

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

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

July 1, 2009 to June 30, 2010



FILED
12/28/2010

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Chairman of the Board	John R. Gaylor	07-01-08 to 06-30-11
General Manager	Phillip L. Smith	07-01-08 to 06-30-11



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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 WVUT-TV (Station), a public radio station operated by Vincennes University, as of and for the years ended June 30, 2010 and 2009. 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 of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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 respective financial position of WVUB-FM, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

December 2, 2010

State Board of Accounts

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 2010. This discussion and analysis provides an overview of the financial position and activities of WVUB-FM for the year ended June 30, 2010 and 2009. 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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Current assets	\$ 219,806	\$ 233,454
Noncurrent Assets		
Capital assets, net of depreciation	<u>169,970</u>	<u>187,366</u>
Total assets	<u>389,776</u>	<u>420,820</u>
Current liabilities	148,599	152,989
Net assets	<u>\$ 241,177</u>	<u>\$ 267,831</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, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Invested in capital assets	\$ 169,970	\$ 187,366
Unrestricted	71,207	80,465
Total net assets	<u>\$ 241,177</u>	<u>\$ 267,831</u>

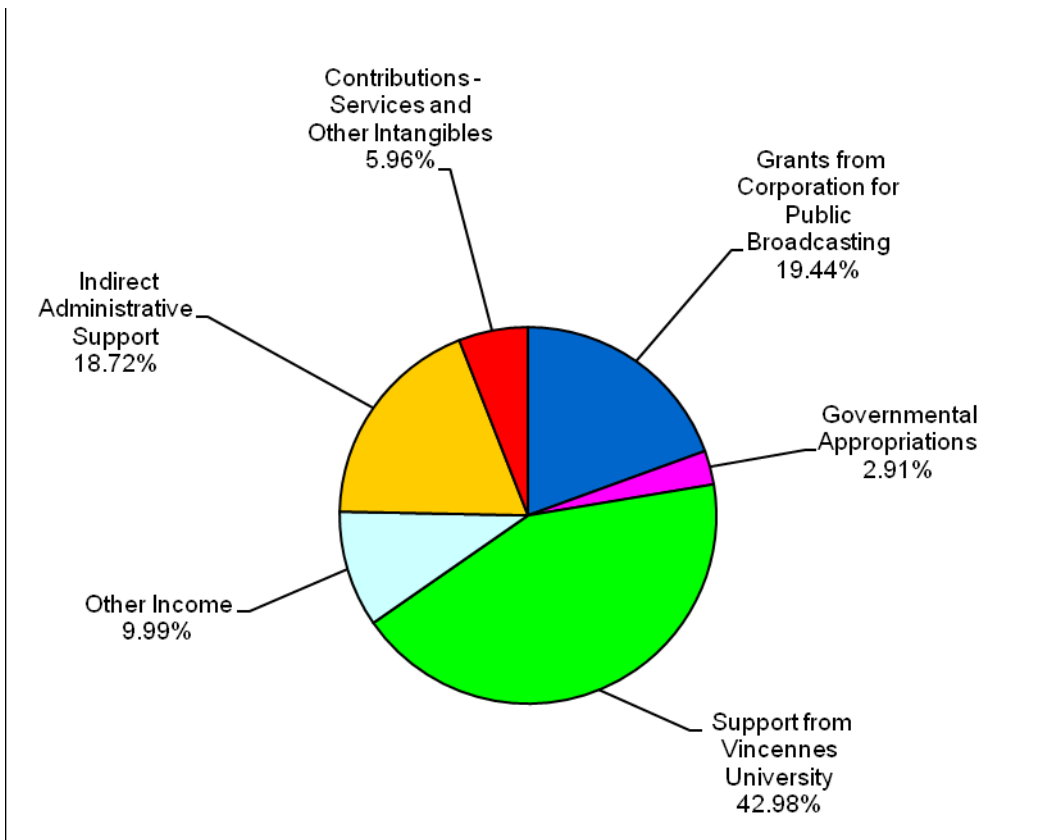
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Operating Revenue	\$ 153,376	\$ 153,427
Operating expenses	<u>815,787</u>	<u>791,959</u>
Net operating income (loss)	(662,411)	(638,532)
Non-operating Revenue	<u>635,757</u>	<u>651,100</u>
Increase (decrease) in net assets	(26,654)	12,568
Net assets - Beginning of year	<u>267,831</u>	<u>255,263</u>
Net assets - End of year	<u>\$ 241,177</u>	<u>\$ 267,831</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, 2010.

