

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

FINANCIAL STATEMENTS AUDIT REPORT

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

July 1, 2016 to June 30, 2017



**FILED**  
12/27/2017



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SCHEDULE OF UNIVERSITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Vice President for Financial Services and Government Relations	Phillip S. Rath	07-01-16 to 06-30-18
President	Charles Johnson	12-02-15 to 12-31-19
Chairman of the Board	John A. Stachura	07-01-16 to 06-30-18
General Manager	Nichole L. Carie	07-01-16 to 06-30-18



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AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of WVUT-TV, a public TV station operated by Vincennes University (WVUT-TV), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise WVUT-TV's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVUT-TV's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities WVUT-TV as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.


***Emphasis of Matter***

As discussed in Note 1, the financial statements of WVUT-TV are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the Vincennes University (University) that are attributable to the transactions of WVUT-TV. They do not purport to, and do not, present fairly the financial position of the University, as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
Paul D. Joyce, CPA  
State Examiner

December 12, 2017

## WVUT-TV

### A Public Television Station Owned and Operated by Vincennes University

#### Management's Discussion and Analysis

##### INTRODUCTION

WVUT-TV (the Station) presents its financial statements for the year ending June 30, 2017. This discussion and analysis provides an overview of the financial position and activities of WVUT-TV for the year ending June 30, 2017 with comparative information for the years ending June 30, 2016 and 2015. 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 of Vincennes University. WVUT-TV was the first Public Television station to go on the air in Indiana on October 22, 1968. Vincennes University was also the first college in Indiana to go on the air with a Digital Television Station on September 2, 2002. On June 12, 2009, WVUT-TV, along with all other analog TV stations, turned the analog transmitter off and went on-air completely digital. In July of 2010, all in-studio and out-of-studio local productions were converted to High Definition, making WVUT one of the first stations in the state to completely convert all operations to High Definition.

##### USING THIS REPORT

The WVUT-TV report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external reporting for public colleges and universities and require that financial statements be presented for aggregate operations.

##### STATEMENT OF NET POSITION

The Statement of Net Position 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 position-- is one indicator of the current financial condition of WVUT-TV, while the change in net position 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 position at June 30, 2017, 2016 and 2015 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 997,297	\$ 930,916	\$ 958,722
Noncurrent Assets			
Capital Assets, net of depreciation	<u>1,303,172</u>	<u>1,427,549</u>	<u>1,743,297</u>
Total Assets	<u>2,300,469</u>	<u>2,358,465</u>	<u>2,702,019</u>
Current Liabilities	812,867	774,750	797,075
Net Position	<u>\$ 1,487,602</u>	<u>\$ 1,583,715</u>	<u>\$ 1,904,944</u>

Current assets consist primarily of cash and cash equivalents. Current liabilities consist of accounts payable and unearned revenue. WVUT-TV has no long-term liabilities.

Current assets and current liabilities both increased in fiscal year 2017. Cash increased over \$66,000 as a result of lower expenses and a decrease in capital asset purchases. Capital assets decreased overall with approximately \$50,000 in acquisitions and \$173,000 in depreciation. Capital assets decreased 18% from fiscal year 2015 to 2016 as a result of the University raising the capitalization threshold for assets purchases from \$500 to \$5,000. This change was effective July 1, 2015.

The increase in current liabilities is associated with the deferral of revenue for advance payments received from the Corporation for Public Broadcasting. Unearned revenue in 2017 increased nearly \$37,000, mainly from the timing of expenditures where the grant period differs from fiscal year reporting. For the same reason, unearned revenue decreased by approximately \$21,000 from 2015 to 2016.

### **Net Position**

Net position represents the residual interest in WVUT-TV's assets after liabilities are deducted. WVUT-TV's net position is summarized as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Investment in Capital Assets	\$ 1,303,172	\$ 1,427,549	\$ 1,743,297
Unrestricted	184,430	156,166	161,647
Total Net Position	<u>\$ 1,487,602</u>	<u>\$ 1,583,715</u>	<u>\$ 1,904,944</u>

*Net Investment in Capital Assets* represents the Station's equity in property, plant and equipment net of accumulated depreciation. The majority of the \$550,000 asset disposals in 2017 were fully depreciated. Net Investment in Capital Assets decreased \$124,377, including \$173,290 in depreciation, a \$4,054 loss from the disposition of assets and capital asset additions of \$52,967. The decrease from fiscal year 2015 to 2016 is related to the raising of the capitalization threshold for assets purchased from \$500 to \$5,000. This change was effective July 1, 2015 and as a result, a \$222,447 (one-time) net decrease in capital assets was recorded.

