

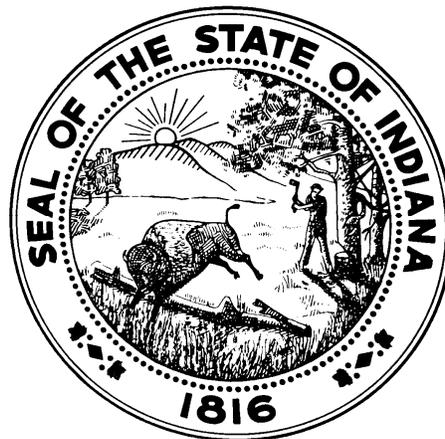
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

WFIU RADIO, A PUBLIC RADIO STATION
OPERATED BY INDIANA UNIVERSITY
BLOOMINGTON, INDIANA

July 1, 2007 to June 30, 2008



FILED

01/15/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Adam Herbert Dr. Michael A. Robbie	01-01-04 to 10-17-07 10-18-07 to 06-30-09
University Vice President And Chief Financial Officer	Judith Palmer Dr. Neil D. Theobald	08-01-94 to 07-31-07 08-01-07 to 06-30-09
University Treasurer	MaryFrances McCourt	10-01-05 to 06-30-09
Director of Radio and TV Stations	Perry Metz	08-11-03 to 06-30-09
President of the Board of Trustees	Stephen L. Ferguson	08-19-05 to 08-17-09



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WFIU RADIO, A PUBLIC RADIO STATION OPERATED
BY INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

We have audited the accompanying financial statements of WFIU (Station), a public radio station operated by Indiana University, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WFIU, as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

State Board of Accounts

December 10, 2008

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2008 and June 30, 2007

WFIU-FM (the Station) presents its audited financial statements for the year ending June 30, 2008, along with comparative data for the year ending June 30, 2007. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities, and net assets of the Station as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Assets, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the Station by major category during the fiscal year. Analysis will be provided for major variances from fiscal year 2008 to 2007. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Assets

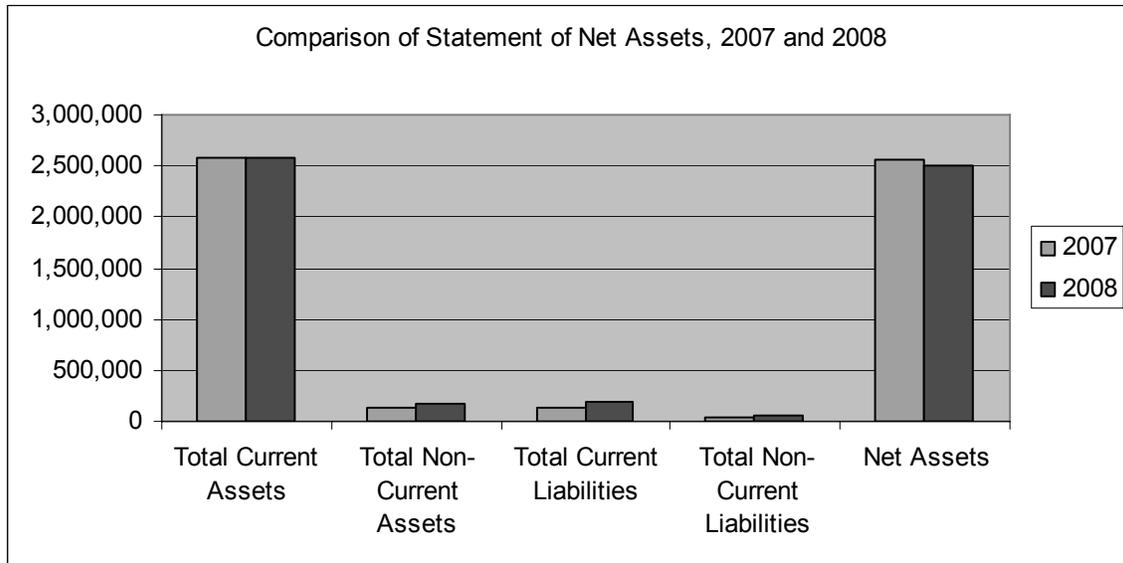
Total assets at June 30, 2008 were \$2,753,868, an increase of \$23,268. Capital net assets comprised \$165,464 of the \$2,753,868 in assets.

