

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**OPERATED BY LAMAR UNIVERSITY**  
**A MEMBER OF THE TEXAS STATE UNIVERSITY SYSTEM**

**FINANCIAL STATEMENTS**  
**TOGETHER WITH**  
**AUDITORS' REPORT**

**AUGUST 31, 2018 AND 2017**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>Financial Section</b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to the Financial Statements	10-15
<b>Compliance and Internal Controls Section</b>	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	16-17

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

March 7, 2019

### INDEPENDENT AUDITORS' REPORT

To the Executive Administration  
Lamar University  
Beaumont, TX

#### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of KVLU – FM Radio, as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the KVLU – FM Radio's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions 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 the *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 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 opinions.

2428 NALL STREET • PORT NECHES, TEXAS 77651  
PHONE (409) 722-6300 • FAX (409) 722-6301  
MITCHELL@MTFCPAS.COM

## **Opinions**

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 KVLU – FM Radio as of August 31, 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**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis which is reported on pages 3–6. 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2019 on our consideration of KVLU – FM Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVLU – FM Radio's internal control over financial reporting and compliance.

*Mitchell Fontenote CPA, Inc.*

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**

---

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018 AND 2017**

The following discussion and analysis of KVLU – FM Radio is an overview of the financial activities for the year ended August 31, 2018, in comparison with the prior year financial results. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which follow this section.

The Station is a broadcast service of Lamar University: an agency of the State of Texas, governed by the Board of Regents, appointed by the Governor.

The Station’s primary functions are to promote and establish noncommercial educational programming for the Beaumont-Port Arthur metropolitan area and to provide educational opportunities for Lamar University students.

The Station’s signal reaches an estimated 400,000 people, and out of that number approximately 12,300 listeners each week. Contributing membership consists of approximately 610 households.

KVLU began operations in April of 1974 as a member of NPR. Programming was a mix of locally produced Classical and Jazz music along with syndicated concert broadcasts and offering from NPR, most notable, *All Things Considered*.

In the early 1980’s KVLU’s audience and income was on a steady rise. Locally produced programming of features in local news and the local arts scene saw their beginning at this time. Remotes and on-stage live performances were broadcast increasing awareness and support by the public. Classical and jazz programming was expanded and improved.

By the 1990’s program costs escalated, and staff and services were cut to maintain favorite programs. Growth slowed. Local news was scaled back and then eliminated. Commitment to the arts continued, however, making KVLU a major promoter of the local arts scene.

Today, KVLU is building again. Major donations are on the increase and new awareness campaigns are underway.

### **Overview of Financial Statements**

This annual report consists of two: Introductory Section and Financial Section. The Financial Section includes notes that explain in more detail some of the information in the financial statements.

### **Required Financial Statements**

#### **Statement of Net Position**

One of the most important questions asked about the Station’s finances is “Is the Station better off or worse off as a result of the year’s activities?” The Statement of Net Position includes all of the Station’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Station and assessing the liquidity and financial flexibility of the Station.

#### **Statement of Revenues, Expenses, and Changes in Net Position**

All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Station’s operations over the past year and can be used to determine whether the Station has successfully recovered all its costs through its grants, membership, underwriting and university support.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018 AND 2017**

These two statements report the Station’s net position by component and changes in those components. Analyzing the Station’s net position, the difference between assets and liabilities, is one way to measure the Station’s financial health, or financial position. Over time, increases or decreases in the Station’s net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as the condition of the Authority’s distribution system, assess the overall health of the Station.

**Statement of Cash Flows**

The primary purpose of this statement is to provide information about the Station’s cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the Station**

The Station’s total net position increased from \$46,514 to \$96,074 for the year ended August 31, 2018. The analysis focuses on the net position (Table I) and changes in net position (Table II). Unrestricted net position increased by \$17,6640 from \$6,953 to \$24,617 for the year ended August 31, 2018. Unrestricted net position represents assets that can be used to finance day-to-day operations without constraints.

**Table I**  
**KVLU - FM Radio**  
**Net Position**  
**August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 80,477	\$ 46,292	\$ 28,055
Noncurrent Assets	65,597	222	222
Total Assets	<u>\$ 146,074</u>	<u>\$ 46,514</u>	<u>\$ 28,277</u>
Current Liabilities	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 1,825</u>
Total Liabilities	<u>50,000</u>	<u>-</u>	<u>1,825</u>
Net Investment in Capital Assets	65,597	222	222
Restricted	5,860	39,339	19,435
Unrestricted	<u>24,617</u>	<u>6,953</u>	<u>6,795</u>
Total Net Position	<u>96,074</u>	<u>46,514</u>	<u>26,452</u>
Total Liabilities and Net Position	<u>\$ 146,074</u>	<u>\$ 46,514</u>	<u>\$ 28,277</u>

