

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

AUDIT REPORT
OF

WTIU TELEVISION, A PUBLIC TELEVISION STATION
OPERATED BY INDIANA UNIVERSITY
BLOOMINGTON, INDIANA

July 1, 2008 to June 30, 2009



FILED
02/24/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
University Officials.....	2
Independent Auditor's Report	3
Management's Discussion and Analysis.....	4-9
Basic Financial Statements:	
Statement of Net Assets.....	10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-17

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Michael A. McRobbie	07-01-08 to 06-30-10
University Vice President and Chief Financial Officer	Dr. Neil D. Theobald	07-01-08 to 06-30-10
University Treasurer	MaryFrances McCourt	07-01-08 to 06-30-10
Director of Radio and TV Stations	Perry Metz	07-01-08 to 06-30-10
President of the Board of Trustees	Stephen L. Ferguson William R. Cast, M.D.	08-19-08 to 08-13-09 08-14-09 to 08-13-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WTIU TELEVISION, A PUBLIC TELEVISION STATION
OPERATED BY INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

We have audited the accompanying financial statements of WTIU (Station), a public television station operated by Indiana University, as of and for the years ended June 30, 2009 and 2008. 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 WTIU, as of June 30, 2009 and 2008, 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.

February 17, 2010

STATE BOARD OF ACCOUNTS

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2009 and June 30, 2008

WTIU-TV (the Station) presents its audited financial statements for the year ending June 30, 2009, along with comparative data for the year ending June 30, 2008. 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 2009 to 2008. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Assets

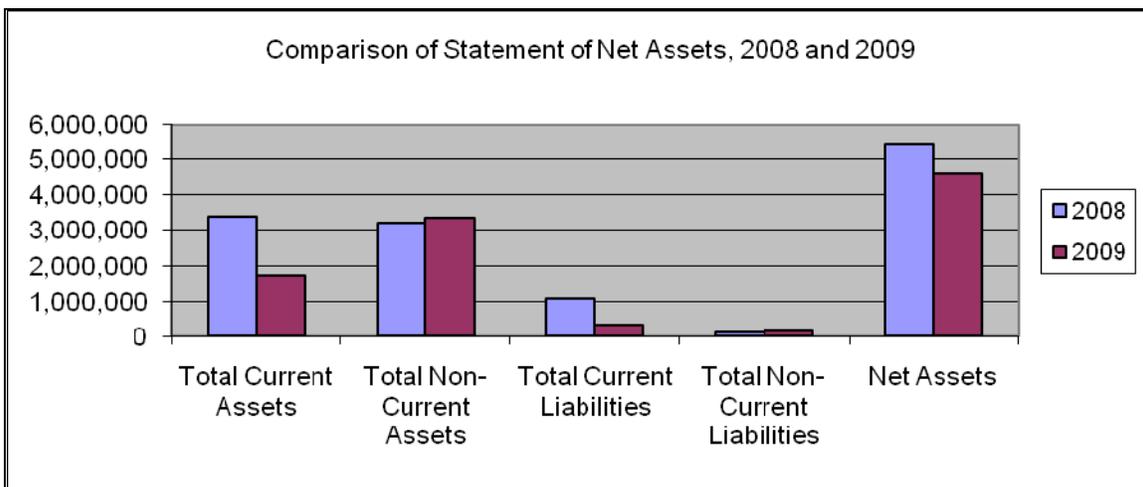
Total assets at June 30, 2009 were \$5,072,601, a decrease of \$1,522,146. Capital net assets comprised \$3,366,623 of the \$5,072,600 in assets.

Total liabilities were \$462,525 at June 30, 2009, a decrease of \$726,392. Non-current liabilities comprised 31.24% or \$144,472 of the liabilities at June 30, 2009. The Station had no outstanding debt obligations.

