

WTJU 91.1 FM
(A DEPARTMENT OF
THE UNIVERSITY OF VIRGINIA)
CHARLOTTESVILLE, VIRGINIA

BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

CONTENTS

	PAGE
Report of independent auditors	1
Management's discussion and analysis	4
Financial statements:	
Statements of net position	7
Statements of revenues, expenses, and changes in net position	8
Statements of cash flows	9
Notes to financial statements	10
Supplementary information:	
Schedule of non-federal financial support.....	17

HANTZMON WIEBEL LLP

C e r t i f i e d P u b l i c A c c o u n t a n t s

Lawrence J. Martin
Phillip W. Shiflett
Dean A. Martinelli
Richard M. Busofsky
W. Keith Haney
Kevin L. Keller
Glenn M. Lankford
Alfred L. Layne, Jr.
Jennifer S. Lehman
P. Frank Berry
Kendra L. Stribling

P.O. Box 1408 • 818 East Jefferson Street • Charlottesville, VA 22902
(434) 296-2156 • FAX (434) 977-4629 • www.hantzmonwiebel.com

Jeffrey D. Ulmer
Helene H. Downs
Edward J. Schmitz
Christopher C. Brubaker
Robin C. Swink
James F. Hutcherson

• Consultants •
Robert F. German
Robert A. Foster
L. Peyton Humphrey

REPORT OF INDEPENDENT AUDITORS

To the Board of Visitors
University of Virginia
Charlottesville, Virginia

We have audited the accompanying financial statements of the business-type activities of WTJU 91.1 FM, a department of the University of Virginia, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise WTJU 91.1 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.

Auditors' 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 auditors' 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.

Members

American Institute of Certified Public Accountants • Virginia Society of Certified Public Accountants • Private Companies Practice Section of AICPA

To the Board of Visitors
University of Virginia

REPORT OF INDEPENDENT AUDITORS--(Cont'd)

Opinion

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 WTJU 91.1 FM, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in the footnotes, the financial statements of WTJU 91.1 FM are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business type activities of the University of Virginia that is attributable to the transactions of WTJU 91.1 FM. They do not purport to, and do not, present fairly the financial position of the University of Virginia as of June 30, 2016 and 2015, or the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WTJU 91.1 FM's basic financial statements. The schedule of non-federal financial support is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Visitors
University of Virginia

REPORT OF INDEPENDENT AUDITORS--(Cont'd)

Other Matters--(Cont'd)

Other Information--(Cont'd)

The schedule of non-federal financial support is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of non-federal financial support is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hanlyman Weil LLP

Charlottesville, Virginia
February 13, 2017

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

INTRODUCTION AND REPORTING ENTITY

The following discussion and analysis is an overview of the financial position and activities of WTJU 91.1 FM (A Department of the University of Virginia) (“the Station” or “WTJU”) for the years ended June 30, 2016, with comparative information for 2015. Management of the Station has prepared the following discussion and it should be read with the financial statements and the related footnotes that follow this section.

The Station is owned by the Rector and Board of Visitors of the University of Virginia, and the University Board of Visitors serves as the legal Board of WTJU. Additionally, there is a WTJU Community Advisory Board that consists primarily of community members, with additional representation from University faculty and student members and the Director of WTJU. This group acts in an advisory and feedback capacity from the greater community perspective. The Committee meetings are announced on the WTJU web page and are made open to the public.

The station’s mission is to enrich the culture of Virginia and extend the educational mission of UVA by bringing together diverse individuals and communities through exceptional music and conversation. WTJU carries out its mission by presenting original, rich, and diverse programming in non-commercial radio broadcasting and digital media; providing opportunities for participation in the creation of media and the experience of broadcasting; and engaging our communities through live music concerts, cultural events, and educational programs. The service area has long encompassed the City of Charlottesville, Virginia and the surrounding counties. Since February 2015, WTJU’s broadcast footprint has extended to the Richmond metro area, particularly, Hanover and Henrico Counties and the city of Richmond.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Station is an operating department within the University of Virginia, a public university. The Station’s financial statements present the activity and financial position of the Station only. The financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows (direct method). The Statement of Net Position of the Station includes assets, liabilities, and net position as of June 30, 2016 and 2015. This statement is classified into current and non-current assets, and liabilities, with net position classified as net investment in capital assets, restricted, and unrestricted. The Statement of Revenues, Expenses, and Changes in Net Position depicts the operating revenues and expenses resulting in net operating income or loss, which results in the change in net position, as there were no non-operating revenue or expenses for the years ended June 30, 2016 or 2015. The Statement of Cash Flows shows the sources and uses of cash from operations, non-capital financing, capital financing, and investing activities. The financial statements also include notes that explain some of the financial information in the financial statements and provide more detailed data.

