

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

FINANCIAL STATEMENTS AUDIT REPORT

WVUB-FM
A PUBLIC RADIO 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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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WVUB-FM, A PUBLIC RADIO 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 WVUB-FM, a public radio station of Vincennes University (WVUB-FM), as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise WVUB-FM'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 WVUB-FM'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 of WVUB-FM, 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.

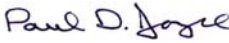
Emphasis of Matter

As discussed in Note 1, the financial statements of WVUB-FM 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 Vincennes University (University) that are attributable to the transactions of WVUB-FM. 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

WVUB-FM

A Public Radio Station Operated by Vincennes University Management's Discussion and Analysis

INTRODUCTION

WVUB-FM (the Station) presents its financial statements for fiscal year ending June 30, 2017. This discussion and analysis provides an overview of the financial position and activities of WVUB-FM for the year ending June 30, 2017 with comparative information for the fiscal years ended June 30, 2016 and June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes following this section.

Licensed to the Board of Trustees of Vincennes University, WVUB-FM is a 50,000 watt public radio station serving twelve counties in Southwestern Indiana. WVUB-FM began broadcasting in December of 1970, making it one of the first Public Radio stations to go on the air in Indiana. In addition to the primary signal, WVUB also broadcasts two alternate programming channels in HD Radio. WVUB HD-2 is a Smooth Jazz station featuring NPR News reports. WVUB HD-3, Blazer Bilingue is a full-time Spanish language radio station broadcasting music, news and talk programming through affiliation with Radio Bilingue out of Southern California. The programming is designed to both entertain and inform members of the Hispanic and Latino communities living within WVUB's primary coverage area.

USING THE FINANCIAL STATEMENTS

The WVUB-FM 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. WVUB-FM follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and 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*. 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 position categories.

STATEMENT OF NET POSITION

The Statement of Net Position 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 position-- is one indicator of the current financial condition of WVUB-FM, 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 WVUB-FM'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	\$ 224,562	\$ 275,399	\$ 270,858
Noncurrent Assets			
Capital Assets, net of depreciation	<u>29,514</u>	<u>38,200</u>	<u>38,310</u>
Total Assets	<u>254,076</u>	<u>313,599</u>	<u>309,168</u>
Current Liabilities	127,801	160,775	140,342
Net Position	<u>\$ 126,275</u>	<u>\$ 152,824</u>	<u>\$ 168,826</u>

Current assets materially consist of cash and cash equivalents. Current liabilities consist of accounts payable and unearned revenue. WVUB-FM has no long-term liabilities.

Cash decreased \$50,887 in fiscal year 2017. New programming purchases account for the majority of the decrease along with higher salary and benefit costs paid in 2017. Cash remained relatively unchanged from fiscal year 2015 to 2016.

The Station had no capital asset acquisitions in 2017, therefore, depreciation represents the major portion of the decrease in capital assets for 2017. Capital assets remained relatively unchanged from fiscal year 2015 to 2016. Acquisitions of approximately \$33,000 in fiscal year 2016, were offset by depreciation, along with the one-time reduction to net assets as a result of moving the University's capitalization threshold from \$500 to \$5,000, which was effective July 1, 2015.

Twenty-five thousand dollars of accounts payable from software purchases in fiscal year 2016 were paid in 2017, representing the majority of the decrease in current liabilities. WVUB purchased the software for a server conversion in fiscal year 2016, increasing current liabilities from 2015.

Net Position

Net position represents the residual interest in WVUB-FM's assets after liabilities are deducted. WVUB-FM's net position at June 30, 2017, 2016 and 2015 are summarized as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Investment in Capital Assets	\$ 29,514	\$ 38,200	\$ 38,310
Unrestricted	96,761	114,624	130,516
Total Net Position	<u>\$ 126,275</u>	<u>\$ 152,824</u>	<u>\$ 168,826</u>

Net Investment in Capital Assets represents the Station's equity in property, plant and equipment net of accumulated depreciation. This equity amount decreased in 2017 as a result of capital asset transfers to WVUT-TV and an increase in accumulated depreciation. Net Investment in Capital Assets remained relatively unchanged from fiscal year 2015 to 2016.