Total net assets at June 30, 2009 were \$4,610,076, a \$795,754 decrease from the prior year, or a 14.72% decrease in net assets. The breakout of net assets is shown below:

Capital assets	\$ 3,366,623
Unrestricted net assets	<u>1,243,453</u>
Total net assets	<u>\$ 4,610,076</u>

The composition of current and non-current assets and liabilities is displayed below for both the 2008 and 2009 fiscal year-ends:



WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2009 and June 30, 2008

Statement of Revenues, Expenses, and Changes in Net Assets

Revenues

Operating revenues at WTIU-TV for the June 30, 2009 fiscal year increased by 3.58% 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.
- Other income from the CPB and PBS decreased slightly.
- Miscellaneous grants decreased due to the completion of grants for 2008 and fewer new grants in 2009.
- The Corporation for Public Broadcasting (CPB) Community Service Grant increased and included no federal mid-year rescission as in 2008, and non-federal financial support (NFFS) for the Station increased.

Total non-operating revenues were down 2.21% from June 30, 2008, from \$4,039,396 to \$3,950,276. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Indiana University-Bloomington campus general fund support decreased due to mid-year budget cuts.
- Indiana University donated administrative support was \$337,118, a decrease of 30.65% 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 \$492,675, an increase of 2.82% over the prior year.
- Corporate and foundation contributions were \$247,410 a decrease of 12.65% from the prior year due to the decline in the economic outlook.
- The Station received an additional \$4,686 endowment gift as seed money for the Al Cobine Endowment fund for jazz programming.
- In-kind support was \$3,450, a decrease from the prior year due to a decrease in underwriting trade-out agreements.

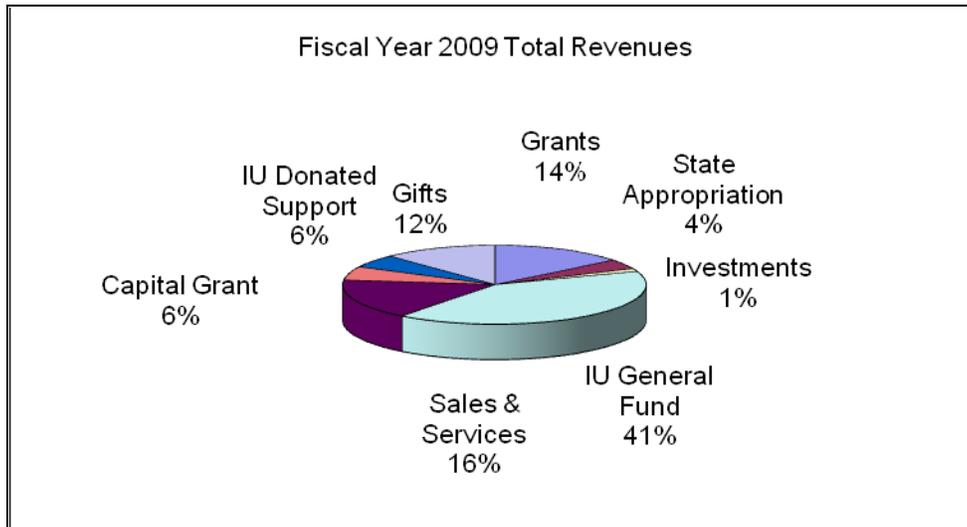
For other non-operating income:

- Interest and dividends earned by the Indiana University Foundation Pooled funds decreased due to a decrease 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 \$39.

Other revenue consisted of capital grants totaling \$347,850: \$220,840 from the US Department of Commerce's NTIA/PTFP for the purchase of digitally compatible TV studio cameras and lenses. This is an increase in grant revenues from the prior year.