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

MANAGEMENT'S DISCUSSION AND ANALYSIS--(Cont'd)
JUNE 30, 2016 AND 2015

FINANCIAL HIGHLIGHTS

The Station's financial position remains strong, although WTJU was required in FY16 to meet a significant one-time expense, as mandated by the University. We paid that expense out of our reserves.

Total net position was \$264,775 as of June 30, 2016 and \$321,090 as of June 30, 2015. Operating revenues totaled \$718,205 for the year ended June 30, 2016, compared to \$554,544 for the year ended June 30, 2015, while operating expenses totaled \$774,520 for the year ended June 30, 2016 compared to \$591,553 for the year ended June 30, 2015. The operating loss for the year ended June 30, 2016 was (\$56,315), compared to operating loss of (\$37,009) for the year ended June 30, 2015. Non-cash depreciation included in operating expenses was \$3,942 for the year ended June 30, 2016, and \$3,699 for the year ended June 30, 2015.

The Station's condensed financial statements are presented below as of and for the years ended June 30, 2016 and 2015:

	2016	2015
Capital assets (net).....	\$ 34,674	\$ 28,921
Cash and cash equivalents, prepaids, and receivables.....	201,173	256,091
Other assets.....	<u>36,078</u>	<u>36,078</u>
Total assets.....	<u>\$271,925</u>	<u>\$321,090</u>
Liabilities.....	\$ 7,150	\$
Net position:		
Restricted.....	90,584	101,634
Net investment in capital assets.....	34,674	28,921
Unrestricted.....	<u>139,517</u>	<u>190,535</u>
Total liabilities and net position.....	<u>\$271,925</u>	<u>\$321,090</u>
Grants.....	\$112,590	\$ 83,603
Other operating revenues.....	605,615	470,941
Operating expenses.....	(<u>774,520</u>)	(<u>591,553</u>)
Change in net position.....	(<u>\$ 56,315</u>)	(<u>\$ 37,009</u>)

CONDENSED STATEMENTS OF CASH FLOWS

	2016	2015
Decrease in cash, operating activities.....	(\$ 47,323)	(\$ 91,630)
Decrease in cash, capital and related financing activities.....	(9,695)
Cash and equivalents, beginning.....	<u>154,457</u>	<u>246,087</u>
Cash and equivalents, ending.....	<u>\$ 97,439</u>	<u>\$154,457</u>

**WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS--(Cont'd)
JUNE 30, 2016 AND 2015**

FINANCIAL HIGHLIGHTS--(Cont'd)

Current assets consist of cash and cash equivalents, prepaids and receivables. Capital assets consist of Station equipment. Operating revenue consists of a community service grant, other non-federal grants, public support through donations, underwriting, a portion of student fees from the University, in-kind contributions, and institutional support from the University. Operating expenses consist of broadcasting/engineering, programming and production, program information and promotions, management and general, fund-raising and membership development, and underwriting and grant solicitation.

ECONOMIC FACTORS FOR THE FUTURE

The Station derives much of its revenue from student fees, a community service grant from the Corporation for Public Broadcasting (CPB), and direct public support. The Station has also grown its concert sales revenue substantially, from very little in FY14 to about one-tenth of our overall station budget in FY16.

The future of the CPB is uncertain under the new Presidential administration, but the Station is working closely with community and public radio associations to demonstrate the impact and public service of our work. Public support remained high in the year ended June 30, 2016 - in fact, 6.3% higher than the previous fiscal year, and the Station anticipates future steady growth in this revenue source. Concert sales revenue is expected to continue in future years; even as particular grant-makers for our concert series come and go, sales revenue will continue so long as we continue hosting these mission-driven community music events.