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018 AND 2017**

**Table II**  
**KVLU - FM Radio**  
**Changes in Net Position**  
**For the Years Ended August 31, 2018 and 2017**

	2018	2017	2016
Operating Revenues	\$ 288,700	\$ 280,281	\$ 260,519
Non-operating Revenues	346,476	317,576	300,135
Total Revenues	<u>635,176</u>	<u>597,857</u>	<u>560,654</u>
Program Services	381,319	378,385	363,923
Support Services	204,297	199,410	199,302
Total Expenses	<u>585,616</u>	<u>577,795</u>	<u>563,225</u>
Increase (Decrease) in Net Position	49,560	20,062	(2,571)
Net Position, Beginning of Year	46,514	26,452	29,023
Net Position, End of Year	<u>\$ 96,074</u>	<u>\$ 46,514</u>	<u>\$ 26,452</u>

- Operating revenues increased \$8,419 (3.0%) for the year ended August 31, 2018.
- Non-operating revenue includes University support and interest income.
- For the year ended August 31, 2018, expenses increased \$7,821 (1.35%) from \$577,795 to \$585,616 due to increased programming and production costs, broadcasting costs, and program information costs.

**Capital Assets**

Table III reflects changes in capital assets.

**Table III**  
**KVLU - FM Radio**  
**Capital Assets**  
**For the Years Ended August 31, 2018 and 2017**

	2018	2017	2016
Land	\$ 222	\$ 222	\$ 222
Towers and transmission equipment	236,348	162,929	162,929
Broadcast and production equipment	104,843	104,843	104,843
Less: Accumulated Depreciation	<u>(275,816)</u>	<u>(267,772)</u>	<u>(267,772)</u>
Net Capital Assets	<u>\$ 65,597</u>	<u>\$ 222</u>	<u>\$ 222</u>

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**  

---

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2018 AND 2017**

**Contacting the Station’s Finance Management**

This financial report is designed to provide our donors, members, investment managers, foundation and taxpayers with a general overview of the Station’s finances and to show the Station’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact management at the following address:

KVLU  
P. O. Box 10064  
Beaumont, TX 77710



## **FINANCIAL STATEMENTS**

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2018 AND 2017**

	<b>ASSETS</b>	
	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 80,477	\$ 46,292
Total Current Assets	<u>80,477</u>	<u>46,292</u>
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net	<u>65,597</u>	<u>222</u>
Total Assets	<u>\$ 146,074</u>	<u>\$ 46,514</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	<u>\$ 50,000</u>	<u>\$ -</u>
Total Liabilities	<u>50,000</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	65,597	222
Temporarily Restricted	5,860	39,339
Unrestricted	<u>24,617</u>	<u>6,953</u>
Total Net Position	<u>96,074</u>	<u>46,514</u>
Total Liabilities and Net Position	<u>\$ 146,074</u>	<u>\$ 46,514</u>

The accompanying notes are an integral part of this financial statement.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Community Service Grant from Corporation for Public Broadcasting	\$ 82,532	\$ 83,840
CPB Emergency Funds	50,000	-
Membership Donations	71,014	101,779
Underwriting and foundation grants	<u>85,154</u>	<u>94,662</u>
Total Operating Revenues	<u>288,700</u>	<u>280,281</u>
<b>OPERATING EXPENSES</b>		
Programming and production	303,693	285,881
Broadcasting	26,491	39,928
Program information	50,535	51,976
Inkind broadcasting	600	600
General and administrative	86,324	90,153
Fundraising	1,445	738
Inkind general and administrative	108,484	108,519
Depreciation	<u>8,044</u>	<u>-</u>
Total Operating Expenses	<u>585,616</u>	<u>577,795</u>
Total Operating Loss	(296,916)	(297,514)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	530	-
University support	216,730	200,017
University inkind support	108,484	108,519
Inkind Time Warner	600	600
Miscellaneous	<u>20,132</u>	<u>8,440</u>
Total Non-operating Revenues	<u>346,476</u>	<u>317,576</u>
Change in net position	49,560	20,062
Total Net Position, Beginning of Year	<u>46,514</u>	<u>26,452</u>
Total Net Position, End of Year	<u>\$ 96,074</u>	<u>\$ 46,514</u>

