

Report on the

WTSU-FM Radio - Troy University

Troy, Alabama

October 1, 2017 through September 30, 2018

Filed: February 22, 2019

Rachel Laurie Riddle, Chief Examiner

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Independent Auditor's Report

Independent Auditor's Report

Troy University Board of Trustees
Dr. Jack Hawkins, Jr., Chancellor – Troy University, Troy, Alabama 36082

Report on the Financial Statements

We have audited the accompanying basic financial statements of WTSU-FM Radio of Troy University, as of and for the year ended September 30, 2018 and 2017, and related notes to the financial statements which collectively comprise WTSU-FM Radio of Troy University's basic financial statements as listed in the table of contents as Exhibits 1 through 3.

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 and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of 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
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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 basic financial statements referred to above present fairly, in all material respects, the financial position of WTSU-FM Radio of Troy University as of September 30, 2018 and 2017, and its changes in financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains

*Management's Discussion and Analysis
(Required Supplementary Information)*

Condensed Statement of Net Position

	2017-2018	2016-2017	Increase/ (Decrease)
Assets:			
Current Assets	\$177,513.13	\$163,324.01	\$ 14,189.12
Capital Assets, Net	490,448.66	543,404.74	(52,956.08)
Total Assets	667,961.79	706,728.75	(38,766.96)
Liabilities:			
Current Liabilities	177,513.13	163,324.01	14,189.12
Total Liabilities	177,513.13	163,324.01	14,189.12
Net Position:			
Net Investment in Capital Assets	490,448.66	543,404.74	(52,956.08)
Total Net Position	\$490,448.66	\$543,404.74	\$(52,956.08)

The increase in Cash was the result of remaining unexpended 2018 CPB grant funds. The increase in Receivables relate to more funds due from Troy University foundation. The overall decrease in Capital assets is due to the net effect depreciation and addition of a capital asset. For the 2017-18 fiscal year, capital asset depreciation expense was \$65,751. CPB funding is reported as unearned revenue until expended for its intended purpose. Unearned Revenue increased as a result of an increase in unexpended CPB grant funds. The increase in Payables relates to funds borrowed from the University pending receipt of funds due from the Troy Foundation. Total net position decreased by \$52,956 between 2017 and 2018 as a result of capital asset activity.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Revenue and expense activities are categorized as either operating or non-operating. Operating revenues are received for providing goods and services to the various customers and constituents of the Station. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Non-operating revenues are revenues received for goods and services are not provided by the Station. University and grant funds received for capital purposes are classified as non-operating revenue.

The Station's Statement of Revenues, Expenses, Changes in Net Position reports an operating loss of \$70,788. This reported operating loss is typically caused largely by depreciation of capital assets. Non-operating transactions such as granting as well as revenues resulting from exchange transactions involving tower space rental also affect net position. There was an overall decrease in Net Position of \$52,956 due to the factors discussed above.

Operating revenues increased by \$9,900 due to an increase in direct and indirect support from Troy University and Chapman Foundation offset by an increase in CPB funding. Operating expenses remained relatively unchanged from 2017 to 2018.

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Basic Financial Statements

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Statement of Net Position
As of

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended September 30, 2018 and 2017

	2018	2017
<u>OPERATING REVENUES</u>		
Radio Community Service Grant Fiscal Year 2018	\$ 95,630.22	\$ 113,416.25
Radio Community Service Grant Fiscal Year 2017	3,437.75	11,137.38
Support from Troy University Foundation	165,062.35	155,780.26
Support from the Chapman Foundation	16,106.00	11,794.00
Indirect Administrative Support from Troy University	289,096.00	265,995.00
Provided by Troy University	506,436.79	507,739.55
Total Operating Revenues	1,075,769.11	1,065,862.44
<u>OPERATING EXPENSES</u>		
Programming and Production	387,718.67	397,866.91
Broadcasting	234,417.70	195,386.68
Program Information and Promotion	30,256.93	28,633.53
Management and General	364,880.42	349,110.75
Fund Raising and Membership Development	63,532.89	99,657.07
Depreciation	65,750.55	73,686.97
Total Operating Expenses	1,146,557.16	1,144,341.91
Operating Income (Loss)	(70,788.05)	(78,479.47)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Capital Assets Funds Provided by Troy University	12,794.47	
Nongovernmental Grants and Contracts	5,037.50	4,792.50
Net Nonoperating Revenues	17,831.97	4,792.50
Change in Net Position	(52,956.08)	(73,686.97)
Total Net Position - Beginning of Year	543,404.74	617,091.71
Total Net Position - End of Year	490,448.66	

Statement of Cash Flows
For the Years Ended September 30, 2018 and 2017

	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Grants from the Corporation for Public Broadcasting	\$ 108,081.00	\$ 116,854.00

Notes to the Financial Statements

For the Year Ended September 30, 2018

Note 1 – Summary of Significant Accounting Policies

WTSU-FM Radio (the “Station”) is operated by Troy University in Troy, Alabama (the “Licensee”). The financial statements of the Station are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Licensee are described below. The Station does not have legal status or existence. The financial position, revenues, and expenses of the Station are included in the financial statements of Troy University.

A. Reporting Entity

The University is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity”, states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints Troy University’s Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, Troy University is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Station have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the Station to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues result from transactions associated with the principal activities of the Station. Nonoperating revenues arise from transactions not associated with the Station’s principal activities.

Notes to the Financial Statements
For the Year Ended September 30, 2018

Notes to the Financial Statements
For the Year Ended September 30, 2018

Notes to the Financial Statements
For the Year Ended September 30, 2018

Note 3 – Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

Classification	Beginning Balance	Additions	Deletions	Ending Balance
Transmission and Tower Facilities	\$1,529,334.54	\$	\$	\$1,529,334.54
Studio and Other Broadcast Equipment	793,000.24	12,794.47		805,794.71
Total Capital Assets	2,322,334.78	12,794.47		2,335,129.25
Less Accumulated Depreciation:				
Transmission and Tower Facilities	991,685.45	63,565.46		1,055,250.91
Studio and Other Broadcast Equipment	787,244.59	2,185.09		789,429.68
Total Accumulated Depreciation	1,778,930.04	65,750.55		1,844,680.59
Capital Assets, Net	\$ 543,404.74	\$(52,956.08)	\$	\$ 490,448.66

Notes to the Financial Statements

Additional Information

Board Members and Officials

October 1, 2017 through September 30, 2018

<u>Board Members</u>	<u>Term Expires</u>
Hon. Kay Ivey, President	Ex-Officio
Hon. Gerald O. Dial, President Pro Tempore	2027
Hon. John D. Harrison, Vice-President Pro Tempore	2019
Hon. Forrest S. Latta	2027
Hon. Earl V. Johnson	2027
Hon. Allen E. Owen, III	2023
Hon. Lamar P. Higgins	2019
Hon. C. Gibson Vance	2023
Hon. Karen E. Carter	2019
Hon. Roy H. Drinkard	2023
Hon. C. Charles Nailen, Jr.	2021
Hon. Edward F. Crowell	2021

Officials

Dr. Jack Hawkins, Jr.,
Chancellor

Dr. James Bookout, Sr.
Vice-Chancellor for Finance and Business Affairs