Total liabilities were \$242,159 at June 30, 2008, an increase of \$65,833. Non-current liabilities comprised 19.9% or \$48,139 of the liabilities at June 30, 2008. The Station had no outstanding debt obligations.

Total net assets at June 30, 2008 were \$2,511,709, a \$42,565 decrease from the prior year, or a 1.67% decrease in net assets. The breakout of net assets is shown below:

Capital assets	\$165,464
Restricted net assets	52,655
Unrestricted net assets	<u>2,293,590</u>
Total net assets	<u>\$2,511,709</u>

The composition of current and non-current assets and liabilities is displayed below for both the 2007 and 2008 fiscal year-ends:



Statement of Revenues, Expenses, and Changes in Net Assets

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Revenues

Operating revenues at WFIU-FM for the June 30, 2008 fiscal year increased by 73.59% from the previous year. Operating revenue changes were the result of the following factors:

- Facility sales and services increased due to more production-for-hire activity.
- Miscellaneous revenues increased due to an increase in "A Moment of Science" book royalties and an increase in event revenue due to the hosting of a national broadcast of Garrison Keillor's "A Prairie Home Companion".
- The Corporation for Public Broadcasting (CPB) Community Service Grant (CSG) decreased because the CPB qualified 10 new public radio stations to receive CSGs.

Total non-operating revenues were up 1.97% from June 30, 2007, from \$2,238,077 to \$2,282,183. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Indiana University-Bloomington campus general fund support increased due to the filling of a vacant position funded by the general fund account and additional support from the campus to help fund salary increases.
- Indiana University donated administrative support was \$192,093, an increase of 14.41% from the prior year. This is based on the Station's prorated share of the Indiana University-Bloomington campus Institutional Support costs.

For contributions:

- Individual contributions were \$508,032, a slight decrease of .81% over the prior year due to a decrease in major gifts.
- Corporate and foundation contributions were \$406,695, an increase of 31.36% from the prior year due to the continuing improved performance of the corporate development unit.
- The Station received a \$5,000 endowment gift as seed money for the Al Cobine Endowment fund for jazz programming.
- In-kind support was \$24,487, an increase of 9% from the prior year due to an increase in underwriting trade-out agreements for promotions, advertising, and special events.

For other non-operating income:

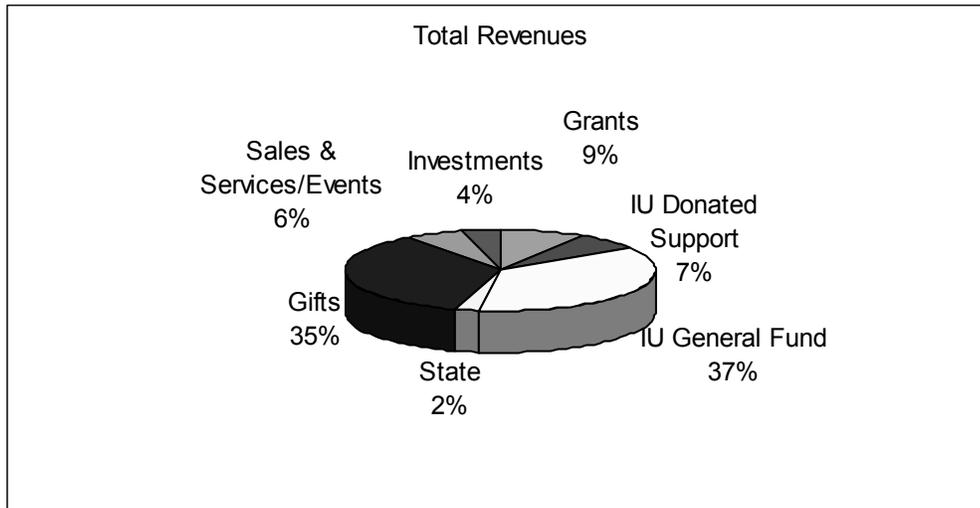
- Interest and dividends earned by the Indiana University Foundation Pooled funds increased due to an increase in the rate of return on the Station's investments in the Indiana University Foundation Pooled Long-Term Fund.
- The sale of investments in the Indiana University Foundation Pooled Long-Term Fund resulted in a gain of \$155.

