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April 16, 2019

WVUT-TV  
1002 N 1<sup>st</sup> St  
Vincennes, IN 47591

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of WVUT-TV, a public television station operated by Vincennes University. We have reviewed the audit report which was opined upon by RSM US LLP, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of WVUT-TV as of June 30, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

# **WVUT-TV**

**(A Public Television Station Operated as a  
Department of Vincennes University)**

Financial Report  
June 30, 2018

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### 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 Stachura	07-01-16 to 06-30-18
General Manager	Nichole Carie	07-01-16 to 06-30-18

## Independent Auditor's Report

To the Officials  
WVUT-TV (A Public Television Station Operated  
as a Department of Vincennes University)  
Vincennes, Indiana

### Report on the Financial Statements

We have audited the accompanying financial statements of WVUT-TV, a public television station operated as a department of Vincennes University (WVUT-TV), as of and for the year ended June 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the entity'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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WVUT-TV as of June 30, 2018, and the changes in its financial position and its cash flows 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 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, 2018 and 2017, 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 opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, WVUT-TV restated beginning net position to correct an error in the recognition of revenue. Our opinion was not modified for this matter.

**Other Matter**

The financial statements of WVUT-TV, as of and for the year ended June 30, 2017, were audited by other auditors, whose report, dated December 12, 2017, expressed an unmodified opinion on those statements.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-10 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.

*RSM US LLP*

Indianapolis, Indiana  
February 11, 2019

## **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, 2018. This discussion and analysis provides an overview of the financial position and activities of WVUT-TV for the year ending June 30, 2018 with comparative information for the years ending June 30, 2017 and 2016. 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, 2018, 2017 and 2016 is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 1,003,192	\$ 997,297	\$ 930,916
Noncurrent Assets			
Capital Assets, net of depreciation	<u>1,314,050</u>	<u>1,303,172</u>	<u>1,427,549</u>
Total Assets	<u>2,317,242</u>	<u>2,300,469</u>	<u>2,358,465</u>
Current Liabilities	6,832	1,697	523
Net Position	<u>\$ 2,310,410</u>	<u>\$ 2,298,772</u>	<u>\$ 2,357,942</u>

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

Total current assets and current liabilities remained relatively unchanged from 2017 to 2018. At the end of 2018, the Station reported a receivable totaling \$63,541 for the FCC mandated repacking. During 2018, there were capital asset purchases totaling \$136,505 and depreciation expense totaling \$125,627 which reflects the slight increase in net capital assets. During 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.

#### 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>2018</u>	<u>2017</u>	<u>2016</u>
Net Investment in Capital Assets	\$ 1,314,050	\$ 1,303,172	\$ 1,427,549
Restricted	\$ 805,338	\$ 811,170	\$ 774,227
Unrestricted	191,022	184,430	156,166
Total Net Position	<u>\$ 2,310,410</u>	<u>\$ 2,298,772</u>	<u>\$ 2,357,942</u>

*Net Investment in Capital Assets* represents the Station's equity in property, plant and equipment net of accumulated depreciation. As mentioned beforehand, there were capital asset purchases totaling \$136,505 and depreciation expense totaling \$125,627. 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.

*Restricted Net Position* represents constraints placed on net position use when imposed by third parties or imposed by law through constitutional provisions or enabling legislation. These amounts are unspent Community Service Grant funds.

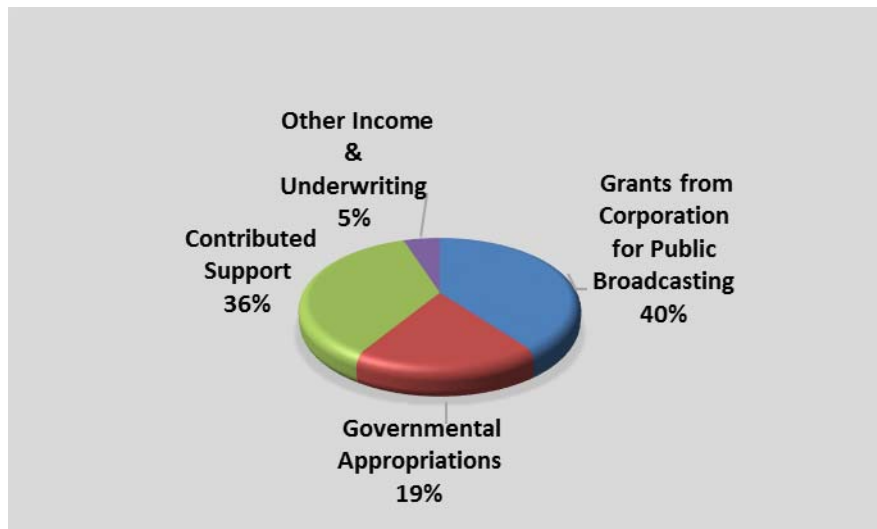
*Unrestricted Net Position* is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets. Unrestricted net position increased slightly from the prior year. This increase is predominately related to the decrease in operating expenditures. Unrestricted net position increased \$28,264 in fiscal year 2017. The net increase is primarily due to the increase in cash in 2017.