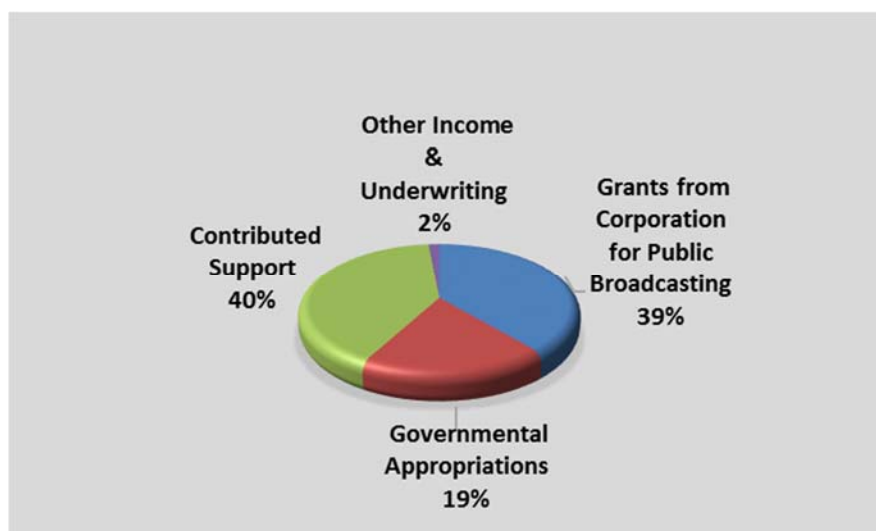
*Unrestricted Net Position* is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets. Unrestricted Net Position increased \$28,264 in fiscal year 2017. The net increase is primarily due to the increase in cash in 2017. In the prior year, unrestricted net position was relatively unchanged from 2015 to 2016.

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses, and Changes in Net Position 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 summarized comparison of the Statement of Revenues, Expenses, and Changes in Net Position is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenue	\$1,436,497	\$1,605,198	\$1,699,019
Operating Expenses	<u>1,900,178</u>	<u>2,080,703</u>	<u>2,107,710</u>
Net Operating Loss	(463,681)	(475,505)	(408,691)
Non Operating Revenue (Expenses)	<u>367,568</u>	<u>376,723</u>	<u>300,415</u>
Decrease in Net Position	(96,113)	(98,782)	(108,276)
Net Position - Beginning of year	1,583,715	1,904,944	2,013,220
Prior Period Adjustment for Change in Accounting Principle	-	(222,447)	-
Net Position - End of year	<u>\$1,487,602</u>	<u>\$1,583,715</u>	<u>\$1,904,944</u>

The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund WVUT-TV for the year ended June 30, 2017.



### ***Fiscal Year 2017***

WVUT-TV recognizes that cost containment must remain a constant focus for the Station. This action is necessary since the television station received only \$700,176 in operating revenue from the Corporation for Public Broadcasting (CPB) and government appropriations to help support the Station's operating expenses of \$1.9 million during the fiscal year of 2017.

The Station received \$732,001 in contributions from Vincennes University and other outside sources in fiscal year 2017, a decrease of 12% from contributions totaling \$832,267, in fiscal year 2016. WVUT-TV will continue in its efforts to secure other outside funding sources to help support programming and production operating expenses of \$1.1 million incurred by the Station during the fiscal year 2017.

Overall, operating expenses were 8.7 percent lower in fiscal year 2017. Programming and Production expenses were down \$74,121, or 6.4 percent. A decrease in salaries and wages from staffing reassignment represents the majority of this decrease. The largest decrease was in Management and General expense. The \$90,522 decrease was primarily due to a decrease in administrative support costs. Depreciation decreased \$20,339 in 2017.

**Fiscal Year 2016**

In fiscal year 2016, the Station received \$832,267 in contributions from Vincennes University and other outside sources, a decrease of 15% from contributions totaling \$979,841, in fiscal year 2015. The 2016 decrease in contributions was partially offset by a 21% increase in appropriations received from the State. The Rural Public Television Digital Transition Grant from the USDA also expired in September 2016. The final \$32,649 of the \$355,000 USDA grant was received in fiscal year 2016. In fiscal year 2015, the station received \$12,317 in USDA grant funds.

