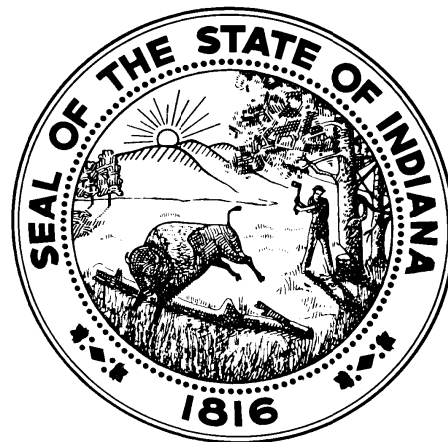


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

AUDIT REPORT  
OF

WVUT-TV  
A PUBLIC TV STATION OPERATED BY  
VINCENNES UNIVERSITY  
VINCENNES, INDIANA

July 1, 2006 to June 30, 2007



**FILED**  
12/31/2007



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**INDEPENDENT AUDITOR'S REPORT**

**TO: THE OFFICIALS OF WWUT-TV, A PUBLIC TV STATION OPERATED  
BY VINCENNES UNIVERSITY, VINCENNES, INDIANA**

We have audited the accompanying financial statements of WWUT-TV (Station), a Public TV Station operated by Vincennes University, as of and for the years ended June 30, 2007 and 2006. 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 WWUT-TV, as of June 30, 2007 and 2006, 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

*State Board of Accounts*

December 19, 2007

# **WVUT-TV**

## **A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY**

### **Management's Discussion and Analysis**

#### **INTRODUCTION**

WVUT-TV is proud to present its financial statements for fiscal year 2007. This discussion and analysis provides an overview of the financial position and activities of WVUT-TV for the year ended June 30, 2007 and 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes following this section.

WVUT-TV is licensed to the Board of Trustees for Vincennes University. One of the first two-year colleges in America, Vincennes University is also Indiana's oldest college. WVUT-TV was the first Public Television station to go on the air in Indiana on October 22, 1968. It was also the first college in Indiana to go on the air with a Digital Television Station on October 02, 2002.

#### **USING THE FINANCIAL STATEMENTS**

The WVUT-TV 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 WVUT-TV adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. In 2002 WVUT-TV 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 WVUT-TV at the end of the fiscal year and includes all assets and liabilities of WVUT-TV. The difference between total assets and total liabilities--net assets-- is one indicator of the current financial condition of WVUT-TV, 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 WVUT-TV's assets, liabilities and net assets at June 30, 2007 and 2006, is as follows:

	<b><u>2007</u></b>	<b><u>2006</u></b>
Current assets	\$ 851,599	\$ 799,627
Noncurrent Assets		
Capital assets, net of depreciation	<u>1,360,696</u>	<u>1,438,078</u>
Total assets	<u>2,212,295</u>	<u>2,237,705</u>
Current liabilities	<u>781,383</u>	<u>700,847</u>
Total liabilities	<u>781,383</u>	<u>700,847</u>
Net assets	<u>\$ 1,430,912</u>	<u>\$ 1,536,858</u>

Current assets consist of cash and cash equivalents and prepaid expenses. Current liabilities consist of accounts payable and deferred income. WVUT-TV has no long-term liabilities.

### **Net Assets**

Net assets represent the residual interest in WVUT-TV's assets after liabilities are deducted. WVUT-TV's net assets at June 30, 2007 and 2006, are summarized as follows:

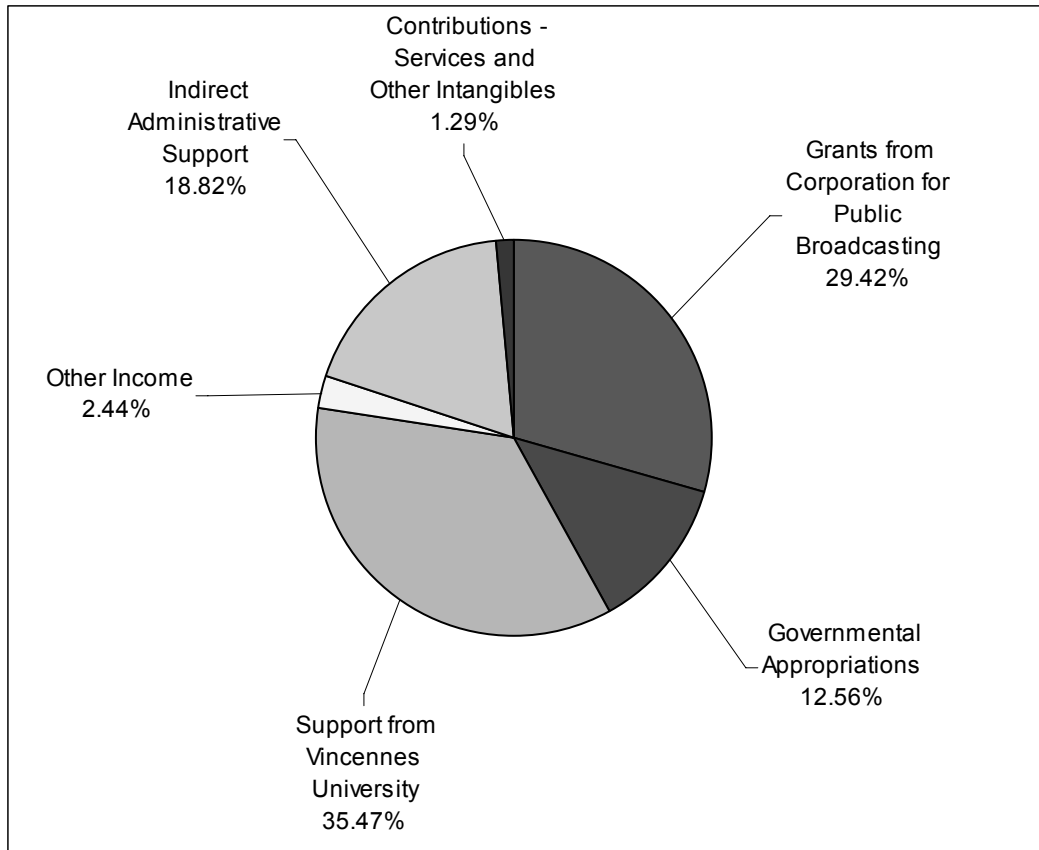
	<b><u>2007</u></b>	<b><u>2006</u></b>
Invested in capital assets	\$ 1,360,696	\$ 1,438,078
Unrestricted	70,216	98,780
Total net assets	<u>\$ 1,430,912</u>	<u>\$ 1,536,858</u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of WVUT-TV 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 Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2007 and 2006, is as follows:

	<u>2007</u>	<u>2006</u>
Operating revenue	\$ 584,131	\$ 623,879
Operating expenses	<u>2,077,403</u>	<u>2,071,715</u>
Net operating income (loss)	(1,493,272)	(1,447,836)
Non-operating revenues	<u>1,387,326</u>	<u>1,405,406</u>
Decrease in net assets	(105,946)	( 42,430)
Net assets - Beginning of year	<u>1,536,858</u>	<u>1,579,288</u>
Net assets - End of year	<u><u>\$ 1,430,912</u></u>	<u><u>\$ 1,536,858</u></u>

The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the WVUT-TV for the year ended June 30, 2007.