In summary, total revenues of the Station increased by \$56,164 from \$6,150,401 in 2008 to \$6,206,565 in 2009, an overall increase of .91%. The compositions of these revenues are displayed in this graph:

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2009 and June 30, 2008



Expenses

Operating expenses were \$6,460,679 for the 2009 fiscal year. This was an increase over the previous fiscal year of \$280,335 or 4.54%. Changes in the major categories of expenses were:

For all functional areas:

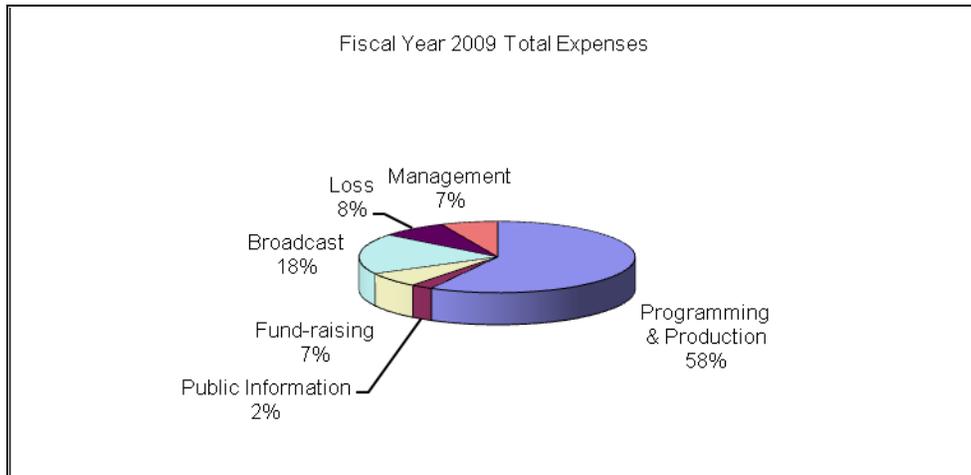
- Professional staff received on average a 4.5% salary increase and support staff received a 3.5% average salary increase. The professional staff fringe benefit rate increased by 0.66% for non-grant accounts and 1.02% for grant accounts. The support staff fringe benefit rate increased by 4.47%.
- Accrued vacation and sick leave costs decreased by \$18,666.

For specific functional areas:

- Programming and production costs increased 10%, reflecting an expansion of the News department and additional local productions.
- Broadcasting costs increased slightly due to the ongoing conversion to digitally compatible TV studio/control room production equipment.
- Public information and promotion costs decreased due to reductions in all expense categories and a drop in in-kind contributions.
- Management and general expenses decreased only slightly.
- Fund-raising, membership development, and underwriting solicitation costs decreased due to additional reallocations of FTE.

The Station had a non-operating gain of \$11,388 on the disposal of capital assets and a loss of \$553,028 on the decrease in the fair value of investments in 2009. In 2008, the loss on the disposal of capital assets was \$77,144 and the decrease in the fair value of investments was \$112,203. The composition of total expenses, including operating and non-operating, are displayed below by major category:

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2009 and June 30, 2008



Net Assets

Net assets decreased by \$795,754 in 2009, compared to a \$219,290 decrease in net assets in 2008. The operating loss increased by \$214,461 from the previous fiscal year and the net non-operating revenues decreased by \$89,393. Ending net assets were \$4,610,076, compared to ending net assets in 2008 of \$5,405,830. This was a 14.72% 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 obligation as they come due, and to determine the need for external financing.

Cash Flows for the Period	June 30, 2009	June 30, 2008
Net cash provided (used) by:		
Operating activities	(\$3,536,576)	(\$3,273,934)
Noncapital financing activities	3,530,820	3,475,287
Capital and related financing activities	(1,172,911)	(435,702)
Investing activities	<u>144,318</u>	<u>81,059</u>
Net decrease in cash	(1,034,349)	(153,290)
Beginning cash and cash equivalent balances	<u>1,645,785</u>	<u>1,799,075</u>
Ending cash and cash equivalent balances	<u>\$ 611,436</u>	<u>\$ 1,645,785</u>

Cash used by operating activities increased by \$262,642. This increase in the use of cash was the result of increases in most operating expenses coupled with smaller increases in most operating revenues.

Noncapital financing activities increased by \$55,533. This increase was the result of increases in the general fund support from Indiana University and decreases in the appropriation from the State of Indiana, and contributions.