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 decreased by \$17,863 in 2017. This change is the net effect of the decrease in cash and the decrease in current liabilities. Payroll costs increased in fiscal year 2016, including full year salary and benefit costs for positions that were filled following retirements in 2015. The additional payroll costs represent the majority of the decrease in net position from fiscal year 2015 to 2016.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

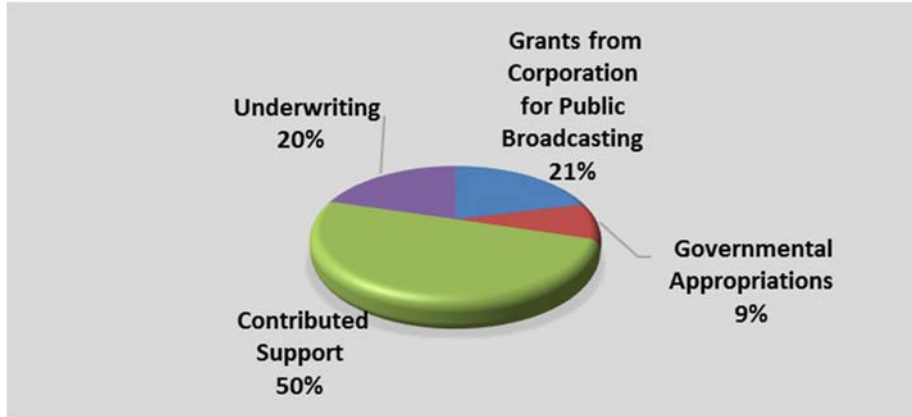
The Statement of Revenues, Expenses, and Changes in Net Position present the operating results of WVUB-FM as well as the non-operating revenues and expenses. Governmental appropriations, while used for operations, are considered non-operating revenues as defined by GASB Statement No. 35. A summary of the Statement of Revenues, Expenses, and Changes in Net Position is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenue	\$586,685	\$581,216	\$556,958
Operating Expenses	<u>669,817</u>	<u>626,986</u>	<u>571,388</u>
Net Operating Loss	(83,132)	(45,770)	(14,430)
Non Operating Revenue	<u>56,583</u>	<u>56,583</u>	<u>47,976</u>
Increase (Decrease) in Net Position	(26,549)	10,813	33,546
Net Position - Beginning of year	152,824	168,826	135,280
Prior Period Adjustment for Change in Accounting Principle	-	(26,815)	-
Net Position - End of year	<u>\$126,275</u>	<u>\$152,824</u>	<u>\$168,826</u>

Operating revenue remained relatively unchanged from fiscal year 2016 to fiscal year 2017. Operating revenue increased 4% in fiscal year 2016, primarily due to an increase in contributed support.

An 11.5 percent increase in Programming and Production expense reflects new programming purchases in 2017. The 2017 Program Information and Promotion expense nearly doubled to \$15,384, from both promotional purchases and increased costs associated with WVUB's "Shopping Cart Showdown" community service project.

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, 2017:



A summary of WVUB-FM's operating expenses by the natural classifications for the year ended June 30, 2017, 2016 and 2015 is as follows:

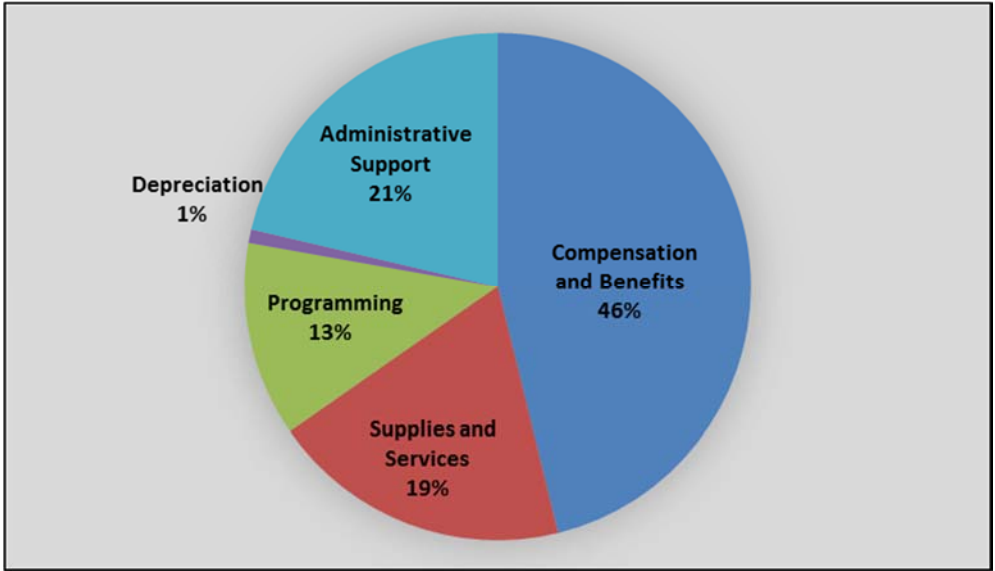
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating:			
Compensation and Benefits	\$ 309,219	\$ 291,959	\$ 255,729
Supplies and Services	128,318	125,444	111,969
Programming Costs	83,550	68,724	57,757
Depreciation	5,806	5,901	18,060
Administrative Support	142,924	134,958	127,873
Total Operating Expenses	<u>\$ 669,817</u>	<u>\$ 626,986</u>	<u>\$ 571,388</u>