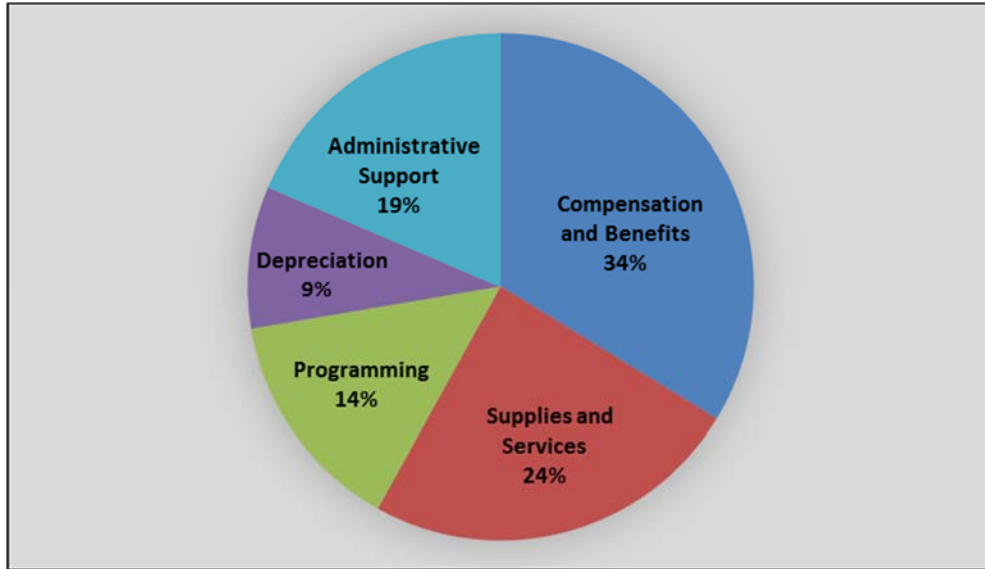
The University moved its capitalization threshold from \$500 to \$5,000 effective July 1, 2015. This change in accounting principle resulted in a one-time expense of \$222,447. Raising the capitalization threshold also impacted depreciation expense, which decreased 25% in fiscal year 2016. The decrease in depreciation was primarily due to the reduction in depreciable assets following the change in accounting principle.

A summary of WVUT-TV's expenses by object for the year ended June 30, 2017, 2016 and 2015 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating:			
Compensation and Benefits	\$ 641,109	\$ 690,275	\$ 688,813
Supplies and Services	462,385	493,207	472,546
Programming Costs	270,735	293,267	264,990
Depreciation	173,290	193,629	257,405
Administrative Support	352,659	410,325	423,956
Total Operating Expenses	<u>\$ 1,900,178</u>	<u>\$ 2,080,703</u>	<u>\$ 2,107,710</u>

When comparing the expenses by the natural classifications over past three fiscal years, there are several differences to note. In 2017, Compensation and Benefits decreased \$49,166. This change was due to a staffing reassignment. Compensation and Benefits increased less than half of a percent from fiscal year 2015 to 2016. The portion of PBS Membership Dues assignable to programming decreased \$16,412 in 2017, representing the majority of the \$22,532 decrease in total Programming Costs. The 10.7% increase in Programming Costs from fiscal year 2015 to 2016 represents the cost of new programming and an increase in the portion of PBS Membership Dues assignable to programming. Depreciation decreased slightly from fiscal year 2016 to 2017 as a result of assets reaching full depreciation. Depreciation decreased from fiscal year 2015 to 2016 as a result of changing the capitalization threshold, as previously discussed.

The following is a graphic illustration of total expenses by object for the year ended June 30, 2017:

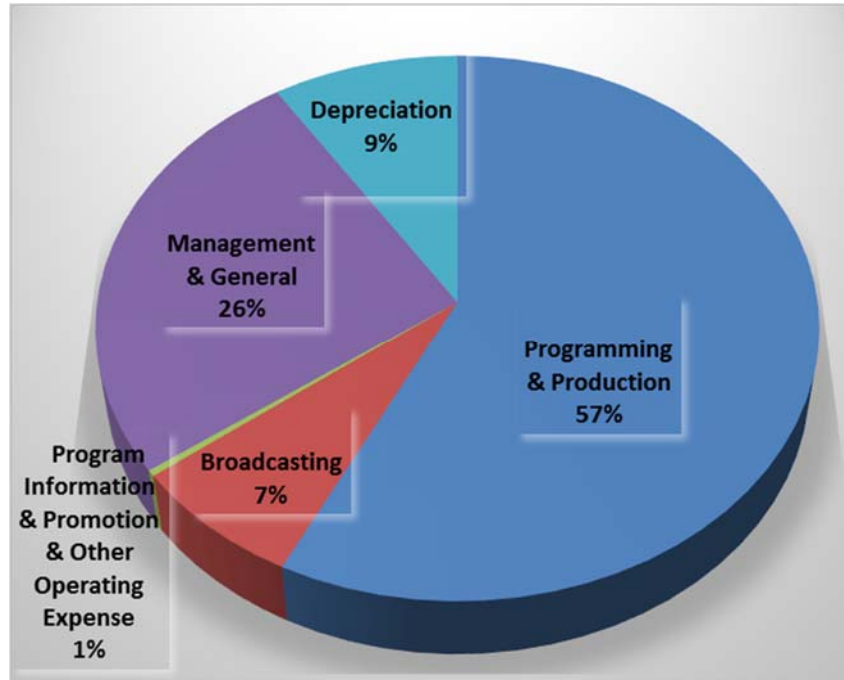


A summary of WVUT-TV's expenses by functional classification for the years ended June 30, 2017, 2016 and 2015 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating			
Programming & Production	\$ 1,089,251	\$ 1,163,372	\$ 1,136,058
Broadcasting	138,326	130,433	130,234
Program Information & Promotion	6,649	10,547	13,329
Management & General	492,200	582,722	570,684
Underwriting & Grant Solicitation	462	-	-
Depreciation	173,290	193,629	257,405
Total Operating Expenses	<u>\$ 1,900,178</u>	<u>\$ 2,080,703</u>	<u>\$ 2,107,710</u>

When analyzing the functional classifications over the past three fiscal years, there were several significant variances. In 2017, salaries, benefits and administrative support comprise 89 percent of Management and General expense. Decreases in these two areas totaled \$63,653, or 70.3 percent of the total decrease in Management and General for 2017. As mentioned beforehand, the decrease in depreciation for 2017 is a result of the aging of assets. From fiscal year 2015 to 2016, depreciation had a 25% decrease as a result of a change in the capitalization threshold.

The following graphic illustration presents total expenses by function for the year ended June 30, 2017:



### **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, 2017, 2016 and 2015 is as follows:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash received from operations	\$ 994,793	\$ 1,044,824	\$ 1,091,072
Cash expended for operations	<u>(1,249,477)</u>	<u>(1,347,738)</u>	<u>(1,287,034)</u>
Net cash provided (used) in operating activities	(254,684)	(302,914)	(195,962)
Net cash provided by non capital financing activities	371,622	376,725	313,069
Net cash used in capital and related financing activities	<u>(50,086)</u>	<u>(101,617)</u>	<u>(80,994)</u>
Net increase/(decrease) in cash and cash equivalents	66,852	(27,806)	36,113
Cash and cash equivalents, beginning of year	930,196	958,002	921,889
Cash and cash equivalents, end of year	<u>\$ 997,048</u>	<u>\$ 930,196</u>	<u>\$ 958,002</u>

The total cash and cash equivalents have remained relatively stable when comparing the three fiscal years, with a 7.2 percent increase in fiscal year 2017. Reductions in cash expended for operations and capital served to offset the decrease in cash received from operations in 2017. Net cash provided by non capital financing activities decreased slightly in 2017, in contrast to a 20% increase from 2015 to 2016. The increase in net cash provided by non capital financing activities in 2016 was the result of a State appropriation increase. This revenue was offset by the

\$60,000 increase in new programming costs from fiscal year 2015 to fiscal year 2016, which is reflected in the cash expended for operations.

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

Management believes changes will be minimal in the coming fiscal year, allowing WVUT-TV to continue in serving the general public by offering quality public broadcasting programs, including local origination programs focused on community issues while also hosting community outreach events.

Factors influencing WVUT-TV's economic position:

- State of Indiana funding levels remain strong in support of education and public service
- Implementation of Underwriting for local programming
- Programming costs will continue to increase
- Increased effort in community outreach events paired with revenue opportunities

The Indiana Legislature restored funding levels for public broadcasting to a benchmark high set seven years ago. WVUT's share of the restored state appropriation helped to offset Station expenses, while allowing Station personnel to work toward the expansion of statewide and local programming. Indiana Public Broadcasting Stations' Board of Directors, which WVUT's management is a part of, is hopeful that support will continue to grow in the state legislature.

As mandated by the FCC (Federal Communications Commission), WVUT is one of many television broadcast stations identified for channel reassignment, or "repacking." Repack involves reorganizing and assigning channels to available spectrum in the TV band. Federal funds have been allocated to assist stations with channel relocation costs. WVUT's completion deadline for ceasing operations on its pre-auction channel is January 17, 2020.