The accompanying notes are an integral part of this financial statement.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from operating revenues	\$ 288,700	\$ 280,281
Payments to suppliers	(204,787)	(222,773)
Payments to employees	(159,399)	(182,649)
Payments for employee taxes and benefits	(54,302)	(65,079)
Net cash used in operating activities	<u>(129,788)</u>	<u>(190,220)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(73,419)</u>	-
Net cash provided by noncapital financing activities	<u>(73,419)</u>	-
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Interest income	530	-
Inkind general and administrative	216,730	200,017
Other	<u>20,132</u>	<u>8,440</u>
Net cash provided by noncapital financing activities	<u>237,392</u>	<u>208,457</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	34,185	18,237
<b>Cash and Cash Equivalents, at the beginning of the year</b>	<u>46,292</u>	<u>28,055</u>
<b>Cash and Cash Equivalents, at the end of the year</b>	<u>\$ 80,477</u>	<u>\$ 46,292</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating loss	\$ (296,916)	\$ (297,514)
Depreciation	8,044	\$ -
Inkind broadcasting	600	600
Inkind general and administrative	108,484	108,519
Change in operating assets and liabilities:		
Accounts payable	<u>50,000</u>	<u>(1,825)</u>
Net cash used in operating activities	<u>\$ (129,788)</u>	<u>\$ (190,220)</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Inkind broadcasting	\$ 600	\$ 600
Inkind general and administrative	108,484	108,519

The accompanying notes are an integral part of this financial statement.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**

---

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of KVLU – FM Radio, (the “Station”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Station applies all GASB pronouncements. The more significant of the Station’s accounting policies are described below.

**A. REPORTING ENTITY**

KVLU – FM Radio is licensed and operated by Lamar University in Beaumont, Texas. The Station has the responsibility to establish and operate a statewide public radio network and is the licensee of a public radio station. All amounts contained in the report are included in the financial statements of the University. As KVLU – FM Radio is part of the University, it is exempt from federal and state income taxes.

**B. BASIS OF ACCOUNTING AND PRESENTATION**

Government Accounting Standards Board Statement No. 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of Management Discussion and Analysis (MD&A), Enterprise Fund financial statements, notes to financial statements, and required supplementary information other than MD&A, if applicable.

KVLU – FM Radio’s basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned and its expenses are recognized when they are incurred.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

**C. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand and deposits in banks.

**D. ACCOUNTS RECEIVABLE**

The Station uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the allowance method in all material respects. The Station considers accounts receivable to be fully collectible; accordingly no allowance for doubtful accounts is recorded.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**

---

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

**E. PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost less accumulated depreciation. Assets acquired by gift or bequest are recorded at their fair market values at the date of transfer. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation has been computed on a straight-line method using composite rates based on 7 years equipment. Depreciation expense for the years ended August 31, 2018 and 2017 was \$8,044 and \$0.

**F. COMPENSATED ABSENCES**

Employees are entitled to paid vacation, paid sick days, and personal days off depending on length of service and other factors. Other than vacation, compensated absences do not vest and are recorded as expenses when paid.

**G. 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**H. NET POSITION**

KVLU – FM Radio's net position is classified as follows:

*Net investments in capital assets* – This represents the Station's total investment in capital assets.

*Restricted net position* – The component of net position that reports the constraints placed on the use of net assets by either external parties and/or enabling legislation.

*Unrestricted net position* – Unrestricted net position represents resources derived from grants, membership donations, underwriting, and University support. These resources are used for transactions relating to the educational and general operations of the Station and may be used to meet current expenses or for any other purpose.

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

**I. CONTRIBUTIONS**

Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. Contributions are components of the unrestricted operating fund in as much as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**

---

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

**J. IN KIND CONTRIBUTIONS**

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts or equipment, professional services, materials, and other nonmonetary contributions as unrestricted revenue in the accompanying statements of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

**K. 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 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 increases in temporarily restricted net position until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net position and an increase in unrestricted net position.

**L. PROGRAM AND PRODUCTION UNDERWRITING**

Revenue for program underwriting is recorded on a pro-rata basis for the period covered, and for production underwriting on an estimated percentage-of-completion basis.

**M. SUBSEQUENT EVENTS**

KVLU – FM Radio has evaluated subsequent events through March 7, 2019, the date on which the financial statements were available for issue.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

**N. OPERATING ACTIVITIES**

The Station’s policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

**NOTE 2 – DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. KVLU – FM Radio’s deposit policy for custodial risk must comply with the provisions of state policy which requires all deposits placed in financial institutions to be at least 100% collateralized with securities that are acceptable to the Texas Comptroller. All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a nonaffiliated custodial facility.