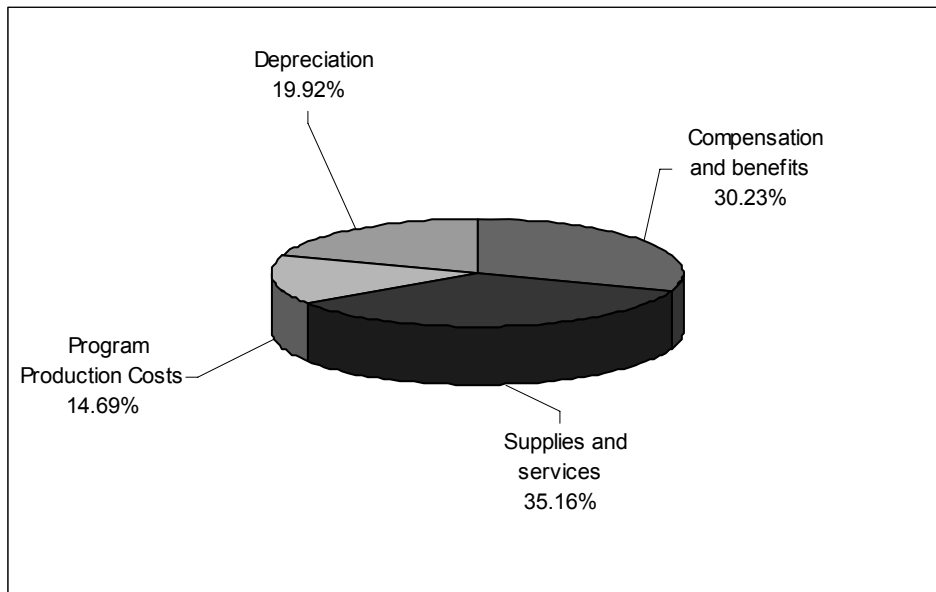


WVUT-TV continues to make cost containment an ongoing effort. This is necessary since the television station continues to face significant financial pressure due to the state's fiscal situation. Governmental appropriations to WVUT-TV and the University for operating and capital repair and rehabilitation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

A summary of WVUT-TV's expenses by object for the year ended June 30, 2007 and 2006, is as follows:

	<u>2007</u>	<u>2006</u>
Operating:		
Compensation and benefits	\$ 627,917	\$ 589,811
Supplies and services	730,438	719,821
Program Production Costs	305,182	373,472
Depreciation	413,866	388,611
Total operating expenses	<u>\$ 2,077,403</u>	<u>\$ 2,071,715</u>

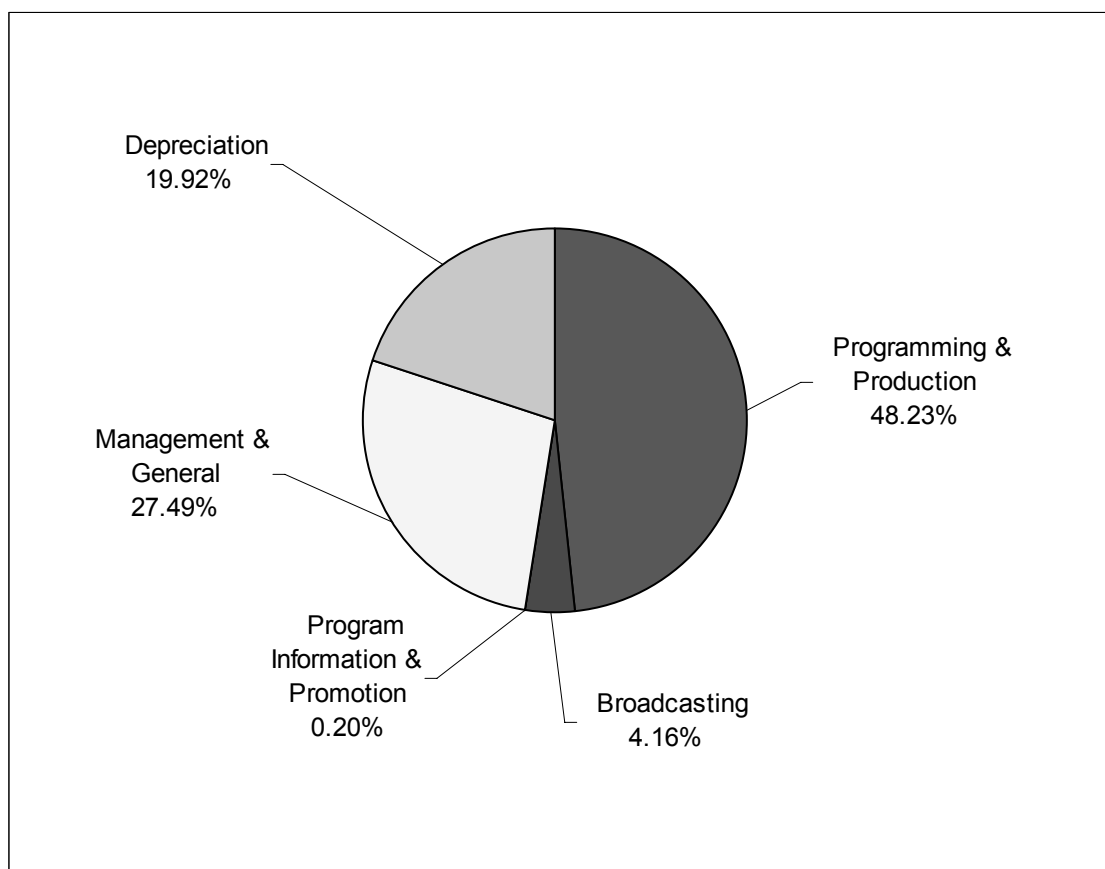
The following is a graphic illustration of total expenses by object for the year ended June 30, 2007:



In addition to their natural (object) classification, it is also informative to review operating expenses by function. A summary of WVUT-TV's expenses by functional classification for the year ended June 30, 2007 and 2006, is as follows:

	<u>2007</u>	<u>2006</u>
Operating:		
Programming & Production	\$ 1,001,929	\$ 1,053,684
Broadcasting	86,361	69,426
Program Information & Promotion	4,252	3,233
Management & General	570,995	556,761
Depreciation	413,866	388,611
Total operating expenses	<u>\$ 2,077,403</u>	<u>\$ 2,071,715</u>

The following graphic illustration presents total expenses by function for the year ended June 30, 2007:



## **STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides additional information about WVUT-TV'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, 2007 and 2006, is as follows:

	<b><u>2007</u></b>	<b><u>2006</u></b>
Cash received from operations	\$ 643,579	\$ 678,720
Cash expended for operations	<u>(1,215,317)</u>	<u>(1,146,969)</u>
Net cash used in operating activities	(571,738)	(467,976)
Net cash provided by non-capital financing activities	753,478	663,896
Net cash used in capital and related financing activities	<u>(129,888)</u>	<u>(118,999)</u>
Net increase in cash and cash equivalents	51,852	76,921
Cash and cash equivalents, beginning of year	<u>799,627</u>	<u>722,706</u>
Cash and cash equivalents, end of year	<u><u>\$ 851,479</u></u>	<u><u>\$ 799,627</u></u>

## **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Management believes that WVUT-TV is well positioned to continue in good financial condition and can serve the general public well by offering them quality public broadcasting programs coupled with local origination programs focusing on community issues. The largest source of funding for operations is a grant from the federal government through the Corporation for Public Broadcasting (CPB). While these funds have been more than adequate to date, they are based on a formula of Base plus Non-Federal Financial Support (NFFS). The WVUT NFFS has remained fairly constant in the last two years. It is important that WVUT-TV reach or exceed past goals of NFFS and the new minimum goal of \$800,000 to receive CPB appropriations each year. WVUT-TV is considered a small rural station by CPB. Because of the small station classification, WVUT-TV has been awarded a TV Special Assistance Grant amounting to \$52,204 for the year ending June 30, 2007 and \$51,552 for the year ending June 30, 2006. The station is also eligible for rural assistance for equipment and study grants from CPB.

WVUT-TV entered into a five year contract with the Hoosier Safe-T program for Tower space rental at \$1,500 per month. This contract began in fiscal year ending June 30, 2007 and generated an additional \$25,500 in income for the year.

Other sources of major funding are Vincennes University and the State of Indiana. The specific fiscal impact on higher education in the State of Indiana is uncertain; however, the University's current strong financial condition should help offset the state's economic uncertainties. University funding has remained stable over the past few years. The station continues to provide the highest quality of broadcasting for the area.

Funding from the State of Indiana has dramatically increased over the last seven years for WVUT-TV. 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.