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2009 and June 30, 2008

Cash used by capital and related financing activities increased by \$737,209 due to increased equipment purchases. Equipment purchased for less than \$5,000, the capitalization threshold, was recorded as operating expenses.

Cash provided by investing activities increased by \$63,259 due to the sale of some investments and a decrease in investment earnings.

In summary, the net decrease in cash and cash equivalents in 2009 was due primarily to the increases in the operating loss and capital equipment purchases.

Capital Assets

At June 30, 2009, the Station had \$3,366,623 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2009, and June 30, 2008, totaled \$680,663 and \$477,476, respectively. Details of these assets are shown below:

Net Capital Assets at Year-End	June 30, 2009	June 30, 2008
Transmission, Antenna, and Tower	\$1,254,251	\$1,589,384
Studio and Other Broadcast Equipment	2,110,867	1,606,433
Furniture and Fixtures	<u>1,505</u>	<u>9,551</u>
Capital Assets, Net	<u>\$3,366,623</u>	<u>\$3,205,368</u>

Major capital purchases for the year totaled \$851,237 and included:

- HD Production Switcher
- HD Router Switcher
- Two Video Servers
- HD Video Graphics System
- Workstation Console System
- Two HDCam Video Recorders
- NetVX Encoder
- Four Channel Box Graphics
- Archive System

The Station has planned capital expenditures for the fiscal year ending June 30, 2010:

- Remote field kit (\$270,000)
- Studio cyclorama (\$9,000)
- Sony HD camera for news (\$9,300)
- Broadcast switcher/graphics for news (\$30,000)

Economic Outlook

The financial position of all public television stations has been eroded by the economic downturn nationally and regionally. In our case, TV underwriting by local businesses has declined but not as much as peer stations around the state; membership contributions have remained stable. The Station is closely tied to Indiana University, which in turn, is closely tied to that of the State of Indiana. For 2010, the Station expects a decrease in University support, little or no salary increase, and a decline in direct support from the State. WTIU has received a five-year, \$50,000 grant from the Margaret Cargill Foundation for support of children's and outreach services.

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

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2009 and June 30, 2008

contributions, grants, and sales of production services. The Station projects no growth in revenues from contributions but has been enjoying steady growth in demand for its production services. The Station anticipates a 5% increase in federal support from the Corporation for Public Broadcasting for operating expenses. For equipment, the Station has been awarded a grant from the US Department of Commerce's NTIA/PTFP for \$111,000 for help in purchasing a remote field kit to improve remote productions. The DOC NTIA/PTFP grant requires a match of \$111,000 for equipment purchases, to be funded by the Station from non-federal sources. The DOC NTIA/PTFP grant is in effect from 10/01/2009 through 3/31/2011.

Funding for digital services and the remaining equipment matching funds will have to come from earned income and internal reallocations.

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2009 and 2008

	2009	2008
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 611,437	\$ 1,645,785
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2009 and \$0 in 2008	12,204	25,253
Costs Incurred for Programming Not Yet Broadcast	4,694	13,574
Prepaid and Other	9,466	17,627
Investments (Note 2)	1,068,177	1,687,140
Total Current Assets	1,705,978.00	3,389,379.00
Noncurrent Assets:		
Property and Equipment (Note 3): Television and Other Equipment, Net of Accumulated Depreciation of \$4,784,524 in 2009 and \$4,179,478 in 2008	3,366,623	3,205,368
Total Assets	\$ 5,072,601	\$ 6,594,747
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 52,345	\$ 796,416
Funding for Programming Not Yet Broadcast	41,258	44,644
Deferred Revenue	450	3,320
Long-Term Liabilities - Current Portion	224,000	235,000
Total Current Liabilities	318,053	1,079,380
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	144,472	109,537
Total Liabilities	462,525	1,188,917
<u>Net Assets</u>		
Invested in Capital Assets	3,366,623	3,205,368
Restricted for Expendable Station Activities:		
Educational Programs	21,248	31,105
Restricted Endowment for Jazz Program Activities	12,126	5,000
Restricted for Capital Acquisitions	-	47,600
Unrestricted	1,210,079	2,116,757
Total Net Assets	4,610,076	5,405,830
Total Liabilities and Net Assets	\$ 5,072,601	\$ 6,594,747

