

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

FINANCIAL STATEMENTS  
AUDIT REPORT

WFIU-FM, A PUBLIC TELECOMMUNICATION  
ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY  
BLOOMINGTON, INDIANA

July 1, 2012 to June 30, 2013



**FILED**  
01/31/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Michael A. McRobbie	07-01-12 to 06-30-20
University Senior Vice President and Chief Financial Officer	Dr. Neil D. Theobald MaryFrances McCourt (Interim)	07-01-12 to 12-31-12 01-01-13 to 08-08-13
University Associate Vice President and Treasurer	MaryFrances McCourt	07-01-12 to 08-08-13
University Vice President and Chief Financial Officer and Treasurer	MaryFrances McCourt	08-09-13 to 06-30-14
Chairman of the Board of Trustees	William R. Cast, MD	07-01-12 to 08-16-14
Director of Radio and TV Services	Perry Metz	07-01-12 to 06-30-14



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WFIU-FM, A PUBLIC TELECOMMUNICATION ENTITY OWNED  
AND OPERATED BY INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of WFIU-FM, a public telecommunication entity owned and operated by Indiana University (WFIU-FM), as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the WFIU-FM's basic financial statements as listed in the Table of Contents.

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

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

***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. 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 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 University's internal control. Accordingly, we express no such opinion. An audit 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 statement.

We believe that our audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

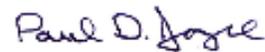
**Opinions**

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of WFIU-FM, a public telecommunication entity owned and operated by Indiana University as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows, where applicable, thereof and for the year 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, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
Paul D. Joyce, CPA  
State Examiner

January 29, 2014

WFIU-FM  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management’s Discussion and Analysis  
June 30, 2013 and June 30, 2012

WFIU-FM (the Station) presents its audited financial statements for the year ending June 30, 2013, along with comparative data for the year ending June 30, 2012. Three statements are described in the following discussion and analysis: The Statement of Net Position, which presents the assets, liabilities, and net position of the Station as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Position, 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 2013 to 2012. Included in this review are “Capital Assets” and the “Economic Outlook.”

Statement of Net Position

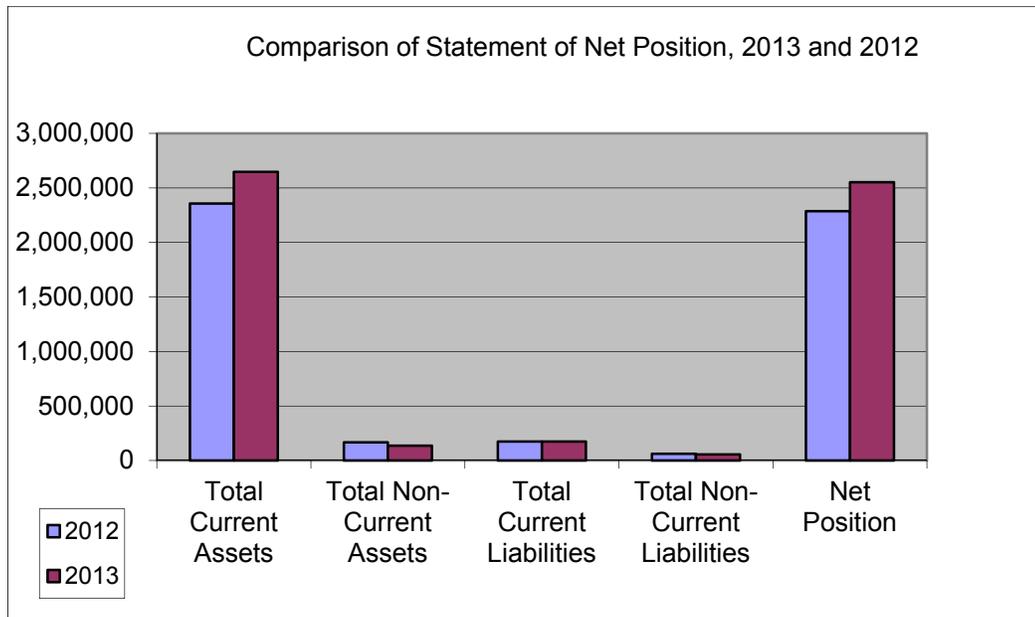
Total assets at June 30, 2013, were \$2,783,245, an increase of \$259,956. Net capital assets comprised \$136,526 of the total.

