<u>(466,116)</u>	<u>(437,384)</u>
Total noncurrent assets	<u>90,766</u>	<u>99,690</u>
Total assets	<u>\$ 262,758</u>	<u>\$ 233,216</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 456	\$ 388
Deferred revenue	<u>127,044</u>	<u>118,657</u>
Total current liabilities	<u>127,500</u>	<u>119,045</u>
 <u>Net Assets</u>		
Invested in capital assets	90,766	99,690
Unrestricted	<u>44,492</u>	<u>14,481</u>
Total net assets	<u>135,258</u>	<u>114,171</u>
Total liabilities and net assets	<u>\$ 262,758</u>	<u>\$ 233,216</u>

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

WVUB-FM
 A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006 AND 2005

	06-30-06	06-30-05
Revenues:		
Operating revenue		
Grants from Corporation for Public Broadcasting	\$ 118,657	\$ 107,172
Expenses:		
Operating expenses:		
Programming and production	458,846	469,052
Broadcasting	10,219	24,295
Program information and promotion	2,000	43,700
Management and general	98,320	96,708
Underwriting and grants	4,930	5,230
Depreciation	29,755	22,270
Total operating expenses	604,070	661,255
Operating loss	(485,413)	(554,083)
Nonoperating revenues (expenses):		
Governmental appropriations	12,500	12,500
Support from Vincennes University	280,388	256,825
Underwriting	33,267	35,596
Indirect administrative support	170,345	183,191
Contributions - services and other intangibles	10,000	47,100
Loss on disposition of capital assets	-	(1,947)
Net nonoperating revenues (expenses)	506,500	533,265
Increase (decrease) in net assets	21,087	(20,818)
Net assets - beginning of year	114,171	134,989
Net assets - end of year	\$ 135,258	\$ 114,171

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

WVUB-FM
A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006 AND 2005

	<u>Year 2006</u>	<u>Year 2005</u>
Cash flows from operating activities:		
Grants from Corporation for Public Broadcasting	\$ 127,044	\$ 118,657
Payments to suppliers	(86,772)	(102,825)
Payments to employees	(226,794)	(226,435)
Payments for benefits	<u>(76,418)</u>	<u>(71,674)</u>
Net cash used in operating activities	<u>(262,940)</u>	<u>(282,277)</u>
Cash flows from noncapital financing activities:		
Governmental appropriations	12,500	12,500
Support from Vincennes University	256,264	247,214
Underwriting and other contributions	<u>34,391</u>	<u>34,472</u>
Net cash provided by noncapital financing activities	<u>303,155</u>	<u>294,186</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(504)</u>	<u>(29,544)</u>
Net increase (decrease) in cash and cash equivalents	39,711	(17,635)
Cash and cash equivalents - beginning of year	<u>132,281</u>	<u>149,916</u>
Cash and cash equivalents - end of year	<u>\$ 171,992</u>	<u>\$ 132,281</u>
Reconciliation of net operating expenses to net cash used by operating activities:		
Net operating revenues and expenses	\$ (485,413)	\$ (554,083)
Adjustments to reconcile net operating expenses to net cash used by operating activities		
Depreciation expenses	29,755	22,270
Changes in assets and liabilities:		
Prepaid expense	120	190
Accounts payable and accrued liabilities	68	277
Deferred revenue	8,387	11,485
Gifts in kind	10,000	47,100
Institutional support	3,798	7,293
Indirect administrative support	<u>170,345</u>	<u>183,191</u>
Net cash used by operating activities	<u>\$ (262,940)</u>	<u>\$ (282,277)</u>

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

WVUB-FM
A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies

Reporting Entity: WVUB-FM is a public radio station operated by Vincennes University. The University is an institution of higher education and is considered to be a component unit of the State of Indiana.

Financial Statement Presentation: In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Indiana, Vincennes University is also required to adopt GASB Statement No. 34 and Statement No. 35. WVUB-FM is licensed to and operated by Vincennes University. The financial statement presentation required by GASB Statement No. 34 and Statement No. 35 provides a comprehensive, entity-wide perspective of WVUB-FM's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting: For financial reporting purposes, Vincennes University is considered a special-purpose government engaged only in business-type activities. Accordingly, WVUB-FM'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 has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements, imposed by the provider, have been met.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

WVUB-FM has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. WVUB-FM has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents: For purposes of the Statement of Cash Flows, WVUB-FM considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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, WVUB-FM's capitalization policy includes all items with a unit cost of \$500 or more and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Inventories of materials and supplies at year-end are not considered material; therefore, are not reflected in the financial statements.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, and 3 to 10 years for equipment.

WVUB-FM
A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Deferred Revenues: Deferred revenues include amounts received from grant and contract sponsors that have not yet been earned.

In-Kind Contributions: Donated personal services of volunteers are recorded as revenues and expenses in the accompanying statement of activity at estimated fair market value based upon standard valuation rates and job classifications developed by the Corporation for Public Broadcasting.

Studio facilities from Vincennes University consist of office and studio space together with related occupancy costs. These have been recorded as revenue and expense at prorated share of cost. Administrative support from Vincennes University consists of allocated financial cost from support departments and other expenses incurred by Vincennes University on behalf of the station.

Net Assets: WVUB-FM's net assets are classified as follows:

Invested in capital assets: This represents WVUB-FM's total investment in capital assets. There is no outstanding debt related to these capital assets.

Unrestricted net assets: Unrestricted net assets represent resources derived from grants, underwriting, and fees. These resources are used for transactions relating to the educational and general operations of the radio station.

Classification of Revenues: WVUB-FM has classified its revenues as operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as governmental appropriations.

WVUB-FM
 A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006
 (Continued)

Note 2. Capital Assets

	Beginning Balances <u>07-01-05</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balances <u>06-30-06</u>
Capital assets being depreciated:				
Equipment	\$ 537,074	\$ 63,732	\$ 43,924	\$ 556,882
Less accumulated depreciation for:				
Equipment	<u>437,384</u>	<u>72,656</u>	<u>43,924</u>	<u>466,116</u>
Capital assets, net	<u>\$ 99,690</u>	<u>\$ (8,924)</u>	<u>\$ -</u>	<u>\$ 90,766</u>

Note 3. Functional Statement

Operating expenses by functional classification is summarized as follows:

	<u>Program and Production</u>	<u>Broadcasting</u>	<u>Program Information</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total 06-30-06</u>
Salaries, payroll taxes and benefits	\$ 214,650	\$ -	\$ -	\$ 214,650	\$ 88,561	\$ 303,211
Donated personal services of volunteers	-	-	-	-	-	-
Professional services	-	-	-	-	2,342	2,342
Supplies	-	-	-	-	1,922	1,922
Telephone and utilities	-	-	-	-	6,590	6,590
Postage	-	-	-	-	328	328
Advertising and insurance	-	-	2,000	2,000	876	2,876
Maintenance and equipment	-	9,958	-	9,958	-	9,958
Travel	4,882	-	-	4,882	-	4,882
Program acquisition	170,346	-	-	170,346	-	170,346
Program production costs	68,968	-	-	68,968	-	68,968
Miscellaneous	-	261	-	261	-	261
Membership and dues	-	-	-	-	2,631	2,631
Depreciation	-	-	-	-	29,755	29,755
Totals	<u>\$ 458,846</u>	<u>\$ 10,219</u>	<u>\$ 2,000</u>	<u>\$ 471,065</u>	<u>\$ 133,005</u>	<u>\$ 604,070</u>