**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>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenue	\$1,462,283	\$1,473,440	\$1,583,978
Operating Expenses	<u>1,821,184</u>	<u>1,900,178</u>	<u>2,080,703</u>
Net Operating Loss	(358,901)	(426,738)	(496,725)
Non Operating Revenue	<u>370,539</u>	<u>367,568</u>	<u>376,723</u>
Increase (Decrease) in Net Position	11,638	(59,170)	(120,002)
Net Position, beginning of year, as restated	2,298,772	2,357,942	1,904,944
Restatement			795,447
Prior Period Adjustment for Change in Accounting Principle	-	-	(222,447)
Net Position - End of year	<u>\$2,310,410</u>	<u>\$2,298,772</u>	<u>\$2,357,942</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, 2018.



### ***Fiscal Year 2018***

WVUT-TV continues to recognize that cost containment must remain a constant focus for the Station. This action is necessary since the television station received only \$729,230 in operating revenue from the Corporation for Public Broadcasting (CPB) and government appropriations to help support the Station's operating expenses of \$1.8 million during the fiscal year of 2018.

The Station received \$663,072 in contributions from Vincennes University and other outside sources in fiscal year 2018, a decrease of 9 percent from contributions totaling \$732,001, in fiscal year 2017. WVUT-TV will continue 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 2018.

Overall, operating expenses were 4 percent lower in fiscal year 2018. Programming and production expenses remained relatively stable as compared to the prior year. The largest decrease was in depreciation expense which decreased approximately 28 percent as a result of aging assets.

### ***Fiscal Year 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.

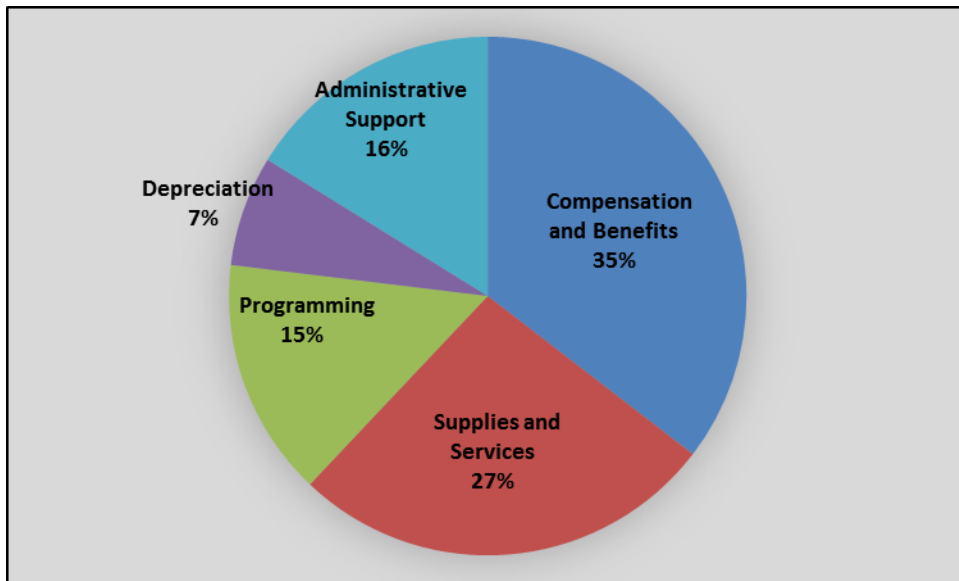
A summary of WVUT-TV's expenses by object for the year ended June 30, 2018, 2017 and 2016 is as follows:

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
Operating:			
Compensation and Benefits	\$ 645,370	\$ 641,109	\$ 690,275
Supplies and Services	484,851	462,385	493,207
Programming Costs	270,554	270,735	293,267
Depreciation	125,627	173,290	193,629
Administrative Support	294,782	352,659	410,325
Total Operating Expenses	<u><u>\$ 1,821,184</u></u>	<u><u>\$ 1,900,178</u></u>	<u><u>\$ 2,080,703</u></u>

When comparing the expenses by the natural classifications over past three fiscal years, there are several differences to note. In 2018, depreciation expense decreased 28 percent due to the aging of the assets. The 16 percent change in contributed support is primarily related to the change in the Station’s administrative support calculation. The Station moved from the basic rate method to a modified rate using the University’s indirect rate from its cognizant agency. The 5 percent increase in supplies and services was a result of the repacking costs.

In 2017, compensation and benefits decreased \$49,166. This change was due to a staffing reassignment. 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. Depreciation decreased slightly from fiscal year 2016 to 2017 as a result of assets reaching full depreciation.

The following is a graphic illustration of total expenses by object for the year ended June 30, 2018:

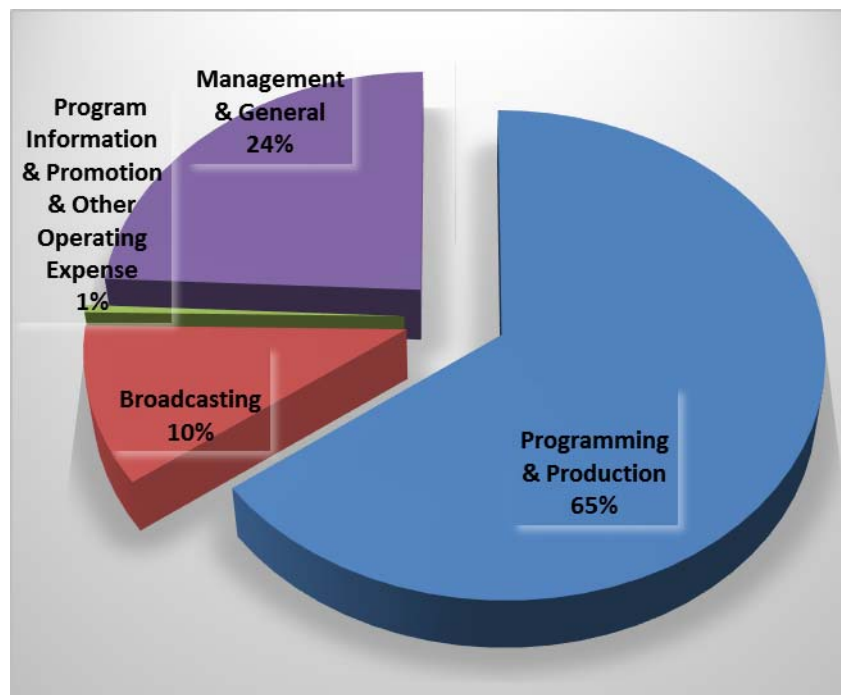


A summary of WVUT-TV’s expenses by functional classification for the years ended June 30, 2018, 2017 and 2016 is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating			
Programming & Production	\$ 1,107,858	\$ 1,089,251	\$ 1,163,372
Broadcasting	179,097	138,326	130,433
Program Information & Promotion	8,414	6,649	10,547
Management & General	400,034	492,200	582,722
Underwriting & Grant Solicitation	154	462	-
Depreciation	125,627	173,290	193,629
Total Operating Expenses	<u>\$ 1,821,184</u>	<u>\$ 1,900,178</u>	<u>\$ 2,080,703</u>

When analyzing the functional classifications over the past three fiscal years, there were several significant variances. In 2018, the management and general expenses decreased 19 percent as a result of the change in the administrative support calculation and broadcasting increased 29 percent as a result of the expenditures incurred for the FCC repackaging. 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. Depreciation continues to decrease for all years presented as a result of the aging of assets.