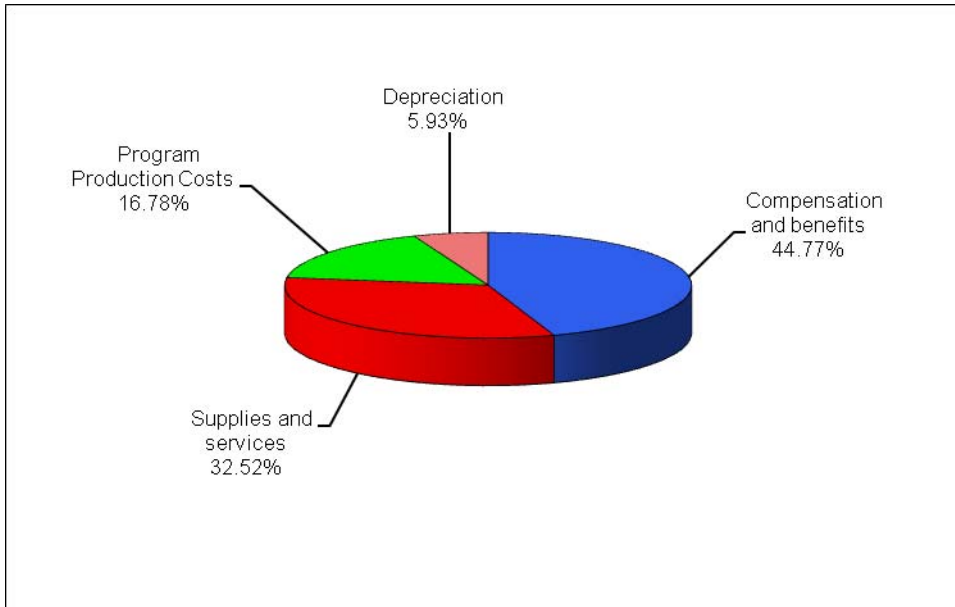


WVUB-FM continues to make cost containment an ongoing effort. This action is necessary since the radio station continues to face significant financial pressure due to the state's fiscal situation. Governmental appropriations to WVUB-FM and the University for operating and capital repair and rehabilitation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

A summary of WVUB-FM's expenses by object for the year ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Operating:		
Compensation and benefits	\$ 365,200	\$ 365,362
Supplies and services	265,263	267,901
Program Production Costs	136,923	106,952
Depreciation	48,401	51,744
Total operating expenses	<u>\$ 815,787</u>	<u>\$ 791,959</u>