Management is implementing underwriting practices for WVUT-TV's local programming. Although underwriting revenue generated in 2017 was minimal, management is optimistic about revenue growth potential for underwriting in the coming years.

Management also continues to work diligently on partnerships with public and commercial stations and other entities to help improve operations, local programming, and underwriting opportunities.

WVUT continues to provide the highest quality of broadcasting for the area and has managed to keep staffing levels constant. The Station has the smallest staffing of all Indiana Public Television Stations, and yet WVUT remains committed in its efforts to expand local programming and outreach for the Station's viewing audience.

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## BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of WVUT-TV. The financial statements and notes are presented as intended by the WVUT-TV.

WVUT-TV  
 A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
**STATEMENT OF NET POSITION**  
 JUNE 30, 2017 AND 2016

<b>ASSETS</b>	<u>6/30/2017</u>	<u>6/30/2016</u>
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 997,048	\$ 930,196
Prepaid Expense	249	720
<i>Total Current Assets</i>	<u>997,297</u>	<u>930,916</u>
<i>Non-Current Assets</i>		
Capital Assets	5,285,265	5,779,620
Less Accumulated Depreciation	<u>(3,982,093)</u>	<u>(4,352,071)</u>
<i>Total Non-Current Assets</i>	<u>1,303,172</u>	<u>1,427,549</u>
<b>Total Assets</b>	<u>\$ 2,300,469</u>	<u>\$ 2,358,465</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 1,697	\$ 523
Unearned Revenue	<u>811,170</u>	<u>774,227</u>
<i>Total Current Liabilities</i>	<u>812,867</u>	<u>774,750</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,303,172	1,427,549
Unrestricted	<u>184,430</u>	<u>156,166</u>
<i>Total Net Position</i>	<u>\$ 1,487,602</u>	<u>\$ 1,583,715</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 POSITION**  
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<b>6/30/2017</b>	<b>6/30/2016</b>
<b>Operating Revenue</b>		
Grants from Corporation for Public Broadcasting	\$ 700,176	\$ 740,282
Other Grants and Contracts	-	32,649
Underwriting	4,320	-
Contributed Support	732,001	832,267
Total Operating Revenue	\$ 1,436,497	\$ 1,605,198
<b>Operating Expenses</b>		
Programming & Production	\$ 1,089,251	\$ 1,163,372
Broadcasting	138,326	130,433
Program Information & Promotion	6,649	10,547
Management & General	492,200	582,722
Fundraising and Membership Development	462	-
Depreciation	173,290	193,629
Total Operating Expenses	\$ 1,900,178	\$ 2,080,703
<b>OPERATING LOSS</b>	<b>(463,681)</b>	<b>(475,505)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Governmental Appropriations	348,629	348,628
Other Non-Operating Revenues	22,993	28,095
Loss on Disposition of Capital Assets	(4,054)	-
Total Non-Operating Revenues (Expenses)	367,568	376,723
<b>DECREASE IN NET POSITION</b>	\$ (96,113)	\$ (98,782)
<b>Net Position - beginning of year</b>	1,583,715	1,904,944
Cumulative Effect of Change in Accounting Principle - Note 11	-	(222,447)
<b>Net Position - end of year</b>	\$ 1,487,602	\$ 1,583,715

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 YEARS ENDED JUNE 30, 2017 AND 2016

	<b>6/30/2017</b>	<b>6/30/2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants from Public Broadcasting	\$ 737,120	\$ 719,061
Grants and Contracts	-	32,649
Underwriting and Other Contributions	4,320	-
Contributed Support	253,353	293,114
Payments to Suppliers	(608,368)	(657,462)
Payments to Employees	(485,817)	(518,092)
Payments for Benefits	(155,292)	(172,184)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (254,684)</b>	<b>\$ (302,914)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Governmental Appropriations	348,629	348,628
Other Income	22,993	28,097
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>\$ 371,622</b>	<b>\$ 376,725</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(50,086)	(101,617)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>\$ (50,086)</b>	<b>\$ (101,617)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 66,852</b>	<b>\$ (27,806)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>930,196</b>	<b>958,002</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 997,048</b>	<b>\$ 930,196</b>
 <b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>		
Operating Loss	\$ (463,681)	\$ (475,505)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expenses	173,290	193,629
Contributions of Property, Plant, & Equipment	(2,881)	1,288
Changes in Assets and Liabilities:		
Prepaid Expense	471	-
Accounts Payable and Accrued Liabilities	1,174	(1,104)
Unearned Revenue	36,943	(21,222)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (254,684)</b>	<b>\$ (302,914)</b>

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

## NOTES TO FINANCIAL STATEMENTS

WVUT-TV

A PUBLIC TELEVISION STATION OPERATED BY VINCENNES UNIVERSITY

For the years ended 6/30/2017 and 6/30/2016

### **Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity:** WVUT-TV (the Station) is a public television station operated by Vincennes University (the 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:** The financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34*, and with other accounting principles generally accepted in the United State of America, as prescribed by the GASB. During fiscal year 2017, the University adopted GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No.80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*.