Other revenue consisted of capital grants totaling \$60,157 from the U.S. Department of Commerce PTFP/NTIA program for the purchase of translators for French Lick and Greensburg

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and equipment for the Station's second audio channel. This is an increase in grant revenues from the prior year.

In summary, total revenues of the Station increased by \$232,997, from \$2,448,387 to \$2,681,384, an overall increase of 9.52%. The compositions of these revenues are displayed in this graph:



Expenses

Operating expenses were \$2,575,823 for the 2008 fiscal year. This was an increase over the previous fiscal year of \$517,482, or 25.14%. Changes in the major categories of expenses were:

For all functional areas:

- Professional staff received on average a 4.47% salary increase and support staff received a 2% average salary increase. The professional staff fringe benefit rate increased by 2.25% for non-grant accounts and 2.7% for grant accounts. The support staff fringe benefit rate increased by 9.8%.
- Accrued vacation and sick leave costs increased by \$5,899 due to the addition of the university's associated benefits liability.

For specific functional areas:

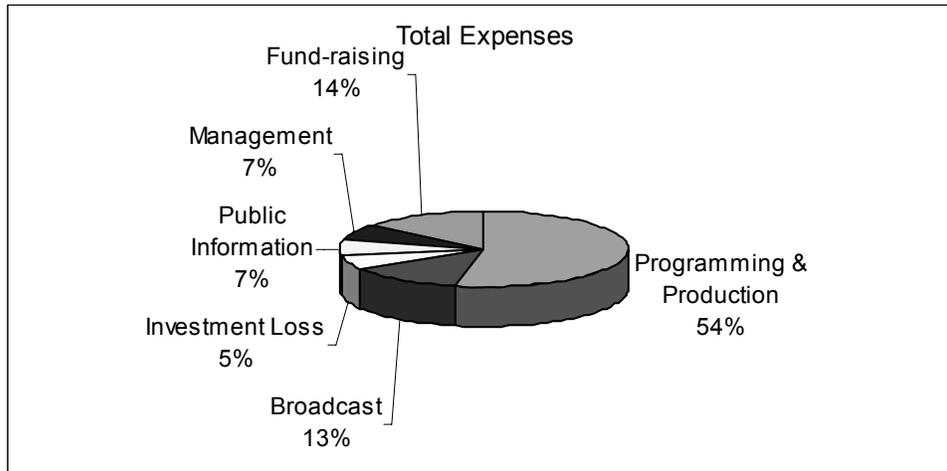
- Programming and production costs increased due to the hire of a News Director, a News Reporter, a Music Director, and an Integrated Media Director; and to the costs associated with the locally produced national broadcast of Garrison Keillor's "A Prairie Home Companion".
- Broadcasting costs increased due to the installation of two new FM translators in French Lick and Greensburg, the addition of the Station's second audio channel, and the expansion into pod casting.
- Public information and promotion expenses increased due to an increase in trade-outs for promotions and the cost of marketing the locally produced national broadcast of Garrison Keillor's "A Prairie Home Companion".

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- o Management and general expenses increased due to reallocation of FTE between the radio and TV stations.
- o Fund-raising, membership development, and underwriting solicitation costs increased due to the hire of a Major Gifts Officer/Grant Writer.

The non-operating expense for the year was the \$148,126 decrease in the fair value of the Station's investments in the IU Foundation Long-Term Pooled fund. This was due to the decline in the stock market.

The composition of total expenses is displayed below by major category:



Net Assets

Net assets decreased by \$42,565 in 2008, compared to a \$390,046 increase in net assets in 2007. The operating loss increased by \$373,748 from the previous fiscal year and the net non-operating revenues increased by \$44,106. Ending net assets were \$2,511,709, compared to ending net assets in 2007 of \$2,554,274. This was a 1.67% decrease in net assets.