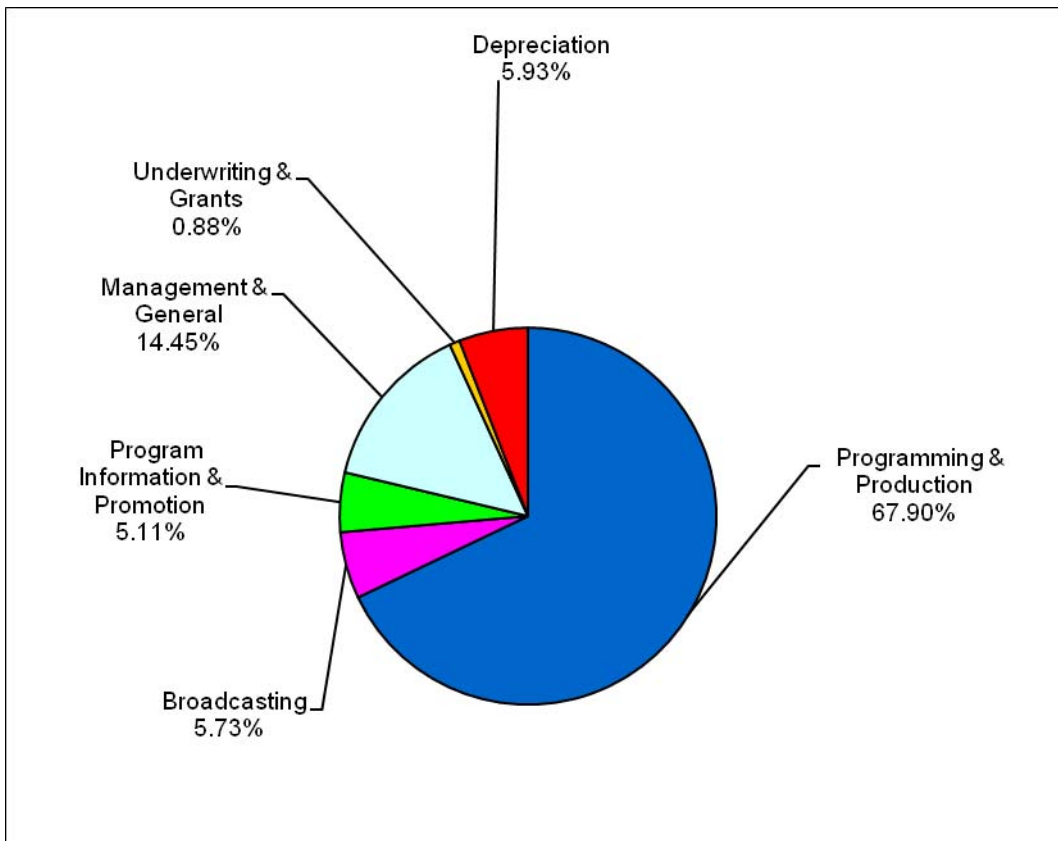
The following is a graphic illustration of total expenses by object for the year ended June 30, 2010:



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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Operating:		
Programming & Production	\$ 553,952	\$ 549,401
Broadcasting	46,740	32,130
Program Information & Promotion	41,648	24,933
Management & General	117,871	126,251
Underwriting & Grants	7,175	7,500
Depreciation	48,401	51,744
Total operating expenses	<u>\$ 815,787</u>	<u>\$ 791,959</u>

The following graphic illustration presents total expenses by function for the year ended June 30, 2010:



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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Cash received from operations	\$ 186,571	\$ 132,251
Cash expended for operations	(565,192)	(501,759)
Net cash used in operating activities	<u>(378,621)</u>	<u>(369,508)</u>
Net cash provided by non-capital financing activities	428,410	410,616
Net cash used in Capital and related financing activities	(31,614)	(51,591)
Net increase (decrease) in cash and cash equivalents	<u>18,175</u>	<u>(10,483)</u>
Cash and cash equivalents, beginning of year	200,434	210,917
Cash and cash equivalents, end of year	<u><u>\$ 218,609</u></u>	<u><u>\$ 200,434</u></u>

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Management believes that WVUB-FM is positioned to continue in fair financial condition. The underwriting efforts and sales generated new income to WVUT but staff expenses are still a concern. It is management's intent to continue serving the general public by offering quality public broadcasting programs coupled with award winning local origination programs focusing on community issues. As a result of quality programming, WVUB-FM was honored be nominated for five 2010 Spectrum Awards by the Indiana Broadcasters Association. The categories were: Indiana Radio Station of the Year, Best Community Service project of the year, Newscast of the Year, Best Breaking News Story of the Year and Best Sports cast of the year. The category we are most proud to be nominated in is the Community Service area where our "Meth-Not Even Once" campaign was selected as the top public service campaign in the state this year. This honor includes both commercial and non-commercial radio stations. WVUB is first and foremost a community service radio station serving the needs of the area.

