

WVPE-FM Radio

**(A Public Telecommunications Entity Operated
By The Elkhart Community Schools)**

Financial Report
December 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
WVPE-FM Radio
Elkhart, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of WVPE-FM Radio, a public telecommunications entity operated by the Elkhart Community Schools, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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 audits. We conducted our audits 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.

To the Board of Directors
WVPE-FM Radio

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WVPE-FM Radio as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Elkhart, Indiana
May 14, 2018

WVPE-FM Radio
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statements Of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 316,610	\$ 224,529
Receivables, less allowance for doubtful accounts	27,164	32,638
Prepaid expenses	25,032	32,226
Total current assets	368,806	289,393
Equipment:		
Master control studio equipment	105,195	105,195
Production studio equipment	360,622	360,622
Studio and other broadcast equipment	330,843	330,843
	796,660	796,660
Less accumulated depreciation	619,479	577,231
	177,181	219,429
Total assets	\$ 545,987	\$ 508,822
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and other liabilities	\$ 82,425	\$ 78,513
Net assets:		
Unrestricted	463,562	430,309
Total net assets	463,562	430,309
Total liabilities and net assets	\$ 545,987	\$ 508,822

See notes to financial statements.

WVPE-FM Radio
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statements Of Activities
Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted net assets:		
Support and revenue:		
Elkhart Community Schools, donated facilities and services	\$ 48,950	\$ 45,608
Other contributed services	47,861	28,974
Grants from state and local agencies	72,729	30,177
Public broadcasting	127,965	131,943
Special projects	25,734	22,491
Foundations and nonprofit associations	206,094	292,168
Membership contributions	750,384	693,023
Corporate underwriting support	236,420	179,497
Total support and revenue	1,516,137	1,423,881
Expenses:		
Program services:		
Local programming and production	642,337	691,140
Program information	49,377	40,235
Broadcasting	110,015	78,914
Total program services expenses	801,729	810,289
Supporting services:		
Fundraising	405,191	394,627
Management and general	275,964	233,251
Total supporting services expenses	681,155	627,878
Total expenses	1,482,884	1,438,167
Change in net assets	33,253	(14,286)
Net assets, beginning of year	430,309	444,595
Net assets, end of year	\$ 463,562	\$ 430,309

See notes to financial statements.

WVPE-FM Radio
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statement Of Functional Expenses
Year Ended December 31, 2017

	2017					Total
	Program Services			Supporting Services		
	Local Programming and Production	Program Information	Broadcasting	Fund Raising	Management and General	
Salaries, payroll taxes, and employee benefits	\$ 154,237	\$ -	\$ -	\$ 346,519	\$ 166,411	\$ 667,167
Programming acquisitions	453,089	-	-	-	-	453,089
Professional technical services	539	33,420	52,235	10,841	26,095	123,130
Donated facilities and administrative support from Elkhart Community Schools	8,255	1,032	1,032	-	38,631	48,950
Travel	-	-	1,087	7,958	5,007	14,052
Telephone	-	-	-	-	5,285	5,285
Printing/binding	959	-	-	(729)	2,730	2,960
Supplies	-	-	319	23,504	5,715	29,538
Dues and subscriptions	-	-	6,551	15,285	24,146	45,982
Depreciation	1,108	-	40,749	-	391	42,248
Miscellaneous	-	14,925	-	1,813	1,553	18,291
Equipment rental	24,150	-	8,042	-	-	32,192
	\$ 642,337	\$ 49,377	\$ 110,015	\$ 405,191	\$ 275,964	\$ 1,482,884

See notes to financial statements.

WVPE-FM Radio
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statement Of Functional Expenses
Year Ended December 31, 2016

	2016						Total
	Program Services			Supporting Services			
	Local Programming and Production	Program Information	Broadcasting	Fund Raising	Management and General		
Salaries, payroll taxes, and employee benefits	\$ 200,995	\$ -	\$ -	\$ 309,313	\$ 132,570	\$ 642,878	
Programming acquisitions	457,626	-	-	-	-	457,626	
Professional technical services	530	25,893	27,021	21,237	29,784	104,465	
Donated facilities and administrative support from Elkhart Community Schools	7,660	958	958	-	36,032	45,608	
Travel	-	-	222	1,577	2,099	3,898	
Telephone	-	-	-	-	3,940	3,940	
Printing/binding	3,015	45	-	23,933	162	27,155	
Supplies	-	-	-	29,252	1,715	30,967	
Dues and subscriptions	-	-	4,854	8,732	25,416	39,002	
Depreciation	1,189	-	40,840	-	435	42,464	
Miscellaneous	-	13,339	1,561	583	1,098	16,581	
Equipment rental	20,125	-	3,458	-	-	23,583	
	<u>\$ 691,140</u>	<u>\$ 40,235</u>	<u>\$ 78,914</u>	<u>\$ 394,627</u>	<u>\$ 233,251</u>	<u>\$ 1,438,167</u>	

See notes to financial statements.