Statement of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of the Station by providing relevant information about the cash receipts and cash payments of the Station during a certain period. It assists the user in determining whether the Station has the ability to generate future net cash flows to meet its obligations as they come due, and to determine the need for external financing.

Cash Flows for the Period	June 30, 2008	June 30, 2007
Net cash provided (used) by:		
Operating activities	(\$1,976,689)	(\$1,644,895)
Noncapital financing activities	1,961,164	1,648,448
Capital and related financing activities	3,942	15,000
Investing activities	<u>107,975</u>	<u>56,755</u>
Net increase in cash	96,392	75,308
Beginning cash and cash equivalent balances	<u>148,133</u>	<u>72,825</u>

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Ending cash and cash equivalent balances \$ 244,525 \$ 148,133

Cash used by operating activities increased by \$331,794. This increase in the use of cash was the result of increases in all operating expenses.

Noncapital financing activities increased by \$312,716 due to an increase in university support, state support and contributions.

Cash provided by capital and related financing activities decreased by \$11,058 due to an increase in capital asset purchases for the year. Equipment purchased for less than \$5,000, the capitalization threshold, was recorded as operating expenses.

Cash flows from investing activities increased by \$51,220 due to no investment purchases and an increase in investment earnings.

In summary, the net increase in cash and cash equivalents in 2008 was due primarily to the lack of investment purchases.

Capital Assets

At June 30, 2008, the Station had \$165,464 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2008, and June 30, 2007, totaled \$33,476 and \$26,456, respectively. Details of these assets are shown below:

Net Capital Assets at Year-End	June 30, 2008	June 30, 2007
Transmission, Antenna, and Tower	\$ 163,265	\$ 138,686
Furniture and Fixtures	<u>2,199</u>	<u>4,039</u>
Capital Assets, Net	<u>\$ 165,464</u>	<u>\$ 142,725</u>

Major capital purchases for the year totaled \$56,215 and included FM translators for French Lick and Greensburg and digital equipment for the station's second audio channel.

The Station has planned capital expenditures for the fiscal year ending June 30, 2009 at approximately \$35,200. Included in this are:

- o Modulation monitor and spectrum analyzer.
- o Music master database software.
- o Ten TB storage unit and fiber switch.

Economic Outlook

The economic position of the Station is closely tied to that of Indiana University, which in turn, is closely tied to that of the State of Indiana. For 2009 the Station expects an increase in support from Indiana University to help partially fund salary increases. From the State of Indiana, the Station expects no increase.

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The members of Indiana Public Broadcasting Services (IPBS) are expected to fund their inflationary costs and new digital equipment needs through increases in corporate and private contributions, grants, and sales of production services. The Station projects modest growth in revenues from contributions and no growth in revenues from production services. For operating expenses, the Station anticipates a 1.8% decrease in federal support from the Corporation for Public Broadcasting. For equipment, since the station has received no capital grants, these purchases will have to be funded from the Station's reserves. Funding for digital services and new initiatives will have to come from internal reallocations.

WFIU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2008 and 2007

	2008	2007
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 244,525	\$ 148,133
Other Receivables, Net of Allowance for Doubtful Accounts of \$2,627 in 2008 and \$7,756 in 2007	88,180	41,977
Costs Incurred for Programming Not Yet Broadcast	7,228	410
Prepaid and Other	20,203	20,469
Investments (Note 2)	2,228,268	2,376,886
Total Current Assets	2,588,404	2,587,875
Noncurrent Assets:		
Property and Equipment (Note 3): Radio and Other Equipment, Net of Accumulated Depreciation \$264,900 in 2008 and \$280,735 in 2007	165,464	142,725
Total Assets	\$ 2,753,868	\$ 2,730,600
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 63,370	\$ 19,632
Funding for Programming Not Yet Broadcast	32,733	28,615
Deferred Revenue	3,917	-
Long-Term Liabilities - Current Portion	94,000	90,000
Total Current Liabilities	194,020	138,247
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	48,139	38,079
Total Liabilities	242,159	176,326
<u>Net Assets</u>		
Invested in Capital Assets	165,464	142,725
Restricted for Expendable Station Activities:		
Educational Programs	47,655	49,627
Restricted Endowment for Jazz Program Activities	5,000	-
Unrestricted	2,293,590	2,361,922
Total Net Assets	2,511,709	2,554,274
Total Liabilities and Net Assets	\$ 2,753,868	\$ 2,730,600

The accompanying notes are an integral part of the financial statements.