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

WTIU-TV
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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Operating Revenues</u>		
CPB Community Service Grant	\$ 867,208	\$ 827,990
Facility Sales and Services	1,004,889	938,211
Other Income From CPB and PBS	29,341	38,432
Miscellaneous Grants	3,933	22,104
Event Income	-	290
Royalty Income	<u>3,068</u>	<u>15,538</u>
Total Operating Revenues	<u>1,908,439</u>	<u>1,842,565</u>
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	4,055,988	3,676,548
Broadcasting	1,290,596	1,238,150
Public Information and Promotion	<u>178,441</u>	<u>276,668</u>
Total Program Expenses	<u>5,525,025</u>	<u>5,191,366</u>
Supporting Services:		
Management and General	464,658	468,964
Fundraising, Membership Development, and Underwriting Solicitation	<u>470,996</u>	<u>520,014</u>
Total Supporting Expenses	<u>935,654</u>	<u>988,978</u>
Total Operating Expenses	<u>6,460,679</u>	<u>6,180,344</u>
Operating Loss	<u>(4,552,240)</u>	<u>(4,337,779)</u>
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	2,533,237	2,311,139
Donated Facilities and Administrative Support From Indiana University	337,118	486,118
Appropriation From State of Indiana	249,064	370,944
Individual Contributions	492,675	479,174
Corporate/Foundation Contributions	247,410	283,248
Endowment Contributions	9,686	5,000
In-Kind Support - Other	3,450	22,662
Interest and Dividends	77,597	81,007
Net Decrease in the Fair Value of Investments	(553,028)	(112,203)
Gain on Sale of Investments	39	104
Gain (Loss) on Disposal of Capital Assets	<u>11,388</u>	<u>(77,144)</u>
Net Nonoperating Revenues	<u>3,408,636</u>	<u>3,850,049</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	<u>(1,143,604)</u>	<u>(487,730)</u>
Capital Grant - DOC NTIA/PTFP	347,850	220,840
Capital Grant - CPB	<u>-</u>	<u>47,600</u>
Decrease in Net Assets	(795,754)	(219,290)
<u>Net Assets</u>		
Net assets - Beginning of Year	<u>5,405,830</u>	<u>5,625,120</u>
Net Assets - End of Year	<u>\$ 4,610,076</u>	<u>\$ 5,405,830</u>

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

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Grants	\$ 888,951	\$ 883,588
Sales and Services	1,015,107	929,161
Payments to Employees	(3,251,542)	(3,074,997)
Payments to Vendors	(2,204,676)	(1,988,018)
Payments to Reimburse Employees	-	(44,534)
Other Receipts	<u>15,584</u>	<u>20,866</u>
Net Cash Used by Operating Activities	<u>(3,536,576)</u>	<u>(3,273,934)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	2,533,237	2,311,139
Appropriation From State of Indiana	249,064	370,944
Contributions	<u>748,519</u>	<u>793,204</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,530,820</u>	<u>3,475,287</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grant	347,850	268,440
Purchase of Capital Assets	<u>(1,520,761)</u>	<u>(704,142)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,172,911)</u>	<u>(435,702)</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	80,538	425
Purchase of Investments	(14,564)	-
Interest and Dividends on Investments	<u>78,344</u>	<u>80,634</u>
Net Cash Provided by Investing Activities	<u>144,318</u>	<u>81,059</u>
Net Decrease in Cash	(1,034,349)	(153,290)
Cash and Cash Equivalents - Beginning of Year	<u>1,645,785</u>	<u>1,799,075</u>
Cash and Cash Equivalents - End of Year	<u>\$ 611,436</u>	<u>\$ 1,645,785</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (4,552,240)	\$ (4,337,779)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	680,663	477,476
Bad Debt Expense	-	(800)
Donated Facilities and Administrative Support From Indiana University	337,118	486,118
In-Kind Support - State of Indiana/Other	3,450	22,662
(Increase) Decrease in Assets:		
Other Receivables, Net of Allowance for Doubtful Accounts	10,168	(10,090)
Costs Incurred for Programming Not Yet Broadcast	8,880	(7,386)
Prepaid and Other	5,290	(6,979)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(53,840)	60,242
Long-Term Liabilities - Current Portion	(11,000)	30,000
Long-Term Liabilities	<u>34,935</u>	<u>12,602</u>
Net Cash Used by Operating Activities	<u>\$ (3,536,576)</u>	<u>\$ (3,273,934)</u>