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 2010 CPB grant is \$112,960 and the station has seen a trend of reduction in CPB funds, having received \$113,092 for FY2009.

WVUB-FM received federal Fiscal Stabilization funds for Public Broadcasting of \$11,567.52. These funds will be used during the fiscal year ending June 30, 2011 to help with staffing expenses.

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 years ended June 30, 2010 and 2009, the radio station was scheduled to receive \$62,500 in state funding. But, because of State funding cuts the station received only \$23,000 for FY2010 and \$41,964.36 for FY2009 . 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 addition of digital radio has opened new possibilities for the future. WVUB-FM has added a second High Definition channel consisting of jazz programming and most recently added a third, WVUB-HD-3, broadcasting in the Spanish Language.

If federal and state funding continues without further reductions, WVUB will be able to provide award winning quality programming focused on citizens of all age groups in our listening area.

WVUB-FM
 A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
 STATEMENT OF NET ASSETS
 June 30, 2010 and 2009

<u>Assets</u>	<u>06-30-10</u>	<u>06-30-09</u>
Current Assets:		
Cash and Cash Equivalents	\$ 218,609	\$ 200,434
Accounts Receivable	-	33,020
Prepaid Expense	<u>1,197</u>	<u>-</u>
Total Current Assets	<u>219,806</u>	<u>233,454</u>
Non-Current Assets		
Capital Assets	582,673	558,118
Less Accumulated Depreciation	<u>(412,703)</u>	<u>(370,752)</u>
Total Non-Current Assets	<u>169,970</u>	<u>187,366</u>
Total Assets	<u>\$ 389,776</u>	<u>\$ 420,820</u>
 <u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 4,317	\$ 8,882
Deferred Revenue	<u>144,282</u>	<u>144,107</u>
Total Current Liabilities	<u>148,599</u>	<u>152,989</u>
 <u>Net Assets</u>		
Invested in Capital Assets	169,970	187,366
Unrestricted	<u>71,207</u>	<u>80,465</u>
Total Net Assets	<u>241,177</u>	<u>267,831</u>
Total Liabilities and Net Assets	<u>\$ 389,776</u>	<u>\$ 420,820</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, 2010 AND 2009

	06-30-10	06-30-09
Revenues:		
Operating Revenue:		
Grants from Corporation for Public Broadcasting	\$ 153,376	\$ 153,427
Total Operating Revenue	153,376	153,427
Expenses:		
Operating Expenses:		
Programming & Production	553,952	549,401
Broadcasting	46,740	32,130
Program Information & Promotion	41,648	24,933
Management & General	117,871	126,251
Underwriting & Grants	7,175	7,500
Depreciation	48,401	51,744
Total Operating Expenses	815,787	791,959
Operating Income (Loss)	(662,411)	(638,532)
Non-Operating Revenues (Expenses):		
Governmental Appropriations	23,000	41,964
Support from Vincennes University	339,170	300,969
Underwriting & Other	78,842	77,341
Indirect Administrative Support	147,745	177,826
Contributions - Services and Other Intangibles	47,000	53,000
Net Non-operating Revenues (Expenses)	635,757	651,100
Increase (Decrease) in Net Assets	(26,654)	12,568
Net Assets - Beginning of Year	267,831	255,263
Net Assets - End of Year	\$ 241,177	\$ 267,831