At August 31, 2018 and 2017, the Station’s share of pooled cash maintained by the University was \$80,477 and \$46,292, respectively. None of these deposits were exposed to custodial credit risk at August 31, 2018 and 2017.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ending August 31, 2018 was as follows:

	Balance <u>9/1/2017</u>	Increases	Decreases	Balance <u>8/31/2018</u>
Land	\$ 222	\$ -	\$ -	\$ 222
Towers and transmission equipment	162,929	73,419	-	236,348
Broadcast and production equipment	104,843	-	-	104,843
Total Capital Assets	<u>267,994</u>	<u>73,419</u>	<u>-</u>	<u>341,413</u>
Less: Accumulated Depreciation	<u>(267,772)</u>	<u>(8,044)</u>	<u>-</u>	<u>(275,816)</u>
Capital Assets, Net	<u>\$ 222</u>	<u>\$ 65,375</u>	<u>\$ -</u>	<u>\$ 65,597</u>



**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**NOTE 3 – CAPITAL ASSETS Cont’d**

Capital asset activity for the year ending August 31, 2017 was as follows:

	Balance 9/1/2016	Increases	Decreases	Balance 8/31/2017
Land	\$ 222	\$ -	\$ -	\$ 222
Towers and transmission equipment	162,929	-	-	162,929
Broadcast and production equipment	104,843	-	-	104,843
Total Capital Assets	<u>267,994</u>	<u>-</u>	<u>-</u>	<u>267,994</u>
Less: Accumulated Depreciation	<u>(267,772)</u>	<u>-</u>	<u>-</u>	<u>(267,772)</u>
Capital Assets, Net	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222</u>

**NOTE 4 – NONFEDERAL FINANCIAL SUPPORT (NFFS)**

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. 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 a public broadcasting entity for general operations 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 public 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, and educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payment in exchange for specific 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.

The assets, liabilities, and net position of the station are accounted for using the following funds for CPB purposes:

*Radio Fund* – this fund includes the resources that are available for support of the Station’s Public Radio Network.

Reported direct NFFS for the Station was \$393,560 and \$404,898 for the Radio Fund, and \$108,484 and \$108,519 for indirect NFFS for the years ended August 31, 2018 and 2017, respectively.

**KVLU – FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY LAMAR UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**NOTE 5 – COMMUNITY SERVICE GRANTS (CSGs)**

The Station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The Community Service Grants received and expended during the most recent fiscal years are as follows:

<u>Year of Grant</u>	<u>Grants Received</u>	<u>Expended</u>			<u>Temporarily Restricted</u>
		<u>2016</u>	<u>2017</u>	<u>2018</u>	
2016	87,045	67,610	19,435	-	-
2017	83,840	-	63,936	19,904	-
2018	82,532	-	-	76,672	5,860
					<u>\$ 5,860</u>

**NOTE 6 – STATE APPROPRIATIONS**

State appropriations include financial resources provided to the station through budgetary authorizations of Lamar University. State appropriations utilized were as follows:

	<u>2018</u>	<u>2017</u>
Lamar University	<u>\$ 216,730</u>	<u>\$ 200,017</u>

**NOTE 7 – CONTRIBUTED IN KIND SUPPORT**

Contributed support represents expenses paid on behalf of the station by others outside the station, and includes contributed professional services, donated materials or facilities, and indirect administrative support. The amount of contributed services is reflected as revenues in the accompanying statements of revenues, expenses, and changes in net position. As expenses of an equivalent amount are also recognized, there is no impact on net position.

A summary of the contributed support received is as follows:

Lamar University supported with facilities and administrative services. Lamar’s allocated costs for this support totaled \$108,484 and \$108,519, respectively, for 2018 and 2017.

Contributed support from Time Warner consisted of certain administrative and other expenses incurred on behalf of the station. The costs were \$600 and \$600, respectively, for 2018 and 2017.

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

No provision has been made in these financial statements for a defined benefit pension liability. Any liability is provided for on the University’s financial statements.

**NOTE 9 – RISK MANAGEMENT AND LITIGATION**

The station is subject to litigation in the normal course of business. Management does not believe that the station is party to any pending litigation, which would have a material adverse effect on its financial statements or future operations.

**COMPLIANCE AND INTERNAL CONTROLS SECTION**

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

March 7, 2019

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Executive Administration  
Lamar University  
Beaumont, Texas

We have audited, in accordance with the 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, the financial statements of the business-type activities of KVLU – FM Radio, as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise KVLU – FM Radio's basic financial statements, and have issued our report thereon dated March 7, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered KVLU – FM Radio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KVLU – FM Radio's internal control. Accordingly, we do not express an opinion on the effectiveness of KVLU – FM Radio's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2428 NALL STREET • PORT NECHES, TEXAS 77651  
PHONE (409) 722-6300 • FAX (409) 722-6301  
MITCHELL@MTFCPAS.COM

To the Executive Administration  
Lamar University  
Page 2  
March 7, 2019

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether KVLU – FM Radio’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mitchell T. Fontenote CPA, Inc.*