**Basis of Accounting:** For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station'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.

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

**Accounts Receivable:** - Accounts receivable consist of underwriting revenue. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management has concluded that realized losses on balances outstanding at year-end will be immaterial and, accordingly, no allowance for uncollectible accounts is necessary.

**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 Station's capitalization policy includes all items with a unit cost of \$5,000 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 and, 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.

## NOTES TO FINANCIAL STATEMENTS-Continued

WVUT-TV

A PUBLIC TELEVISION STATION OPERATED BY VINCENNES UNIVERSITY

For the years ended 6/30/2017 and 6/30/2016

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Unearned Revenues: Unearned 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.

Indirect Administrative Support: Administrative support from Vincennes University consists of indirect costs incurred by the University on behalf of the Station, determined by establishing cost pools, which are grouped into functional categories such as institutional support and physical plant support, which are then allocated, based on the Station's direct costs in accordance with guidelines established by the Corporation for Public Broadcasting (CPB).

Vincennes University also provides office, studio and tower facilities, the benefit for which is included as a building use allowance.

Net Position: The Station's net position is classified as follows:

Net investment in capital assets: This represents the Station's total investment in capital assets. There is no outstanding debt related to these capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Unrestricted net position: Unrestricted net position represents resources derived from grants, underwriting, and fees. These resources are used for transactions relating to the educational and general operations of the Station. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflow of resources that are not included in the determination of net investment in capital assets.

Income Taxes: The University, as a political subdivision of the State of Indiana, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses: The Station has classified its revenues as operating revenues and expenses according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions. Operating revenues include (1) operating grants from CPB, federal and state agencies, and other entities, (2) contributions from various sources for operating activities, and (3) underwriting.

## NOTES TO FINANCIAL STATEMENTS-Continued

WVUT-TV

A PUBLIC TELEVISION STATION OPERATED BY VINCENNES UNIVERSITY

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributed support represents expenses paid on behalf of a public telecommunications entity by others outside the reporting entity, and includes support from Vincennes University, donated materials or facilities, and indirect administrative support.

Grants to finance non-capital projects are recorded as unearned revenue until an expenditure is incurred for which the grant was intended. The amounts are then included in revenues, and the expenditures are recorded.

Examples of operating expenses include employee compensation, benefits and related expenses, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

Corporation for Public Broadcasting Community Service Grants: The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

Non-operating revenues and expenses: Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions. Examples of non-operating revenues include gifts and contributions, rental income and governmental appropriations. Non-operating revenues and expenses are defined in 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, *Basic Financial Statements – and Management’s Discussion Analysis – for State and Local Governments*. Examples of non-operating expenses include loss on disposition of capital assets.

Advertising Costs: Advertising costs are expensed in the period in which they are incurred.

### **Note 2 - Cash**

Cash as of June 30, 2017 and June 30, 2016 is stated at market value. Cash deposits are insured by agencies of the federal government up to \$250,000. Amounts over \$250,000 are covered by the Indiana Public Depository Fund, which covers all public funds held in approved depositories. The total amount reported for checking accounts at various banks at June 30, 2017 and June 30, 2016 is \$997,048 and \$930,196, respectively.

**NOTE 3: Capital Assets**

	Ending Balances 06/30/16	Increases	Decreases	Transfers	Ending Balances 06/30/17
<b>Capital Assets not being depreciated:</b>					
<i>Fine Arts (Film Library)</i>	750,000	-	-	-	750,000
<b>Total Capital Assets not being depreciated</b>	<b>750,000</b>	-	-	-	<b>750,000</b>
<b>Capital Assets being depreciated:</b>					
<i>Building and Improvements</i>	401,036	-	-	-	401,036
<i>Equipment</i>	4,628,584	50,086	549,590	5,149	4,134,229
<b>Total Capital Assets being depreciated</b>	<b>5,029,620</b>	<b>50,086</b>	<b>549,590</b>	<b>5,149</b>	<b>4,535,265</b>
<b>Less accumulated depreciation for:</b>					
<i>Building and Improvements</i>	172,595	13,222	-	-	185,817
<i>Equipment</i>	4,179,476	160,068	545,536	2,268	3,796,276
<b>Total accumulated depreciation</b>	<b>4,352,071</b>	<b>173,290</b>	<b>545,536</b>	<b>2,268</b>	<b>3,982,093</b>
<b>Total Capital Assets being depreciated, net</b>	<b>677,549</b>	<b>(123,204)</b>	<b>4,054</b>	<b>2,881</b>	<b>553,172</b>
<b>Capital Assets, net</b>	<b>\$ 1,427,549</b>	<b>\$ (123,204)</b>	<b>\$ 4,054</b>	<b>\$ 2,881</b>	<b>\$ 1,303,172</b>