The future uses of digital television (DTV) continue to evolve both nationally and locally. DTV was mandated by the Federal Government to help develop new TV technology uses. It has the potential to open new revenue streams for cellular phone service, internet connection services, data stream operations, and programming. The DTV spectrum can be used to broadcast simultaneously one HDTV channel and one SD channel coupled with data usage. It can also be used to broadcast four simultaneous SD channels of television programming. DTV can give the State of Indiana the final mile into the home for a higher education learning channel and is currently being explored with Indiana Higher Education Telecommunication System (IHETS). Interconnection for all the public television in the state for same time programming carriage will also be possible with the DTV spectrum. Internal management discussion has been initiated to research future uses of DTV for the benefit of the station, the University and its viewing area.

Indiana Public Broadcasting Stations, Inc. (IPBS) 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. WVUT-TV's share of the grant was \$15,625. This amount was included in Contributions for fiscal year ending June 30, 2007.

WVUT-TV  
 A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
 STATEMENT OF NET ASSETS  
 June 30, 2007 and 2006

<u>Assets</u>	<u>06-30-07</u>	<u>06-30-06</u>
Current assets:		
Cash and cash equivalents	\$ 851,479	\$ 799,627
Prepaid expenses	<u>120</u>	<u>-</u>
Total current assets	<u>851,599</u>	<u>799,627</u>
Noncurrent assets:		
Capital assets	4,574,321	4,665,365
Less accumulated depreciation	<u>(3,213,625)</u>	<u>(3,227,287)</u>
Total noncurrent assets	<u>1,360,696</u>	<u>1,438,078</u>
Total assets	<u>\$ 2,212,295</u>	<u>\$ 2,237,705</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 21,274	\$ 186
Deferred revenue	<u>760,109</u>	<u>700,661</u>
Total current liabilities	<u>781,383</u>	<u>700,847</u>
 <u>Net Assets</u>		
Invested in capital assets	1,360,696	1,438,078
Unrestricted	<u>70,216</u>	<u>98,780</u>
Total net assets	<u>1,430,912</u>	<u>1,536,858</u>
Total liabilities and net assets	<u>\$ 2,212,295</u>	<u>\$ 2,237,705</u>

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

WVUT-TV  
 A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2007 AND 2006

	06-30-07	06-30-06
Revenues:		
Operating revenue:		
Grants from Corporation for Public Broadcasting	\$ 584,131	\$ 623,879
Expenses:		
Operating expenses:		
Programming and production	1,001,929	1,053,684
Broadcasting	86,361	69,426
Program information and promotion	4,252	3,233
Management and general	570,995	556,761
Depreciation	413,866	388,611
Total operating expenses	2,077,403	2,071,715
Operating loss	(1,493,272)	(1,447,836)
Nonoperating revenues (expenses):		
Governmental appropriations	249,382	249,382
Support from Vincennes University	704,116	410,575
Other income	48,372	13,131
Indirect administrative support	373,592	401,616
Contributions - services and other intangibles	25,625	332,268
Loss on disposition of capital assets	(13,761)	(1,566)
Net nonoperating revenues	1,387,326	1,405,406
Decrease in net assets	(105,946)	(42,430)
Net assets - beginning of year	1,536,858	1,579,288
Net assets - end of year	\$ 1,430,912	\$ 1,536,858