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, 2010 AND 2009

	<u>Year 2010</u>	<u>Year 2009</u>
Cash Flows From Operating Activities:		
Grants from Corporation for Public Broadcasting	\$ 186,571	\$ 132,251
Payments to Suppliers	(199,992)	(136,398)
Payments to Employees	(269,534)	(270,435)
Payments for Benefits	<u>(95,666)</u>	<u>(94,926)</u>
Net Cash Used in Operating Activities	<u>(378,621)</u>	<u>(369,508)</u>
Cash Flows From Noncapital Financing Activities:		
Governmental Appropriations	23,000	41,964
Support from Vincennes University	326,568	291,312
Underwriting and Other Contributions	<u>78,842</u>	<u>77,340</u>
Net Cash Provided by Noncapital Financing Activities	<u>428,410</u>	<u>410,616</u>
Cash Flows From Capital and Related Financing Activities:		
Purchases of Capital Assets	<u>(31,614)</u>	<u>(51,591)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(31,614)</u>	<u>(51,591)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,175	(10,483)
Cash and Cash Equivalents - Beginning of Year	<u>200,434</u>	<u>210,917</u>
Cash and Cash Equivalents - End of Year	<u>\$ 218,609</u>	<u>\$ 200,434</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$ (662,411)	\$ (638,532)
Adjustments to Reconcile Operating Loss to		
Net Cash Used in Operating Activities:		
Depreciation Expenses	48,401	51,744
Changes in Assets and Liabilities:		
Accounts Receivable	33,020	(29,003)
Prepaid Expense	(1,197)	-
Accounts Payable and Accrued Liabilities	(4,565)	3,570
Deferred Revenue	175	7,828
Gifts in Kind	47,000	53,000
Institutional Support	13,211	4,059
Indirect Administrative Support	<u>147,745</u>	<u>177,826</u>
Net Cash Used in Operating Activities	<u>\$ (378,621)</u>	<u>\$ (369,508)</u>
Noncash Capital and Related Financing Activities:		
Contributions of Capital Assets from Government	\$ -	\$ 5,598

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, 2010

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, 2010
(Continued)

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

In-Kind Contributions: Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. If the fair value of contributed materials, supplies, facilities and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

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, 2010
(Continued)

Note 2. Capital Assets

	Beginning Balances 07-01-09	Increases	Decreases	Ending Balances 06-30-10
Capital Assets Being Depreciated:				
Equipment	\$ 558,118	\$ 31,614	\$ 7,059	\$ 582,673
Total Capital Assets Being Depreciated	<u>558,118</u>	<u>31,614</u>	<u>7,059</u>	<u>582,673</u>
Less Accumulated Depreciation for:				
Equipment	<u>370,752</u>	<u>48,401</u>	<u>6,450</u>	<u>412,703</u>
Total Accumulated Depreciation	<u>370,752</u>	<u>48,401</u>	<u>6,450</u>	<u>412,703</u>
Capital Assets, Net	<u>\$ 187,366</u>	<u>\$ (16,787)</u>	<u>\$ 609</u>	<u>\$ 169,970</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 06-30-10
Salaries, Payroll Taxes and Benefits	\$ 262,202	\$ -	\$ -	\$ 262,202	\$ 102,998	\$ 365,200
Donated Personal Services of Volunteers	-	-	-	-	-	-
Scholarships	-	-	-	-	-	-
Professional Services	-	-	-	-	3,456	3,456
Supplies	-	-	-	-	1,836	1,836
Telephone and Utilities	-	-	-	-	13,770	13,770
Postage	-	-	-	-	642	642
Advertising and Insurance	-	-	41,648	41,648	613	42,261
Maintenance and Equipment	-	46,740	-	46,740	-	46,740
Travel	7,082	-	-	7,082	-	7,082
Program Acquisition	147,745	-	-	147,745	-	147,745
Program Production Costs	136,923	-	-	136,923	-	136,923
Miscellaneous	-	-	-	-	-	-
Membership and Dues	-	-	-	-	1,731	1,731
Depreciation	-	-	-	-	48,401	48,401
Totals	<u>\$ 553,952</u>	<u>\$ 46,740</u>	<u>\$ 41,648</u>	<u>\$ 642,340</u>	<u>\$ 173,447</u>	<u>\$ 815,787</u>