WVPE-FM Radio
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Statements Of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 33,253	\$ (14,286)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	42,248	42,464
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	5,474	(9,304)
Prepaid expenses	7,194	(15,836)
(Decrease) in:		
Accounts payable and other liabilities	3,912	(14,157)
Net cash provided by (used in) operating activities	92,081	(11,119)
Cash flows from investing activities:		
Purchase of equipment	-	(2,013)
Change in cash	92,081	(13,132)
Cash, beginning	224,529	237,661
Cash, ending	\$ 316,610	\$ 224,529

See notes to financial statements.

WVPE-FM Radio
(A Public Telecommunications Entity Operated By The Elkhart Community Schools)

Notes To Financial Statements

Note 1. Nature of Organization, Economic Dependence, and Significant Accounting Policies

Nature of organization: WVPE-FM Radio (the "Organization") is a telecommunications entity operated by the Elkhart Community Schools ("ECS") as a noncommercial public radio station.

Economic dependence: The Organization is economically dependent on ECS, which provides office and studio space and holds the license to operate the radio station.

Significant accounting policies:

Use of estimates: 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash: The Organization's cash is held in the ECS general account.

Equipment: Equipment is recorded at cost or, in the case of donated equipment, at estimated fair market value at the date of receipt. Depreciation of equipment is computed by the straight-line method over the estimated useful lives of the assets, primarily five to twenty-five years.

Net assets: The financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. At December 31, 2017 and 2016, the Organization did not have any contributions from donors with time or purpose restrictions.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization does not possess any permanently restricted net assets.

Donated facilities and services from ECS: Donated facilities from ECS consist of office and studio space together with related occupancy costs and are recorded in revenue and expense at estimated fair rental values. Donated services consist of allocated financial and department costs and certain other expenses incurred by ECS.

In-kind contributions: In-kind contributions of equipment are recorded as revenue based upon estimates obtained from appraisers of the fair value of the assets and depreciated over their estimated useful lives. Donated services requiring specific expertise are recorded as revenue and expense in the accompanying statement of activities at estimated fair value.

Revenue recognition: Unrestricted contributions, pledges, and grants are recognized as support in the Statement of Activities upon receipt. Other revenues are recognized as earned either upon receipt or accrual.

WVPE-FM Radio

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Notes To Financial Statements

Contributions receivable: The Organization's receivables consist primarily of amounts pledged from corporate underwriters. Management periodically reviews the underwriting receivables aging and writes off any accounts that appear to be uncollectible. Underwriting receivables are considered past due after thirty days beyond contract pledge date and are written off when deemed uncollectible. Recoveries of these receivables previously written off are recorded when received. The allowance for doubtful underwriting pledged accounts at December 31, 2017 and 2016 was approximately \$2,000 in both years.

The Organization also engages in periodic fundraising campaigns manifested by offering some special radio programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Organization for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. An allowance for uncollectable contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. All underwriting and member pledges receivable are promises to give within one year of December 31, 2017. Contributions and pledges are components of unrestricted net assets in as much as their usage is not restricted to specific activities of the Organization.

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When the Organization receives a restricted contribution and the restriction is met during the same fiscal year, the contribution is recorded as an unrestricted contribution.

Corporation for public broadcasting community service grants: The Corporation for Public Broadcasting (CPB) 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.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported in the accompanying financial statements as increases in unrestricted net assets as satisfaction of the time and purpose restrictions occur in the period which received.

Income tax status: The Organization is exempt from income taxes under the provisions of the Internal Revenue Code and a similar state statute.

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Notes To Financial Statements

The Organization follows the accounting guidance for uncertainty in income taxes. The standard clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The guidance also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management believes the Organization has no material uncertainties in income taxes.

At December 31, 2017 and 2016, there were no unrecognized tax benefits identified or recorded as liabilities and the Organization would not be subject to examination for years prior to 2014. Also, the Organization does not presently have a tax filing requirement with the Internal Revenue Service or related state filing requirement due to it being a part of and operated by ECS.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recently issued accounting standards: In February 2016, the FASB issued ASU 2016-02, *Leases—(Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization's December 31, 2020 financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the Organization in the fiscal year ending December 31, 2018, early adoption is allowed. The Organization is currently evaluating the impact of the adoption of the standard on its financial statements.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through May 14, 2018, the date the financial statements were available to be issued.

Note 2. Leases

The Organization entered into an agreement to lease tower space to broadcast its signal. The agreement, which expires in September 2020, requires annual rental payments of \$24,150 plus the payment of any utility costs related to the equipment. The agreement contains a 5 year renewal option, requiring annual rental payments of \$27,600 plus the payment of any utility costs related to the equipment. The renewal option will begin at the time of the expiration of the lease agreement.

Annual commitments under this lease agreement including the renewal option are as follows:

2018	\$	24,150
2019		24,150
2020		16,100
	\$	<u>64,400</u>

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Notes To Financial Statements

Note 3. Employee Benefits

Employees of the Organization are eligible for the benefits offered by ECS, which include medical, dental, life insurance, and public employee's retirement fund. The Organization pays an amount equal to 3 percent of employees' compensation toward the retirement plan, which totaled approximately \$64,000 for both years ended December 31, 2017 and 2016.