The following graphic illustration presents total expenses by function for the year ended June 30, 2018:



### 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, 2018, 2017 and 2016 is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash received from operations	\$ 996,218	\$ 994,793	\$ 1,044,824
Cash expended for operations	<u>(1,287,649)</u>	<u>(1,249,477)</u>	<u>(1,347,738)</u>
Net cash used in operating activities	(291,431)	(254,684)	(302,914)
 Net cash provided by non capital financing activities	 370,539	 371,622	 376,725
 Net cash used in capital and related financing activities	 <u>(136,505)</u>	 <u>(50,086)</u>	 <u>(101,617)</u>
Net increase/(decrease) in cash and cash equivalents	(57,397)	66,852	(27,806)
 Cash and cash equivalents, beginning of year	 997,048	 930,196	 958,002
Cash and cash equivalents, end of year	<u>\$ 939,651</u>	<u>\$ 997,048</u>	<u>\$ 930,196</u>

The total cash and cash equivalents have remained relatively stable when comparing the three fiscal years, with a 5.8 percent decrease in fiscal year 2018. This decrease is primarily related to the expenditures incurred for the FCC mandated repacking totaling \$63,541. During fiscal year 2017, there was a 7.2 percent increase in cash and cash equivalents. Reductions in cash expended for operations and capital served to offset the decrease in cash received from operations during this year.

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

The FCC mandated repacking of WVUT is underway in order to meet our deadline of October 18, 2019. While the FCC is promising that reimbursement should only take weeks versus months, management is unsure when those reimbursement funds will be deposited into the station licensee's bank account. This timing could potentially have an impact on station operations if found to be longer than promised/anticipated.

Station funding is directly tied to the University, the State of Indiana and the federal funding through the Corporation for Public Broadcasting. With enrollment declining and a possible decrease in federal funding, management is committed to the fiscal stewardship of funds in order to maintain a sound financial position for the Station.

Station management would like to grow efforts in underwriting and sponsorship, however a decline in staffing has made that more difficult. Despite this, we will continue to seek innovative work flows and revenue-creating initiatives which may fit with the smaller staff and continued public outreach. Serving our public audience and communities remains a number one priority for the station and its employees.

**WVUT-TV**  
**A Public TV Station Operated By Vincennes University**

**Statements of Net Position**  
**As of June 30, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 939,651	\$ 997,048
Accounts receivable	63,541	-
Prepaid expense	-	249
<b>Total current assets</b>	<b>1,003,192</b>	<b>997,297</b>
Non-current assets:		
Capital assets not being depreciated	750,000	750,000
Capital assets being depreciated	4,665,794	4,535,265
Less accumulated depreciation	(4,101,744)	(3,982,093)
<b>Total non-current assets</b>	<b>1,314,050</b>	<b>1,303,172</b>
<b>Total assets</b>	<b>\$ 2,317,242</b>	<b>\$ 2,300,469</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 6,832	\$ 1,697
<b>Total current liabilities</b>	<b>6,832</b>	<b>1,697</b>
Net position:		
Investment in capital assets	1,314,050	1,303,172
Restricted for station activities	805,338	811,170
Unrestricted	191,022	184,430
<b>Total net position</b>	<b>2,310,410</b>	<b>2,298,772</b>
<b>Total liabilities and net position</b>	<b>\$ 2,317,242</b>	<b>\$ 2,300,469</b>

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

**WVUT-TV**  
**A Public TV Station Operated By Vincennes University**

**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2018 and 2017**

	2018	2017
Operating revenue:		
Grants from Corporation for Public Broadcasting	\$ 729,230	\$ 737,119
Other grants and contracts	63,541	-
Underwriting	6,440	4,320
Contributed Support	663,072	732,001
<b>Total operating revenue</b>	<b>1,462,283</b>	<b>1,473,440</b>
Operating expenses:		
Programming and production	1,107,858	1,089,251
Broadcasting	179,097	138,326
Program information and promotion	8,414	6,649
Management and general	400,034	492,200
Fundraising and membership development	154	462
Depreciation	125,627	173,290
<b>Total operating expenses</b>	<b>1,821,184</b>	<b>1,900,178</b>
<b>Operating loss</b>	<b>(358,901)</b>	<b>(426,738)</b>
Non-operating revenues and (expenses)		
Governmental appropriations	348,628	348,629
Other non-operating revenues	21,911	22,993
Loss on disposition of capital assets	-	(4,054)
<b>Total non-operating revenues</b>	<b>370,539</b>	<b>367,568</b>
<b>Increase (decrease) in net position</b>	<b>11,638</b>	<b>(59,170)</b>
Net position, beginning of year, as restated	2,298,772	2,357,942
Net position, end of year	<b>\$ 2,310,410</b>	<b>\$ 2,298,772</b>