WFIU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2008 and 2007

	2008	2007
<u>Operating Revenues</u>		
CPB Community Service Grant	\$ 175,837	\$ 177,878
Facility Sales and Services	14,678	8,412
Other Income From CPB and NPR	4,122	4,861
Event Revenues	141,785	3,400
Royalty Income	2,622	759
Total Operating Revenues	339,044	195,310
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	1,442,318	1,180,677
Broadcasting	366,577	216,362
Public Information and Promotion	189,517	151,943
Total Program Expenses	1,998,412	1,548,982
Supporting Services:		
Management and General	199,082	190,914
Fundraising, Membership Development, and Underwriting Solicitation	378,329	318,445
Total Supporting Expenses	577,411	509,359
Total Operating Expenses	2,575,823	2,058,341
Operating Loss	(2,236,779)	(1,863,031)
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	975,361	804,610
Donated Facilities and Administrative Support From Indiana University	192,093	167,895
Appropriation From State of Indiana	62,500	12,500
Individual Contributions	508,032	512,176
Corporate/Foundation Contributions	406,695	309,595
Endowment Contributions	5,000	-
In-Kind Support - Other	24,487	22,458
Interest and Dividends	107,860	99,345
Net Increase (Decrease) in the Fair Value of Investments	(148,126)	308,298
Gain on Sale of Investments	155	1,200
Net Nonoperating Revenues	2,134,057	2,238,077
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(102,722)	375,046
Capital grant - DOC NTIA/PTFP	60,157	-
Capital grant - CPB	-	15,000
Increase (Decrease) in Net Assets	(42,565)	390,046
<u>Net Assets</u>		
Net Assets - Beginning of Year	2,554,274	2,164,228
Net Assets - End of Year	\$ 2,511,709	\$ 2,554,274

The accompanying notes are an integral part of the financial statements.

WFIU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Grants	\$ 175,837	\$ 177,878
Sales and Services	14,377	13,657
Payments to Employees	(1,378,487)	(1,207,205)
Payments to Vendors	(920,795)	(622,257)
Payments to Reimburse Employees	(16,689)	(11,127)
Other Receipts	<u>149,068</u>	<u>4,159</u>
Net Cash Used by Operating Activities	<u>(1,976,689)</u>	<u>(1,644,895)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	975,361	805,005
Appropriation From State of Indiana	62,500	12,500
Contributions	<u>923,303</u>	<u>830,943</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,961,164</u>	<u>1,648,448</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grants	60,157	15,000
Purchase of Capital Assets	<u>(56,215)</u>	<u>-</u>
Net Cash Provided by Capital and Related Financing Activities	<u>3,942</u>	<u>15,000</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	647	19,659
Purchase of Investments	-	(61,483)
Interest and Dividends on Investments	<u>107,328</u>	<u>98,579</u>
Net Cash Provided by Investing Activities	<u>107,975</u>	<u>56,755</u>
Net Increase in Cash and Cash Equivalents	96,392	75,308
Cash and Cash Equivalents - Beginning of Year	<u>148,133</u>	<u>72,825</u>
Cash and Cash Equivalents - End of Year	<u>\$ 244,525</u>	<u>\$ 148,133</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (2,236,779)	\$ (1,863,031)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	33,476	26,456
Bad Debt Expense	(5,128)	(2,298)
Donated Facilities and Administrative Support From Indiana University	192,093	167,895
In-Kind Support - Other	24,487	22,458
(Increase) Decrease in Assets		
Other Receivables, Net of Allowance for Doubtful Accounts	(40,000)	200
Costs Incurred for Programming Not Yet Broadcast	(6,818)	857
Prepaid and Other	4,183	(6,352)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	43,737	758
Long-Term Liabilities - Current Portion	4,000	10,000
Long-Term Liabilities	<u>10,060</u>	<u>(1,838)</u>
Net Cash Used by Operating Activities	<u>\$ (1,976,689)</u>	<u>\$ (1,644,895)</u>

The accompanying notes are an integral part of the financial statements.

