

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

**BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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	18

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

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

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, 2018 and 2017, 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 audits 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, 2018 and 2017, 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 notes to the financial statements, 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, 2018 and 2017, 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 audits 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.

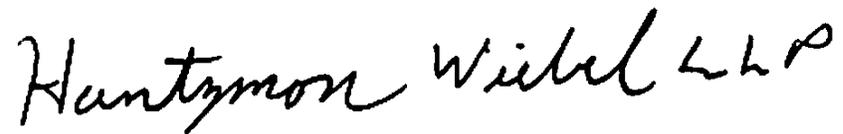
To the Board of Visitors
University of Virginia

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.

A handwritten signature in black ink that reads "Huntzmon Wiebel LPA". The signature is written in a cursive, flowing style.

Charlottesville, Virginia
December 4, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

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, 2018, with comparative information for 2017. 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, which 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. Committee meetings are announced on the WTJU web page and are open to the public.

WTJU’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. WTJU’s primary service area includes the City of Charlottesville, Albemarle County, and surrounding counties in Virginia.

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, 2018 and 2017. 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, 2018 or 2017. 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, 2018 AND 2017

FINANCIAL HIGHLIGHTS

The Station’s financial position remains good, although significant one-time expenses associated with moving to a new building are expected in FY 19.

Total net position was \$236,766 as of June 30, 2018 and \$245,733 as of June 30, 2017. Operating revenues totaled \$845,018 for the year ended June 30, 2018, compared to \$733,215 for the year ended June 30, 2017, while operating expenses totaled \$853,985 for the year ended June 30, 2018, compared to \$752,257 for the year ended June 30, 2017. The operating loss for the year ended June 30, 2018 was (\$8,967), compared to the operating loss of (\$19,042) for the year ended June 30, 2017. Non-cash depreciation included in operating expenses was \$4,799 for the year ended June 30, 2018, and \$4,669 for the year ended June 30, 2017.

The Station’s condensed financial statements are presented below as of and for the years ended June 30, 2018 and 2017:

	2018	2017
Capital assets (net)	\$ 30,333	\$ 30,005
Cash and cash equivalents, prepaids, and receivables	200,355	179,650
Other assets	<u>6,078</u>	<u>36,078</u>
Total assets	<u>\$236,766</u>	<u>\$245,733</u>
Liabilities	\$	\$
Net position:		
Restricted	105,021	81,822
Net investment in capital assets	30,333	30,005
Unrestricted	<u>101,412</u>	<u>133,906</u>
Total liabilities and net position	<u>\$236,766</u>	<u>\$245,733</u>
Grants	\$111,021	\$116,865
Other operating revenues	733,997	616,350
Operating expenses	<u>(853,985)</u>	<u>(752,257)</u>
Change in net position	<u>(\$ 8,967)</u>	<u>(\$ 19,042)</u>

CONDENSED STATEMENTS OF CASH FLOWS

	2018	2017
Increase in cash, operating activities	\$ 2,633	\$ 389
Decrease in cash, capital and related financing activities	(5,127)
Cash and equivalents, beginning	<u>97,828</u>	<u>97,439</u>
Cash and equivalents, ending	<u>\$ 95,334</u>	<u>\$ 97,828</u>

WTJU 91.1 FM

(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

MANAGEMENT'S DISCUSSION AND ANALYSIS--(Cont'd)

JUNE 30, 2018 AND 2017

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 direct public support, student fees, and a community service grant from the Corporation for Public Broadcasting (CPB). The Station also generates revenue from business sponsorships, other non-CPB grants, and concerts.

UVA Student Fees remain a core, stable source of revenue. Public support remained strong in the year ended June 30, 2018, and the Station anticipates continued steady growth in this revenue area.

The future of the CPB remains somewhat subject to the political winds of Congress and the Presidential administration. The Station works closely with community and public radio associations to demonstrate the impact and public service of our work.