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

**WVUT-TV**  
**A Public TV Station Operated By Vincennes University**

**Statements of Cash Flows**  
**For the Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Grants from Public Broadcasting	\$ 729,230	\$ 737,119
Underwriting and other contributions	6,440	4,320
Contributed support	260,548	253,354
Payments to suppliers	(642,280)	(608,368)
Payments to employees	(492,099)	(485,817)
Payments for benefits	(153,270)	(155,292)
<b>Net cash used in operating activities</b>	<b>(291,431)</b>	<b>(254,684)</b>
Cash flows from noncapital financing activities:		
Governmental appropriations	348,628	348,629
Other income	21,911	22,993
<b>Net cash provided by noncapital financing activities</b>	<b>370,539</b>	<b>371,622</b>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(136,505)	(50,086)
<b>Net cash used in capital and related financing activities</b>	<b>(136,505)</b>	<b>(50,086)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(57,397)</b>	66,852
Cash and cash equivalents - beginning of year	997,048	930,196
Cash and cash equivalents - end of year	<b>\$ 939,651</b>	<b>\$ 997,048</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (358,901)	\$ (426,738)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expenses	125,627	173,290
Contributions of capital assets	-	(2,881)
Changes in assets and liabilities:		
Accounts receivable	(63,541)	-
Prepaid expense	249	471
Accounts payable	5,135	1,174
<b>Net cash used in operating activities</b>	<b>\$ (291,431)</b>	<b>\$ (254,684)</b>

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

**WVUT-TV**  
**A Public Television Station Operated By Vincennes University**

**Notes to Financial Statements**

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**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 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, Omnibus 2017, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*.

**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:** The receivable reflects the estimated reimbursable expenditures incurred for the FCC repacking as of June 30, 2018. Management has concluded that no allowance for uncollectible accounts is necessary.

**Capital assets:** Capital assets are recorded at cost at the date of acquisition, or acquisition 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; 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 and improvements, 20 to 25 years for infrastructure and land improvements, and 3 to 10 years for equipment.

**WVUT-TV**  
**A Public Television Station Operated By Vincennes University**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Underwriting revenue:** Contributions are recognized as revenue upon receipt.

**Contributed support:** Contributed materials, supplies, facilities, and non-capital property are recorded at their estimated acquisition value at the date of donation. If the acquisition value of contributed materials, supplies, facilities and non-capital 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, calculated using the University's Negotiated Indirect Cost Rate on modified total direct costs. The rate has been modified for rate components that do not benefit the station in accordance with guidelines established by the Corporation for Public Broadcasting (CPB).

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

**Investment in capital assets:** This represents the Station's total investment in capital assets. There is no outstanding debt related to these capital assets.

**Restricted net position:** Restricted net position represents constraints placed on net position use when imposed by third parties or imposed by law through constitutional provisions or enabling legislation.

**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 and restricted net position.

**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 operating revenues and expense according to the following criteria:

**Operating revenues and expenses:** The Station distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Station's principal ongoing operations. The principal operating revenues of the Station are grants for public broadcasting entities, including grants to enhance the quality of programming and expand the scope of public broadcasting services, as well as contributed support from the University and contributions from donors. Operating expenses include costs of services, payments to suppliers and employees, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**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 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 revenue includes governmental appropriations and 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 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, 2018 and June 30, 2017 is \$939,651 and \$997,048 respectively.