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2008 and June 30, 2007

1. Summary of Significant Accounting Policies

A. Organization

WFIU-FM (the Station) is owned by the Trustees of Indiana University, Bloomington, Indiana. The Station is operated by the Radio and Television Services Department of Indiana University.

Portions of both contribution and membership income and expenditures are deposited with and disbursed by the Indiana University Foundation.

B. Basis of Accounting

The accompanying financial statements have been prepared by the Station as a special-purpose government entity engaged in business type activities. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities. Interfund receivables and payables have been eliminated in the Statement of Net Assets. Eliminations have been made in the Statement of Revenues, Expenses, and Changes in Net Assets to remove the "doubling-up" effect of internal service fund activity.

C. Operating Revenues

Operating revenues consist of the community service grant from the Corporation for Public Broadcasting, production sales and services, royalties, auction revenues, special event revenues, and miscellaneous grants for operating activities.

D. Revenue Recognition - Unrestricted

Unrestricted contributions, pledges and grants are recorded as revenue in the Statement of Revenues, Expenses, and Changes in Net Assets when received. Contributions for underwriting are recorded as revenue in the Statement of Revenues, Expenses, and Changes in Net Assets when the underwriting credits have aired.

E. Revenue Recognition - Restricted

Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Station has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as restricted deferred amounts.

F. Production Programming (Completed Contract Method or Purchased Programming)

Costs incurred for programs not yet broadcast relate to programs produced by the Station that will be initially broadcast subsequent to the fiscal year-end. This classification includes costs of program and film rights and licenses acquired prior to the fiscal year-end, and initially utilized subsequent to the fiscal year-end. Unearned restricted contributions and grants that support

WFIU-FM
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Notes to Financial Statements
June 30, 2008 and June 30, 2007
(Continued)

these acquisitions are deferred in the accompanying balance sheet. Concurrent with initial broadcasting of the programs, their costs will be reported as incurred operating expenses and related financing will be reported as earned revenues in the Statement of Revenues, Expenses, and Changes in Net Assets.

G. Statement of Cash Flows

Cash flows are presented using the direct method. Cash equivalents include demand deposits and bank certificates of original maturities of thirty days or less.

H. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses, and Changes in Net Assets. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

I. Income Taxes

The Station is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for fiscal year 2008.

J. Enterprise Fund Election

The Station, reporting as an enterprise fund using proprietary fund accounting, had the option of electing to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Station did not elect to do this.

K. Investment Valuation

Investments are presented in the financial statements at fair market value as of June 30, 2008.

L. Use of Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Station first applies the restricted resources. Once the restricted resources are depleted, the Station then applies its unrestricted resources.

M. Capital Assets

The capitalization threshold for capital assets is \$5,000. Capital assets are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets (excluding assets funded by the Federal Government) using the straight-line method calculated on a monthly basis. The estimated lives of such assets range between three and ten years.

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(Continued)

2. Investments

The pooled investments are currently managed 100% for the University by the Indiana University Foundation. The funds are invested in accordance with the investment policy approved by the Indiana University Board of Trustees. The value of the pooled shares is determined each quarter on the basis of the total fair value of pooled investments and the number of pooled shares outstanding. Income from pooled funds is distributed pro rata to each participating fund according to the number of pooled shares it holds. At June 30, 2008, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$1,774,750 and had a fair value of \$2,228,268 at June 30, 2008.