Concert revenue is expected to continue steadily in future years, so long as we continue hosting these mission-driven community music events. Non-CPB grants are mostly local and project-based, and these will continue to serve as revenue-generating opportunities in the years ahead. Business sponsorships remain a revenue source with potential for future growth.

In FY2019, the Station will move from its present studio location to another building nearby. This station move and build-out will generate considerable one-time expenses and substantial additional revenue - both from the University itself and from a capital campaign the Station coordinates.

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, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 95,334	\$ 97,828
Due from other departments	<u>105,021</u>	<u>81,822</u>
Total current assets	<u>200,355</u>	<u>179,650</u>
NON-CURRENT ASSETS		
Capital assets, net of accumulated depreciation	30,333	30,005
Other assets	<u>6,078</u>	<u>36,078</u>
Total non-current assets	<u>36,411</u>	<u>66,083</u>
Total assets	<u><u>\$236,766</u></u>	<u><u>\$245,733</u></u>

LIABILITIES AND NET POSITION

LIABILITIES		
Total liabilities	<u>\$</u>	<u>\$</u>
NET POSITION		
Net investment in capital assets	30,333	30,005
Restricted - expendable, time restriction	105,021	81,822
Unrestricted	<u>101,412</u>	<u>133,906</u>
Total net position	<u>236,766</u>	<u>245,733</u>
Total liabilities and net position	<u><u>\$236,766</u></u>	<u><u>\$245,733</u></u>

(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, 2018 AND 2017

	2018	2017
OPERATING REVENUE		
Public support	\$273,381	\$242,590
Student fees	200,643	172,382
Grants	111,021	116,865
Other income	71,515	85,071
Underwriting	30,850	43,706
In-kind contributions	94,043	72,181
Institutional support	63,565	420
Total operating revenue	845,018	733,215
OPERATING EXPENSES		
Program services:		
Broadcasting	164,122	173,142
Programming and production	122,271	109,889
Program information and promotion	226,413	229,383
Supporting services:		
Management and general	188,723	87,824
Depreciation	4,799	4,669
Fund-raising and membership development	94,519	96,575
Underwriting and grant solicitation	53,138	50,775
Total operating expenses	853,985	752,257
OPERATING INCOME (LOSS)	(8,967)	(19,042)
INCREASE (DECREASE) IN NET POSITION	(8,967)	(19,042)
NET POSITION, BEGINNING	245,733	264,775
NET POSITION, ENDING	\$236,766	\$245,733

(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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	\$200,643	\$172,382
Other income	71,515	85,071
Public support	273,381	242,590
Underwriting	30,850	43,706
Grants	111,021	116,865
Payments to employees and fringe benefits	(443,726)	(414,391)
Payments to vendors	<u>(241,051)</u>	<u>(245,834)</u>
Net cash provided by (used in) operating activities	<u>2,633</u>	<u>389</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(5,127)</u>	<u>....</u>
Net cash provided by (used in) capital and related financing activities	<u>(5,127)</u>	<u>....</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,494)	389
CASH AND CASH EQUIVALENTS, BEGINNING	<u>97,828</u>	<u>97,439</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 95,334</u></u>	<u><u>\$ 97,828</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	<u>(\$ 8,967)</u>	<u>(\$ 19,042)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	4,799	4,669
Changes in assets and liabilities:		
(Increase) decrease in prepaids	30,000	7,150
(Increase) decrease in receivables	(23,199)	14,762
Increase (decrease) in payables	<u>....</u>	<u>(7,150)</u>
Total adjustments	<u>11,600</u>	<u>19,431</u>
Net cash provided by (used in) operating activities	<u><u>\$ 2,633</u></u>	<u><u>\$ 389</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, 2018 and 2017, in its reports dated November 27, 2018 and November 7, 2017, 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 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, which 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, 2018 and 2017, 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 measurable 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 public support and grants and activities 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.