The 6.8 percent increase in operating expenses from fiscal year 2016 to fiscal year 2017 is comprised primarily of increases in Compensation and Benefits, Programming Costs and Administration Support. The largest increase is in Compensation and Benefits, at \$17,260, or 5.9 percent. The Station's utilization of Davis Hall also increased in 2017, contributing to a 5.9 percent increase in Administrative Support.

Operating expenses increased 10% from fiscal year 2015 to 2016. One factor was the University's movement of its capitalization threshold from \$500 to \$5,000 on July 1, 2015. This change caused an increase in supply costs for equipment purchases under \$5,000 and a decrease in depreciation expense. Compensation and benefits reflected an increase related to the filling of the general manager and program director positions during fiscal year 2015.

A one-time expense totaling \$26,815 was recognized as a prior period adjustment for change in accounting principle since the University moved the capitalization threshold from \$500 to \$5,000 effective July 1, 2015.

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



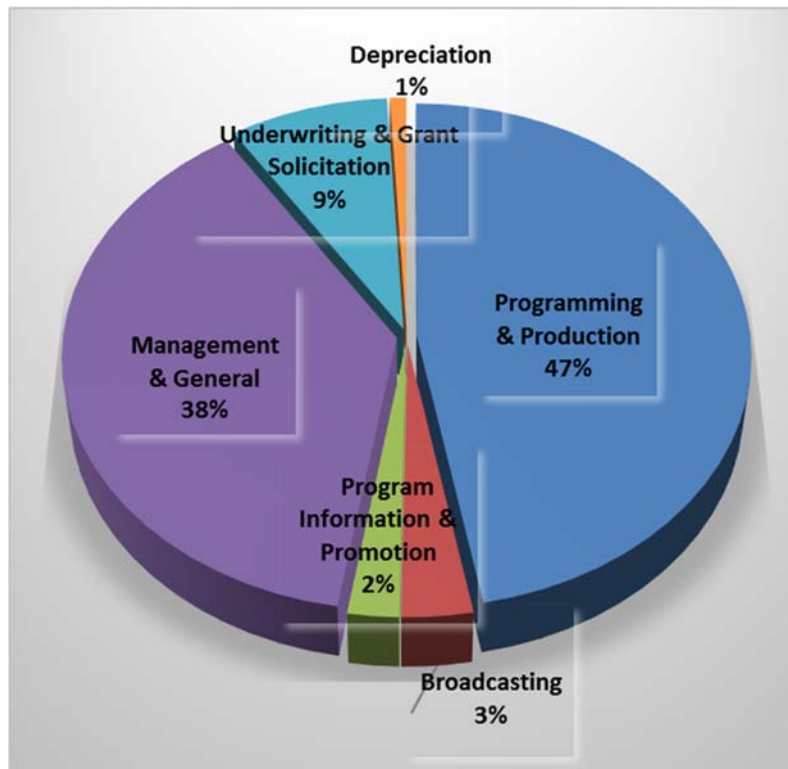
A summary of WVUB-FM's expenses by the functional classifications for the years ended June 30, 2017, 2016 and 2015 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses			
Programming & Production	\$ 315,407	\$ 282,840	\$ 258,735
Broadcasting	21,428	25,695	17,018
Program Information & Promotion	15,384	7,732	7,857
Management & General	256,058	249,750	219,316
Underwriting & Grant Solicitation	55,734	55,068	50,402
Depreciation	5,806	5,901	18,060
Total Operating Expenses	<u>\$ 669,817</u>	<u>\$ 626,986</u>	<u>\$ 571,388</u>

The 11.5 percent increase in Programming & Productions in 2017 reflects the Station's focus on program expansion. As discussed previously, additional funds were also directed toward promoting the Station in fiscal year 2017, which accounts for the significant increase in Program Information and Promotion expense.