**NOTE 4: Functional Statement**

Operating expenses by functional classification are summarized as follows:

	PROGRAM SERVICES			SUPPORT SERVICES		Total 6/30/2017	Total 6/30/2016
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development		
Salaries, Wages & Benefits	\$ 557,647	\$ -	\$ -	\$ 83,462		\$ 641,109	\$ 690,275
Professional Services	-	-	-	14,320	462	14,782	20,707
Supplies	516	-	-	26,455	-	26,971	46,952
Occupancy	-	76,526	-	3,735	-	80,261	72,748
Postage	-	-	-	971	-	971	214
Advertising	-	-	6,649	-	-	6,649	10,547
Conferences & Meetings	-	-	-	7,673	-	7,673	11,034
Repairs & Maintenance	39,633	61,800	-	425	-	101,858	115,394
Programming Costs	270,735	-	-	-	-	270,735	293,267
Membership & Dues	220,720	-	-	2,500	-	223,220	215,611
Administrative Support	-	-	-	352,659	-	352,659	410,325
Depreciation	-	-	-	173,290	-	173,290	193,629
Total	\$ 1,089,251	\$ 138,326	\$ 6,649	\$ 665,490	\$ 462	\$ 1,900,178	\$ 2,080,703

**Note 5: Indirect Administrative Support**

Indirect administrative support from other state agencies consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as Contributed Support and also as an expense in the management and general functional expense category. The value of this support for the years ended June 30, 2017 and June 30, 2016 was \$352,659 and \$410,325, respectively.

**Note 6: Contributed In-Kind Support**

Contributed in-kind support represents expenses paid on behalf of the Station by others outside the reporting entity, and includes donated materials. The fair value of this support is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as Contributed Support. As an equivalent amount of expense is also recognized, there is no impact on net position. The total support for the years ended June 30, 2017 and June 30, 2016 was \$74,925 and \$79,300, respectively.

**Note 7: Support from Vincennes University**

Vincennes University contributes support to the Station by partially funding the operations, studio, and production facility. The total costs for this support totaled \$304,417 and \$342,642 for the years ended June 30, 2017 and June 30, 2016, respectively.

**Note 8: Risk Management**

WVUT-TV is licensed to the Board of Trustees of Vincennes University; therefore, the station is exposed to the same risk as the University. These risks include: torts, theft, damage or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; health and other medical benefits provided to employees and their dependents. The University handles these risks of loss through combinations of risk retention and commercial insurance. For building and contents, the risk retention is \$100,000 per incident. General liability, commercial crime, cyber crime, aviation, worker's compensation, commercial automobile, and medical malpractice are all handled through fully insured commercial policies. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

For health benefits, the University has an insured self-funded arrangement. The University retains the risk for medical benefits up to a stop loss provision of \$325,000 per member. There is a liability for incurred but unpaid claims. This liability is estimated to be \$680,003 for the fiscal year 2016-17 and \$674,625 for the fiscal year 2015-16.

The liability, for medical claims incurred but not reported at June 30, 2017, is based on an average monthly claim multiplied by the plan's provider's average turnaround time from when claims are incurred to when the claims are submitted for payment. Changes in the total reported self-insured health, dental & drug benefit liability during the years ending June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 674,625	\$ 955,375
Claims incurred	8,714,573	8,280,088
Claim payments	<u>(8,709,195)</u>	<u>(8,560,838)</u>
Balance, end of year	<u>\$ 680,003</u>	<u>\$ 674,625</u>

**Note 9: TIAA/CREF Pension Plan**

Plan Description

Through Vincennes University, eligible employees at WVUT-TV participate in a tax deferred 403(b) Retirement Annuity Plan (RA) through Teachers Insurance and Annuity Association of America (TIAA). This plan is a defined contribution plan under IRC 403(b). Income during retirement is based on the participant's total account balance. Participants are immediately 100% vested in the funds contributed. An agreement between the University and TIAA is approved by the University Board of Trustees.