Marketing and Promotion

WTJU expensed cost related to marketing and promotion as incurred. For the years ended June 30, 2018 and 2017, marketing and promotion costs were \$72,561 and \$67,026, respectively.

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, 2018 and 2017, the carrying value of WTJU's deposits with banks was \$95,334 and \$97,828, 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, 2018 and 2017.

Capital Assets

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Depreciable capital assets:				
Equipment	\$ 59,160	\$ 25,818	\$	\$ 84,978
Less:				
Accumulated depreciation	(29,155)	(25,490)	(54,645)
Total depreciable capital assets - net	<u>\$ 30,005</u>	<u>\$ 328</u>	<u>\$</u>	<u>\$ 30,333</u>

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

5. FINANCIAL STATEMENT AMOUNTS

Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Depreciable capital assets:				
Furnishings and equipment	\$ 59,160	\$	\$	\$ 59,160
Less:				
Accumulated depreciation	(24,486)	(4,669)	(29,155)
Total depreciable capital assets - net	<u>\$ 34,674</u>	<u>(\$ 4,669)</u>	<u>\$</u>	<u>\$ 30,005</u>

Other Assets

Other assets at June 30, 2018 consist of prepaid expenses and in-kind contributions of property, recorded at estimated fair market value. Other assets at June 30, 2017 consisted of the purchase option deposit for the Ashland, Virginia radio station (refer to the *Local Marketing Agreement* disclosure on page 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, 2018, WTJU received \$94,043 in in-kind contributions. During the year ended June 30, 2017, \$72,181 was received 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 toward 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 years ended June 30, 2018 and 2017 totaled \$16,024 and \$16,024, 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, 2018:

YEAR ENDING JUNE 30,	RENT EXPENSE
2019	\$ 16,000
2020	<u>16,000</u>
	<u>\$ 32,000</u>

Local Marketing Agreement

In February 2015, the University of Virginia, on behalf of WTJU, entered into a local marketing agreement with Fifth Estate 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 required 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 had 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. If the option to buy had been exercised, the \$30,000 deposit would have been credited to the purchase price upon closing. As the option was not exercised, the deposit is not refundable.

On August 9, 2017, the University of Virginia, on behalf of WTJU, amended its Local Marketing Agreement with Fifth Estate Broadcasting, LLC, terminating its Richmond operation effective August 31, 2017. In order to satisfy its financial obligations under the LMA, the University made a final payment of \$38,000 to Fifth Estate Broadcasting, LLC in September 2017. The \$30,000 non-refundable option to purchase was expensed in fiscal year 2018.

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.

WTJU 91.1 FM

(A DEPARTMENT OF THE UNIVERSITY OF VIRGINIA)

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

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

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.

6. DEFINED BENEFIT AND DEFINED CONTRIBUTION PENSION PLANS

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. RESTRICTED - EXPENDABLE NET ASSETS

Restricted net assets represent funds received by UVA for the subsequent years of operations for WTJU.

8. SUBSEQUENT EVENTS

The management of WTJU has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 4, 2018, which is the date the financial statements were available to be issued.

9. 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.

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

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

9. NON-FEDERAL FINANCIAL SUPPORT (NFFS)--(Cont'd)

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.

On the Schedule of Non-Federal Financial Support, Other Income and Total NFFS for the year ended June 30, 2017, have been restated to remove \$39,000 in rental income, which was deemed ineligible as NFFS. There was no effect on the basic financial statements for the year ended June 30, 2017.

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, 2018 AND 2017

	2018	(RESTATED) 2017
Patron donations	\$263,381	\$242,590
Non-federal grants	30,000	32,500
Student fees	200,643	172,382
Underwriting	30,850	43,706
Other income	71,515	46,071
Institutional support	63,145
In-kind contributions	94,043	72,181
	<u>\$753,577</u>	<u>\$609,430</u>
Total non-federal financial support	<u>\$753,577</u>	<u>\$609,430</u>