REQUEST FOR INFORMATION

This financial report is designed to provide donors, members, and the general public with a general overview of WTJU 91.1 FM's finances and to account for the funding it receives. It is also intended to help the reader better understand the financial statement format. Additional details can be requested by mail at the following address:

WTJU 91.1 FM
P. O. Box 400811
University of Virginia
Charlottesville, VA 22904-4811

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 97,439	\$154,457
Due from other departments	90,584	101,634
Accounts receivable	6,000
Prepays.....	7,150
Total current assets	201,173	256,091
NON-CURRENT ASSETS		
Capital assets, net of accumulated depreciation	34,674	28,921
Other assets	36,078	36,078
Total non-current assets	70,752	64,999
Total assets	\$271,925	\$321,090

LIABILITIES AND NET POSITION

LIABILITIES		
Deferred revenue	\$ 7,150	\$
Total current liabilities	7,150
NET POSITION		
Net investment in capital assets	34,674	28,921
Restricted - expendable	90,584	101,634
Unrestricted	139,517	190,535
Total net position	264,775	321,090
Total liabilities and net position	\$271,925	\$321,090

(The accompanying notes are an integral part of these financial statements)

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUE		
Public support	\$228,699	\$182,271
Student fees	172,575	170,390
Grants	112,590	83,603
Other income	61,088	4,163
Underwriting	29,954	37,304
In-kind contributions	78,859	52,072
Institutional support	34,440	24,741
	718,205	554,544
OPERATING EXPENSES		
Broadcasting	140,004	109,511
Programming and production	73,111	77,111
Program information and promotion	193,106	105,618
Management and general	195,905	153,303
Depreciation	3,942	3,699
Fund-raising and membership development	84,267	80,670
Underwriting and grant solicitation	84,185	61,641
	774,520	591,553
OPERATING INCOME (LOSS)	(56,315)	(37,009)
INCREASE (DECREASE) IN NET POSITION	(56,315)	(37,009)
NET POSITION, BEGINNING	321,090	358,099
NET POSITION, ENDING	\$264,775	\$321,090

(The accompanying notes are an integral part of these financial statements)

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	\$172,575	\$170,390
Other income	61,088	4,163
Public support	228,699	182,271
Underwriting	29,954	37,304
Grants	112,590	83,603
Payments to employees and fringe benefits	(418,330)	(345,073)
Payments to vendors	<u>(233,899)</u>	<u>(224,288)</u>
Net cash used in operating activities	<u>(47,323)</u>	<u>(91,630)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(9,695)</u>	<u>....</u>
Net cash provided by (used in) capital and related financing activities	<u>(9,695)</u>	<u>....</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,018)	(91,630)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>154,457</u>	<u>246,087</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 97,439</u></u>	<u><u>\$154,457</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	<u>(\$ 56,315)</u>	<u>(\$ 37,009)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	3,942	3,699
Changes in assets and liabilities:		
(Increase) decrease in other assets	(7,150)	(30,000)
(Increase) decrease in receivables	5,050	(28,320)
Increase (decrease) in payables	<u>7,150</u>	<u>....</u>
Total adjustments	<u>8,992</u>	<u>(54,621)</u>
Net cash used in operating activities	<u><u>(\$ 47,323)</u></u>	<u><u>(\$ 91,630)</u></u>

(The accompanying notes are an integral part of these financial statements)

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

WTJU 91.1 FM (A Department of the University of Virginia) (“WTJU”) is a non-commercial radio station licensed by the Federal Communications Commission to the Rector and Visitors of the University of Virginia (“the University”). WTJU broadcasts from the grounds of the University, and from Ashland, Virginia, with the objective of providing a diverse programming of music, educational, and informational material reflecting the broadcast goals of the University. WTJU also serves as a communications link between the University and the surrounding community. WTJU is supported by public contributions, student fees, and grants.

2. DEPARTMENTAL REPORTING

WTJU is a department of the University of Virginia and not a separate legal entity. These statements represent the activities related to WTJU and do not include other operational areas or components of the University. The financial statements of the University are audited by the Commonwealth of Virginia Auditor of Public Accounts, who expressed an unqualified opinion for the years ended June 30, 2016 and 2015 in their reports dated November 10, 2016 and November 10, 2015, respectively.

3. REPORTING BASIS

The accompanying statements are presented in accordance with generally accepted accounting principles (GAAP) applicable to governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). In addition, WTJU is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. WTJU is subject to the University’s policy of not following FASB pronouncements issued after that date.