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**Note 4. Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operating expenses by functional classification for the years ended June 30, 2018 and 2017, are summarized as follows:

	2018					
	Program Services			Support Services		
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development	Total
Salaries, wages and benefits	\$ 568,065	\$ -	\$ -	\$ 77,305	\$ -	\$ 645,370
Professional services	-	24,971	-	12,832	154	37,957
Supplies	24,314	-	-	2,218	-	26,532
Occupancy	-	74,944	-	2,627	-	77,571
Postage	-	-	-	217	-	217
Advertising	-	-	8,414	-	-	8,414
Conferences and meetings	-	-	-	7,873	-	7,873
Repairs and maintenance	32,714	75,856	-	608	-	109,178
Programming costs	267,228	3,326	-	-	-	270,554
Membership and dues	215,537	-	-	1,572	-	217,109
Administrative support	-	-	-	294,782	-	294,782
Depreciation	-	-	-	125,627	-	125,627
Total	\$ 1,107,858	\$ 179,097	\$ 8,414	\$ 525,661	\$ 154	\$ 1,821,184

	2017					
	Program Services			Support Services		
	Programming and Production	Broadcasting	Program Information and Promotion	Management and General	Fundraising and Membership Development	Total
Salaries, wages and benefits	\$ 557,647	\$ -	\$ -	\$ 83,462	\$ -	\$ 641,109
Professional services	-	-	-	14,320	462	14,782
Supplies	516	-	-	26,455	-	26,971
Occupancy	-	76,526	-	3,735	-	80,261
Postage	-	-	-	971	-	971
Advertising	-	-	6,649	-	-	6,649
Conferences and meetings	-	-	-	7,673	-	7,673
Repairs and maintenance	39,633	61,800	-	425	-	101,858
Programming costs	270,735	-	-	-	-	270,735
Membership and dues	220,720	-	-	2,500	-	223,220
Administrative support	-	-	-	352,659	-	352,659
Depreciation	-	-	-	173,290	-	173,290
Total	\$ 1,089,251	\$ 138,326	\$ 6,649	\$ 665,490	\$ 462	\$ 1,900,178

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**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 Station changed the method of calculating its indirect support for the 2018 fiscal year. The Station had been utilizing the Basic Method and made the decision to use the Other Sponsored Activities (OSA) rate with a Modified Total Direct Cost (MTDC) base as approved by the University's cognizant agency, Health and Human Services. The approved rate of 35.1 percent was modified for costs not benefiting the station. The modified rate is 23.48 percent.

The value of this support for the years ended June 30, 2018 and June 30, 2017 was \$294,782 and \$352,659, 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 acquisition 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, 2018 and June 30, 2017 was \$61,800 and \$74,925, 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 \$306,490 and \$304,417 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Note 8. Risk Management**

WVUT-TV is licensed to the Board of Trustees of the 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 maximum stop loss provision of \$325,000 per member. The University records a liability for incurred but unpaid claims, which is estimated to be \$870,234 and \$680,003 for the fiscal years ended June 30, 2018 and 2017, respectively. WVUB-FM's contribution is included in the contributed support and expense allocation from the University.

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**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, which is included in the contributed support and expense allocation to WVUB-FM.

Additional Details of the plan can be found in the Vincennes University's Annual Financial Report, which can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.

**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. The 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. WVUB-FM's contribution is included in the contributed support and expense allocation from the University.

Additional details of the plan can be found in the Vincennes University's Annual Financial Report, which can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.

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**Note 11. Teachers' Retirement Fund (TRF) Pension Plans**

***General Information about the TRF Pension Plans***

Through 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 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 all of 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 the 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. WVUB-FM's contribution is included in the contributed support and expense allocation from the University.

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**Note 11. Teachers' Retirement Fund (TRF) Pension Plans (Continued)**

***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 the 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. WVUB-FM's contribution is included in the contributed support and expense allocation from the University.

Additional details of the plan can be found in the Vincennes University's Annual Financial Report, which can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.

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**Note 12. Restatement**

The Station restated beginning net position as follows:

Net position July 1, 2016, as previously reported	\$ 1,583,715
Remove unearned revenue and recognize revenue	<u>774,227</u>
Net position July 1, 2016, as restated	<u>\$ 2,357,942</u>
Net position July 1, 2017, as previously reported	\$ 1,487,602
Remove unearned revenue and recognize revenue	<u>811,170</u>
Net position July 1, 2017, as restated	<u>\$ 2,298,772</u>

The net position was restated for the recognition of revenue related to unspent CSG funds historically reported as unearned revenue. This practice had been consistently applied in previous years. The effect on the change in net position as previously reported for the years ended June 30, 2017 and 2016 is an increase of \$36,943 and \$33,945.