Funding Policy

For all full-time faculty and professional staff, the University contributes 10% of earned wages. Faculty and professional staff hired prior to June 30, 2003, and having five or more years of continued employment, participate in a supplemental defined contribution retirement income plan with TIAA. The University contributes 5% of covered wages for this plan.

Additional Details of the plan can be found in the Vincennes University's Annual Financial Report.

**Note 10: Other Postemployment Benefits**

Plan Description

Through Vincennes University, eligible WVUT-TV employees participate in the University's Healthcare Plan which is a single-employer defined benefit healthcare plan administered by Anthem. This plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Vincennes University's Board of Trustees has the authority to establish and amend benefit provisions.

Funding Policy

The contribution requirements of plan members for the Vincennes University Healthcare Plan are established by the University. The required contribution is based on projected pay-as-you-go financing requirements, with an

additional amount to prefund benefits as determined by the actuarial study .

Additional details of the plan can be found in the Vincennes University's Annual Financial Report.

**Note 11: Change in Accounting Principle**

The capitalization threshold for equipment purchases was raised from \$500 to \$5,000 effective July 1, 2015. A line item titled "Cumulative Effect of Change in Accounting Principle" has been included on the Statement of Revenues, Expenses, and Changes in Net Position to reflect the \$222,447 change.

## **Note 12 – TRF Pension Plans**

### ***General Information about the Teachers' Retirement Pension Plans***

Through Vincennes University (the University), eligible WVUT-TV employees participate in the Indiana Public Retirement System (INPRS). TRF is two (2) cost-sharing, multiple-employer defined benefit plans, TRF Pre-1996 Account and TRF 1996 Account. TRF is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.4, and IC 5-10.5.

### ***Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996)***

**Benefits** TRF Pre-1996 is a pay-as-you-go cost sharing, multiple-employer defined plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees hired before July 1, 1995. There are two aspects to the TRF Pre-1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the State of Indiana. The second portion of the TRF Pre-1996 benefit Structure is the annuity savings account that supplements the defined benefit at retirement. The benefit formula is the years of creditable service times the average highest five-year annual salary times .011. Members can elect at retirement to receive their Annuity Savings account as a monthly supplement to their defined pension benefit or in a total distribution. Cost of living adjustments are granted by the Indiana General Assembly on an ad-hoc basis.

**Membership** Membership in TRF Pre-1996 is closed to new entrants. Legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees hired before July 1, 2011, are required to participate in TRF as a condition of employment. Generally, members hired prior to 1996 participate in the TRF Pre-1996 Account and members hired after 1996 participate in the TRF 1996 Account.

**Contributions** State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three percent year-over-year increase is being provided through State appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as part of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5.

This pension plan is a special funding situation in that the State of Indiana, a non-employer contributing entity, is legally responsible for the net pension liability and contributions to the pension plan. TRF Pre-1996 Account Members contributed three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member in which Vincennes University elects to make the contribution. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Additional details of the plan can be found in the Vincennes University's Annual Financial Report.

### ***Teachers' Retirement Fund 1996 Account (TRF 1996)***

**Benefits** TRF 1996 is a cost sharing, multiple-employer defined plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees (hired before July 1, 2011) hired after June 30, 1995. Members who were hired before July 1, 1995 were members of TRF Pre-1996. However, pursuant to the law in place prior to July 1, 2005, if a member of TRF Pre-1996 left employment and re-employed after June 30, 1995, the member and the liability were transferred to TRF 1996. There are two aspects to the TRF 1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the TRF 1996 benefit structure is the annuity savings accounts that supplements the defined benefit at retirement.

The benefit formula is the years of creditable service times the average highest five-year annual salary times .011. Members can elect at retirement to receive their Annuity Savings account as a monthly supplement to their defined pension benefit or in a total distribution. Cost of living adjustments are granted by the Indiana General Assembly on an ad-hoc basis.

**Membership** Membership in TRF 1996 is required for all legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees. Additionally, faculty members and professional employees at Ball State University and Vincennes University have the option of selecting membership in the Fund or the alternate University Plan not administered by INPRS.

**Contributions** The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provided for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As the TRF 1996 Account is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers.

TRF 1996 Account members contributed 3 percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member in which Vincennes University elects to make the contribution. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Additional details of the plan can be found in the Vincennes University's Annual Financial Report.

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the University. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.