In accordance with accounting standards, WTJU is subject to the University’s election to report as an entity engaged in business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

In accordance with GASB, it is required that resources be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets: This is the component of net position that reports the difference between capital assets, less both accumulated depreciation and the outstanding balance of debt, that is directly attributable to the acquisition, construction, or improvement of those assets.

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

3. REPORTING BASIS--(Cont'd)

Restricted: The component of net position, either expendable or non-expendable, subject to externally-imposed restrictions stipulating how the resources may be used. Expendable restricted net assets are those that can be satisfied by the actions of WTJU. For the years ended June 30, 2016 and 2015, the amounts represent grants to be used in the subsequent years' operations.

Unrestricted: The difference between the assets and liabilities that is not reported in *Net investment in capital assets* and *Restricted net position*.

It is the Station's policy to expend restricted resources first and to use unrestricted resources when restricted resources have been depleted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred and measurable regardless of when the cash flows take place. Non-exchange transactions, in which WTJU receives value without directly giving value in exchange, include grants and private donations. On an accrual basis, revenues from these transactions are recognized in the fiscal year in which all the eligibility requirements have been satisfied, if measureable and probable of collection.

Income Taxes

As a department of the University of Virginia, WTJU is exempt from income taxes.

Cash and Cash Equivalents

WTJU considers all cash on deposit in private banks, undeposited receipts, and other investments with an original maturity date of 90 days or less to be cash and cash equivalents.

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. As a department of the University, WTJU follows the University's policy of capitalizing equipment at a value or cost of \$5,000 and an expected useful life of one year or more. Depreciation of equipment is provided on a straight-line basis over the estimated useful life of 1 to 20 years.

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

Revenue and Expense Classifications

Operating revenues include activities having the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include student fees, public donations, underwriting, grants, and in-kind contributions.

All expense transactions are classified as operating expense.

5. FINANCIAL STATEMENT AMOUNTS

Cash and Cash Equivalents

Cash and cash equivalents represent cash held in demand deposit accounts with financial institutions. As of June 30, 2016 and 2015, the carrying value of WTJU's deposits with banks was \$97,439 and \$154,457, respectively. The cash of WTJU is commingled within the cash deposits of the University. The bank accounts are governed by the Virginia Security of Public Deposits Act. The Act includes a cross-guarantee among approved financial institutions eligible to hold public funds. In the event of a default of one of the approved financial institutions, an assessment is leveled against all participating institutions to cover the uncollateralized public deposits. This cross-guarantee eliminates custodial credit risk. Amounts on deposit are covered by the Virginia Security of Public Deposits Act.

Due from Other Departments

The due from other departments receivable represents funds received by the University of Virginia, including Corporation for Public Broadcasting grants, for WTJU and not credited to WTJU's cash balance as of June 30, 2016 and 2015.

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Depreciable capital assets:				
Furnishings and equipment	\$49,465	\$ 9,695	\$	\$59,160
Less:				
Accumulated depreciation	(20,544)	(3,942)	(24,486)
Total depreciable capital assets - net	<u>\$28,921</u>	<u>\$ 5,753</u>	<u>\$</u>	<u>\$34,674</u>

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

Capital asset activity for the year ended June 30, 2015 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Depreciable capital assets:				
Equipment	\$49,465	\$	\$	\$49,465
Less:				
Accumulated depreciation	(16,845)	(3,699)	(20,544)
Total depreciable capital assets - net	<u>\$32,620</u>	<u>(\$ 3,699)</u>	<u>\$</u>	<u>\$28,921</u>

Other Assets

Other assets at June 30, 2016 consist of the purchase option deposit for the Ashland, Virginia radio station (refer to the ***Local Marketing Agreement*** disclosure on p. 15), prepaid expenses, and in-kind contributions of property, recorded at estimated fair market value.

Pledges and Contributions

WTJU engages in periodic fund-raising campaigns, primarily through on-air appeals. These appeals occur during the year and encourage supporters to provide contributions to WTJU. Financial contributions may be in the form of cash or pledges received from responding listeners. Contributions are recognized when received. Due to the uncertain nature and timing of the appeals, no pledges are carried into the subsequent fiscal year.