The accompanying notes are an integral part of the financial statements

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2009 and June 30, 2008

1. Summary of Significant Accounting Policies

A. Organization

WTIU-TV (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

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2009 and June 30, 2008
(Continued)

subsequent to the fiscal year-end. Unearned restricted contributions and grants that support 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 2009.

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, 2009.

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 twenty-five years.

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2009 and June 30, 2008
(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, 2009, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$1,311,040 and had a fair value of \$1,068,177 at June 30, 2009.

3. Property and Equipment

	Beginning Balance	Additions	Retirements	Ending Balance
Transmission, Antenna, and Tower	\$ 3,835,301	\$ 1,434	\$ -	\$ 3,836,735
Studio and Other Broadcast Equipment	3,428,730	860,918	96,051	4,193,597
Furniture and Fixtures	120,815	-	-	120,815
	<u>7,384,846</u>	<u>862,352</u>	<u>96,051</u>	<u>8,151,147</u>
Totals				
Less Accumulated Depreciation:				
Transmission, Antenna, and Tower	2,245,917	336,567	-	2,582,484
Studio and Other Broadcast Equipment	1,822,297	356,484	96,051	2,082,730
Furniture and Fixtures	111,264	8,046	-	119,310
	<u>4,179,478</u>	<u>701,097</u>	<u>96,051</u>	<u>4,784,524</u>
Total Accumulated Depreciation				
Capital Assets, Net	<u>\$ 3,205,368</u>	<u>\$ 161,255</u>	<u>\$ -</u>	<u>\$ 3,366,623</u>

Donated assets from the University were recorded by the Station at the acquisition price of the University. The depreciation expenses by the University were recorded on the Station's records as accumulated depreciation.

Depreciation expense for the years ended June 30, 2009 and June 30, 2008, was \$680,663 and \$477,476, respectively, and was charged to the major functional areas as follows:

	2009	2008
Programming and Production	\$ 339,942	\$ 127,716
Broadcasting	338,232	346,770
Public Information and Promotion	461	560
Management and General	1,082	1,280
Fundraising, Membership Development, and Underwriting	<u>946</u>	<u>1,150</u>
Total Depreciation Expense	<u>\$ 680,663</u>	<u>\$ 477,476</u>

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2009 and June 30, 2008
(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>
Field Cameras and Video Editing System	18-02-98124	\$ 229,722	2009
Digital TV Studio Production Equipment	18-02-N03030	369,074	2014
High Definition Studio Camera Systems	18-02-N06114	467,278	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 \$337,118 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 \$200,688 for the recently renovated Radio and TV Building and \$16,311 for the new roof and satellite dish mount for 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 \$21,294. 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, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 344,537</u>	<u>\$ 239,215</u>	<u>\$ 215,280</u>	<u>\$ 368,472</u>	<u>\$ 224,000</u>

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2009 and June 30, 2008
(Continued)

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' Retirement Fund), which is a defined benefit plan. Total PERF pension expenses for the years ended June 30, 2009 and June 30, 2008 were \$61,706 and \$50,635, 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, 2009 and June 30, 2008, were \$237,480 and \$228,105, 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, 2009, were primarily accrued payroll. The Station's accounts payable and accrued expenses at June 30, 2008, were primarily accrued payroll and capital equipment acquisitions.