Programming & Production costs increased 9% from fiscal year 2015 to 2016. This increase was related to the filling of the program director position during fiscal year 2016. Management & General expenses increased 14% from fiscal year 2015 to 2016 which was primarily related to a full year of salary costs for the program manager position that was filled during fiscal year 2015.

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 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, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Cash received from operations	\$ 419,067	\$ 407,855	\$ 404,417
Cash expended for operations	<u>(526,537)</u>	<u>(437,072)</u>	<u>(402,547)</u>
Net cash provided (used) in operating activities	(107,470)	(29,217)	1,870
Net cash provided by non capital financing activities	56,583	56,583	47,976
Net cash used in capital and related financing activities	<u>-</u>	<u>(20,980)</u>	<u>(2,227)</u>
Net increase/(decrease) in cash and cash equivalents	(50,887)	6,386	47,619
Cash and cash equivalents, beginning of year	<u>275,399</u>	<u>269,013</u>	<u>221,394</u>
Cash and cash equivalents, end of year	<u>\$ 224,512</u>	<u>\$ 275,399</u>	<u>\$ 269,013</u>

Overall, cash decreased \$50,887 during fiscal year 2017. The net change is associated solely with operating activities including increased expenditures as previously noted.

The cash and cash equivalents increased slightly from fiscal year 2015 to 2016. The increase in accounts payable contributed to the increase in cash reported for 2016.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Management believes changes will be minimal in the coming fiscal year, allowing WVUB-FM to continue serving the general public by offering quality programming, including state and local programs focused on community issues while also hosting community outreach events.

Factors influencing WVUB-FM's economic position:

- State of Indiana funding levels remain strong in support of education and public service
- Increased efforts to combine community outreach events with funding opportunities on a local, state and regional level
- Continued focus on the growth of Underwriting revenue for local programming
- Programming and promotions costs will continue to increase

The Indiana Legislature restored funding levels for public broadcasting in the 2 year budget adopted in 2016. These levels matched a benchmark high set eight years ago. WVUB-FM's share of the restored state appropriation helped to off-set Station expenses, while allowing the Station to invest in an expansion of statewide and local programming. This includes participation in the RJC/News Across All Platforms project that launched during this past fiscal year with the Indiana Public Broadcasting Stations (IPBS). The IPBS Board of Directors, of which WVUB management is a part, is hopeful that this pattern of support will continue to grow in the state legislature.

Management continues to utilize partnerships with both public and commercial stations and other entities to help improve operations, local programming and funding opportunities. To better position the Station to realize these opportunities WVUB-FM is a participating member of Greater Public. Greater Public provides member stations access to a multitude of resources designed specifically for public media stations, in an effort to make fundraising more efficient and effective. WVUB-FM is also a participating member of the Indiana Association of Broadcasters, which provides information and tools to both commercial and public stations within the state.

WVUB continues to provide high quality broadcasting services for the area and has managed to keep staffing levels constant. WVUB-FM has the smallest staffing of all Indiana Public Radio Stations but is consistently exploring ways of expanding programming and outreach efforts in the local service area.

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

WVUB-FM
 A PUBLIC RADIO STATION OPERATED BY VINCENNES UNIVERSITY
STATEMENT OF NET POSITION
 AS OF JUNE 30, 2017 AND 2016

<u>ASSETS</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
<i>Current Assets</i>		
Cash and Cash Equivalents	\$224,512	\$ 275,399
Prepaid Expense	50	-
<i>Total Current Assets</i>	<u>\$224,562</u>	<u>275,399</u>
<i>Non-Current Assets</i>		
Capital Assets	320,381	371,035
Less Accumulated depreciation	(290,867)	(332,835)
<i>Total Non-Current Assets</i>	<u>29,514</u>	<u>38,200</u>
Total Assets	<u>\$254,076</u>	<u>\$ 313,599</u>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 284	\$ 25,316
Unearned Revenue	127,517	135,459
<i>Total Current Liabilities</i>	<u>127,801</u>	<u>160,775</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	29,514	38,200
Unrestricted	96,761	114,624
<i>Total Net Position</i>	<u>\$ 126,275</u>	<u>\$ 152,824</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 POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	6/30/2017	6/30/2016
Operating Revenue		
Grants from Corporation for Public Broadcasting	\$ 135,459	\$ 138,183
Contributed Support	320,714	315,547
Underwriting	130,512	127,486
Total Operating Revenue	\$ 586,685	\$ 581,216
Operating Expenses		
Programming & Production	\$ 315,407	\$ 282,840
Broadcasting	21,428	25,695
Program Information & Promotion	15,384	7,732
Management & General	256,058	249,750
Fundraising and Membership Development	55,734	55,068
Depreciation	5,806	5,901
Total Operating Expenses	\$ 669,817	\$ 626,986
OPERATING LOSS	(83,132)	(45,770)
NON-OPERATING REVENUES (EXPENSES)		
Governmental Appropriations	56,583	56,583
Total Non-operating Revenues	56,583	56,583
INCREASE (DECREASE) IN NET POSITION	\$ (26,549)	\$ 10,813
Net Position - beginning of year	152,824	168,826
Cumulative Effect of Change in Accounting Principle - Note 11	-	(26,815)
Net Position - end of year	\$ 126,275	\$ 152,824