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

WVUT-TV  
 A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2007 AND 2006

	<u>Year 2007</u>	<u>Year 2006</u>
Cash flows from operating activities:		
Grants from Public Broadcasting	\$ 643,579	\$ 678,720
Payments to suppliers	(587,400)	(556,885)
Payments to employees	(472,899)	(445,927)
Payments for benefits	<u>(155,018)</u>	<u>(143,884)</u>
Net cash used in operating activities	<u>(571,738)</u>	<u>(467,976)</u>
Cash flows from noncapital financing activities:		
Governmental appropriations	249,382	249,382
Support from Vincennes University	455,725	401,383
Other income	<u>48,371</u>	<u>13,131</u>
Net cash provided by noncapital financing activities	<u>753,478</u>	<u>663,896</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(129,888)</u>	<u>(118,999)</u>
Net increase in cash and cash equivalents	51,852	76,921
Cash and cash equivalents - beginning of year	<u>799,627</u>	<u>722,706</u>
Cash and cash equivalents - end of year	<u>\$ 851,479</u>	<u>\$ 799,627</u>
Reconciliation of net operating expenses to net cash used by operating activities:		
Net operating expenses	\$ (1,493,272)	\$ (1,447,836)
Adjustments to reconcile net operating expenses to net cash used by operating activities		
Depreciation expenses	413,866	388,611
Changes in assets and liabilities:		
Prepaid expense	(120)	-
Accounts payable and accrued liabilities	21,089	114
Deferred revenue	59,448	54,841
Gifts in kind	25,625	129,162
Institutional support	28,034	5,516
Indirect administrative support	<u>373,592</u>	<u>401,616</u>
Net cash used by operating activities	<u>\$ (571,738)</u>	<u>\$ (467,976)</u>

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

WVUT-TV  
A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Note 1. Summary of Significant Accounting Policies

Reporting Entity: WVUT-TV is a public television 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. WVUT-TV 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 WVUT-TV'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, WVUT-TV'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.

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

Cash Equivalents: For purposes of the Statement of Cash Flows, WVUT-TV 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, WVUT-TV'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.

WVUT-TV  
A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007  
(Continued)

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.

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: WVUT-TV's net assets are classified as follows:

*Invested in capital assets*: This represents WVUT-TV'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, under-writing, and fees. These resources are used for transactions relating to the educational and general operations of the television station.

Classification of Revenues: WVUT-TV 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 state appropriations.

WVUT-TV  
 A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007  
 (Continued)

Note 2. Capital Assets

	Beginning Balances 07-01-06	Increases	Decreases	Ending Balances 06-30-07
Capital assets being depreciated:				
Building and improvements	\$ 206,476	\$ 194,560	\$ -	\$ 401,036
Equipment	4,458,889	187,876	473,480	4,173,285
Total capital assets being depreciated	<u>4,665,365</u>	<u>382,436</u>	<u>473,480</u>	<u>4,574,321</u>
Less accumulated depreciation for:				
Building and improvements	42,873	8,183	-	51,056
Equipment	3,184,414	422,058	443,903	3,162,569
Total accumulated depreciation	<u>3,227,287</u>	<u>430,241</u>	<u>443,903</u>	<u>3,213,625</u>
Capital assets, net	<u>\$ 1,438,078</u>	<u>\$ (47,805)</u>	<u>\$ 29,577</u>	<u>\$ 1,360,696</u>

Note 3. Functional Statement

Operating expenses by functional classification is summarized as follows:

	Program and Production	Broadcasting	Program Information	Total Program Services	Management and General	Total 06-30-07
Salaries, payroll taxes and benefits	\$ 542,243	\$ -	\$ -	\$ 542,243	\$ 85,674	\$ 627,917
Donated personal services of volunteers	-	-	-	-	-	-
Scholarships	-	-	-	-	1,000	1,000
Professional services	15,625	-	-	15,625	3,386	19,011
Supplies	-	-	-	-	92,445	92,445
Telephone and utilities	-	86,361	-	86,361	4,082	90,443
Postage	-	-	-	-	534	534
Advertising and insurance	-	-	4,252	4,252	3,418	7,670
Printing and publications	-	-	-	-	114	114
Travel	-	-	-	-	6,581	6,581
Repair and maintenance	36,802	-	-	36,802	150	36,952
Program production costs	305,182	-	-	305,182	-	305,182
Administrative support	-	-	-	-	373,592	373,592
Miscellaneous	-	-	-	-	19	19
Membership and dues	102,077	-	-	102,077	-	102,077
Depreciation	-	-	-	-	413,866	413,866
Totals	<u>\$ 1,001,929</u>	<u>\$ 86,361</u>	<u>\$ 4,252</u>	<u>\$ 1,092,542</u>	<u>\$ 984,861</u>	<u>\$ 2,077,403</u>