3. Property and Equipment

	Beginning Balance	Additions	Retirements	Ending Balance
Transmission, Antenna, and Tower	\$ 332,542	\$ 56,215	\$ -	\$ 388,757
Studio and Other Broadcast Equipment	68,642	-	49,311	19,331
Furniture and Fixtures	22,276	-	-	22,276
	<u>423,460</u>	<u>56,215</u>	<u>49,311</u>	<u>430,364</u>
Totals				
Less Accumulated Depreciation:				
Transmission, Antenna, and Tower	193,856	31,636	-	225,492
Studio and Other Broadcast Equipment	68,642	-	49,311	19,331
Furniture and Fixtures	18,237	1,840	-	20,077
	<u>280,735</u>	<u>33,476</u>	<u>49,311</u>	<u>264,900</u>
Total Accumulated Depreciation				
Capital Assets, Net	<u>\$ 142,725</u>	<u>\$ 22,739</u>	<u>\$ -</u>	<u>\$ 165,464</u>

Depreciation expense for the years ended June 30, 2008, and June 30, 2007, was \$33,476 and \$26,456, respectively, and was charged to the major functional areas as follows:

	2008	2007
Programming and Production	\$ 945	\$ 888
Broadcasting	31,807	24,853
Public Information and Promotion	118	109
Management and General	228	228
Fundraising, Membership Development, and Underwriting	<u>378</u>	<u>378</u>
Total Depreciation Expense	<u>\$ 33,476</u>	<u>\$ 26,456</u>

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
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June 30, 2008 and June 30, 2007
(Continued)

For capital assets partially financed with U.S. Department of Commerce NTIA/PTFP grants, the Federal Government requires a ten year lien establishing it as the priority secured creditor. This is to enforce its reversionary interest in the fixed asset for a ten year period (dating from the PTFP's approval of the final inventory for the grant) in case the Station defaults on the terms and conditions of the grant. The capital assets against which the Federal Government has a lien are:

<u>Capital Assets</u>	<u>DOC Grant No.</u>	<u>Original Cost</u>	<u>Lien Through</u>
FM Translator (Kokomo)	18-01-970855	\$ 24,103	2008
Digital Broadcast Equipment	18-01-N04079	51,362	2015
FM Translators (Greensburg/French Lick)	18-01-N06131	46,990	2018
Digital Conversion: 2nd Audio Channel	18-01-N07185	49,830	2018

4. In-Kind Support

In-kind support is divided between administrative support supplied by Indiana University and other in-kind contributions from sources outside the University.

Administrative support from Indiana University consists of institutional support, donated facilities, and physical plant operations. These are included as revenue and expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Institutional support is estimated at \$114,352 and is computed using operating expenses as the base.

The value of donated facilities is calculated on the Annual Value Computations for Buildings and Tower Facilities form provided by the Corporation for Public Broadcasting and totals \$65,918 for the recently renovated Radio and TV Building and \$4,386 for the new roof on the Radio and TV Building. No value is claimed for the Transmitter Building because its remaining useful life is zero.

Physical plant is estimated at \$7,437. This represents the Station's pro rata share of allowable physical plant costs not allocated by the University based on gross square feet. The physical plant costs allocated to the Station by the University are included in the general fund support from the University.

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 128,079	\$ 104,782	\$ 90,722	\$ 142,139	\$ 94,000

6. Pension Plan

The Station's appointed employees are covered by the same retirement plans as other employees of Indiana University. The required contributions are pooled at the University level and charged to the Station at a predetermined rate. Non-exempt employees are covered by PERF (Public Employees'

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Retirement Fund), which is a defined benefit plan. Total PERF pension expenses for the years ended June 30, 2008, and June 30, 2007, were \$22,063 and \$13,938, respectively. Exempt employees are covered by the IU Retirement Plan. This is a defined contribution plan with three funding levels. In addition, the University provides early retirement benefits to certain appointed academic and professional staff. These employees are covered by the IUSERP (IU Supplemental Early Retirement Program) or the 18/20 Retirement Plan. The IU Retirement Plan, IUSERP, and the 18/20 Retirement Plan pension expenses for the years ended June 30, 2008, and June 30, 2007, were \$107,818 and \$89,809, respectively. Complete details of these plans can be found in the Indiana University Annual Financial Report.

7. Accounts Payable and Accrued Expenses

The Station's accounts payable and accrued expenses at June 30, 2008, and June 30, 2007, were primarily accrued payroll.