In-Kind Contributions

Contributions of materials, supplies, and property are recorded at their estimated fair value at the date of donation. WTJU reports gifts of equipment, professional services, materials, and other non-monetary contributions as unrestricted revenue. If the fair value of non-monetary gifts cannot be reasonably determined, they are not recorded. Donated personal services of non-professional volunteers are not recorded, as there is no objective basis available to measure fair value. During the year ended June 30, 2016, \$78,859 was received in in-kind contributions. During the year ended June 30, 2015, WTJU received \$52,072 in in-kind contributions.

WTJU 91.1 FM

(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

5. FINANCIAL STATEMENT AMOUNTS--(Cont'd)

Institutional Support

Institutional support from the University of Virginia consists of contributions towards equipment purchases, allocated institutional support, and physical space costs incurred by the University for which WTJU receives in-kind benefits. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net position as institutional support, and is accordingly recognized as an expense in the appropriate expense classification.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking 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 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 on the accompanying financial statements as restricted expendable net assets until satisfaction of the time and purpose restrictions, after which they are reported as unrestricted net assets.

Operating Lease

WTJU leases space for its broadcast antenna. The broadcast antenna lease currently requires monthly payments of rent and a utility and maintenance fee. The rent is adjusted annually based on the change in the Consumer Price Index.

Rent expense and utility and maintenance fees for the broadcast antenna for the years ended June 30, 2016 and 2015 totaled \$15,835 and \$14,689, respectively.

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

5. FINANCIAL STATEMENT AMOUNTS--(Cont'd)

Operating Lease--(Cont'd)

The following is a schedule of the approximate minimum future payments on operating leases at June 30, 2016:

YEAR ENDING JUNE 30,	RENT EXPENSE
2017	\$16,000
2018	16,000
2019	<u>16,000</u>
	<u>\$48,000</u>

Local Marketing Agreement

In February 2015, the University of Virginia, on behalf of WTJU, entered into a local marketing agreement with Fifth Street Broadcasting, LLC, the licensee of radio station WHAN (AM) and FM translator W275BQ in Ashland, Virginia, in order to extend WTJU's broadcast footprint into the Richmond, Virginia metropolitan area. The terms of the agreement require that WTJU pay the licensee \$3,500 per month for broadcast rights, and \$1,800 per month for use of the antennas, ground space and related equipment. At any time prior to the expiration of the term of the local marketing agreement in January 2018, WTJU has the option to purchase the Station for \$301,000. As consideration for this purchase option, WTJU paid \$30,000 to the licensee in February 2015. This deposit is non-refundable if the option is not exercised. If the option to buy is exercised, the \$30,000 deposit will be credited to the purchase price upon closing.

Functional Allocation of Expenses

The costs of providing the various program services 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 program and supporting services on the basis of benefits received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WTJU 91.1 FM

(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

6. DEFINED BENEFIT PENSION PLAN

Employees of WTJU are University employees and, as such, employees of the Commonwealth of Virginia. Substantially all salaried classified employees participate in a defined benefit plan administered by the Virginia Retirement System (VRS). Information related to this plan is available at the statewide level only in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The Commonwealth, not the University, has overall responsibility for the contributions to this plan.

In addition, the University also maintains a defined contribution plan in which substantially all of WTJU's staff participate. The University contributes a percentage established by statute to this plan and participants are fully vested immediately.

7. SUBSEQUENT EVENTS

The management of WTJU has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 13, 2017, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

8. NON-FEDERAL FINANCIAL SUPPORT (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based upon non-federal financial support. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment, and meeting all of the respective criteria for each.

A "contribution" is cash, property, or services given to the public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio program and related activities; and (4) the recipient must be a broadcasting entity on behalf of a public broadcast station.

A "payment" is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of payment must be appropriations or contract payments in exchange for specific broadcasting services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Non-federal financial support for WTJU is presented in the accompanying supplementary schedule.

SUPPLEMENTARY INFORMATION

WTJU 91.1 FM
(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

SCHEDULE OF NON-FEDERAL FINANCIAL SUPPORT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Patron donations	\$228,699	\$182,271
Non-Federal grants	30,000
Student fees	172,575	170,390
Underwriting	29,954	37,304
Other income	61,088	4,163
Institutional support	33,505	24,310
In-kind contributions	78,134	50,084
 Total non-federal financial support	 \$633,955	 \$468,522