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 YEARS ENDED JUNE 30, 2017 AND 2016

	6/30/2017	6/30/2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from Corporation for Public Broadcasting	\$ 127,517	\$ 135,459
Underwriting and Other Contributions	130,512	127,486
Support from Vincennes University	161,038	144,910
Payments to Suppliers	(217,318)	(145,113)
Payments to Employees	(239,037)	(229,977)
Payments for Benefits	(70,182)	(61,982)
Net Cash Used in (Provided By) Operating Activities	\$ (107,470)	\$ (29,217)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Governmental Appropriations	56,583	56,583
Net Cash Provided by Noncapital Financing Activities	\$ 56,583	\$ 56,583
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	-	(20,980)
Net Cash Used in Capital and Related Financing Activities	\$ -	\$ (20,980)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (50,887)	\$ 6,386
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	275,399	269,013
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 224,512	\$ 275,399
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$ (83,132)	\$ (45,770)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expenses	5,806	5,901
Contributions of Property, Plant & Equipment	2,881	(11,626)
Changes in Assets and Liabilities:		
Prepaid Expense	(50)	1,845
Accounts Payable and Accrued Liabilities	(25,033)	23,157
Unearned Revenue	(7,942)	(2,724)
Net Cash Used in (Provided By) Operating Activities	\$ (107,470)	\$ (29,217)

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

NOTES TO FINANCIAL STATEMENTS

WVUB-FM

A PUBLIC RADIO 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: WVUB-FM (the Station) is a public radio 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

WVUB-FM

A PUBLIC RADIO 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 expense 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

WVUB-FM

A PUBLIC RADIO 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 \$224,512 and \$275,399, respectively.

NOTE 3: Capital Assets

	Beginning Balances 07/01/16	Increases	Decreases	Transfers	Ending Balances 06/30/17
Capital Assets being depreciated:					
Equipment	371,035	-	45,505	(5,149)	320,381
Total Capital Assets being depreciated	371,035	-	45,505	(5,149)	320,381
Less accumulated depreciation for:					
Equipment	332,835	5,806	45,505	(2,269)	290,867
Total accumulated depreciation	332,835	5,806	45,505	(2,269)	290,867
Total Capital Assets being depreciated, net	\$ 38,200	\$ (5,806)	\$ -	\$ (2,880)	\$ 29,514

NOTE 4: Functional Statement

Operating expenses by functional classification is 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	\$ 227,795	\$ -	\$ -	\$ 81,424	\$ -	\$ -	\$ 309,219	\$ 291,959
Professional Services				13,358	55,734		69,092	68,591
Supplies		1,689		2,798			4,487	7,044
Occupancy				7,140			7,140	6,767
Postage				794			794	924
Advertising			12,701				12,701	7,732
Conferences & Meetings				4,324			4,324	5,738
Repairs & Maintenance		6,627					6,627	5,807
Programming Costs	67,755	13,112	2,683				83,550	68,724
Membership & Dues	19,857			3,296			23,153	22,841
Administrative Support				142,924			142,924	134,958
Depreciation				5,806			5,806	5,901
Total	\$ 315,407	\$ 21,428	\$ 15,384	\$ 261,864	\$ 55,734	\$ -	\$ 669,817	\$ 626,986

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 \$142,924 and \$134,958, 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 expenses of an equivalent amount are also recognized, there is no impact on net position. The total supported for June 30, 2017 and June 30, 2016 was \$13,125 and \$17,500, 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 \$164,665 and \$163,089 for the years ended June 30, 2017 and June 30, 2016, respectively.

Note 8: Risk Management

WVUB-FM 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 WVUB-FM 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 WVUB-FM 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 \$26,815 change.

Note 12 – TRF Pension Plans

General Information about the Teachers' Retirement Pension Plans

Through Vincennes University (the University), eligible WVUB-FM 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 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/>.