Total liabilities were \$230,523 at June 30, 2013, a decrease of \$6,575. Non-current liabilities were 24% or \$55,921 of the liabilities at June 30, 2013. The Station had no outstanding debt obligations.

Total net position at June 30, 2013, was \$2,552,722, an increase of \$266,531 from the prior year, or a 11.7% increase in net position. The breakout of net position is shown below:

Capital assets	\$ 136,526
Restricted assets	39,489
Unrestricted assets	<u>2,376,707</u>
Total net position	<u>\$2,552,722</u>

The composition of current and non-current assets and liabilities and net position is displayed below for both the 2013 and 2012 fiscal year-ends:



WFIU-FM  
 A Public Telecommunications Entity Owned and Operated by Indiana University  
 Management's Discussion and Analysis  
 June 30, 2013 and June 30, 2012

Statement of Revenues, Expenses, and Changes in Net Position

Revenues

Operating revenues at WFIU-FM for the June 30, 2013, fiscal year decreased by 39.6% from the previous year. Operating revenue changes were the result of the following factors:

- NPR grant proceeds decreased significantly as the State Impact grant neared conclusion and as grant cost share obligations were recognized.
- CPB funding decreased by 3%

Total non-operating revenues were up 18%, from \$2,154,610 in fiscal year 2012 to \$2,540,477 in fiscal year 2013. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Campus general fund support increased by approximately \$255,000, primarily due to matching funds for the NPR grant cost shares.
- Indiana University donated administrative support showed little change from the prior year. The administrative support is based on the Station's prorated share of the Indiana University-Bloomington campus Institutional Support costs.

For contributions:

- Individual contributions were \$604,556, an increase of 3.7% over the prior year.
- Corporate and foundation contributions were \$266,945, a decrease of 30% from the prior year.
- The Station received an additional \$3,065 endowment gift for the Al Cobine Endowment fund for jazz programming, and an additional \$2,700 endowment gift for the Classical Music Endowment Fund for classical music programming.
- The Station received funding for two new funds. An endowment gift of \$5,307 was received for the Kroll Endowment Fund and an endowment gift of \$5,000 was received for the News Programming Endowment Fund.
- In-kind support was \$32,869 a slight decrease of 5% from the prior year.

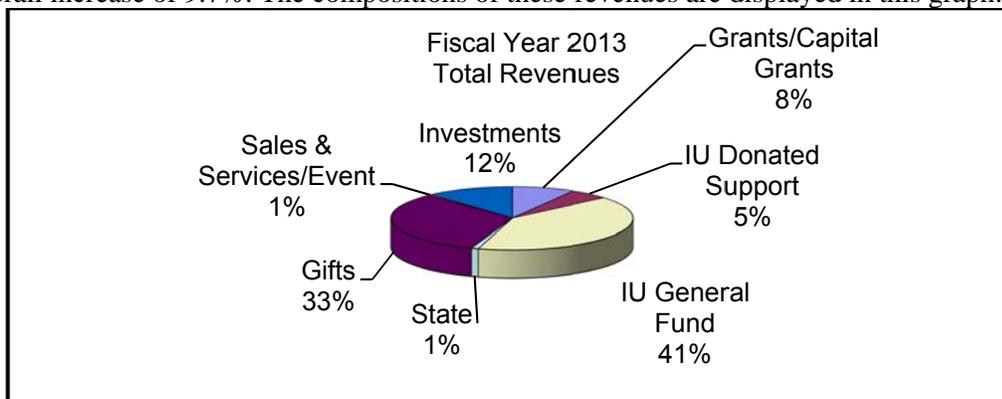
For other non-operating income:

- Interest and dividends earned by the Indiana University Foundation Pooled funds increased 7.7%.

For capital:

- The Station received \$33,402 in funding for the CPB capital grant awarded in fiscal year 2011.

In summary, total revenues of the Station increased by \$246,171, from \$2,538,188 in 2012 to \$2,784,359 in 2013, an overall increase of 9.7%. The compositions of these revenues are displayed in this graph:



WFIU-FM  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2013 and June 30, 2012

Expenses

Operating expenses were \$2,517,828 for the 2013 fiscal year. This was an increase over the previous fiscal year of \$252,062 or 11%. Changes in the major categories of expenses were:

For all functional areas:

- Professional and support staff received a 2.2% salary increase. The professional staff fringe benefit rate increased from 42% to 43.34%. The support staff fringe benefit rate increased from 37.23% to 40.06%.
- Accrued vacation and sick leave liability expense decreased by \$6,109.

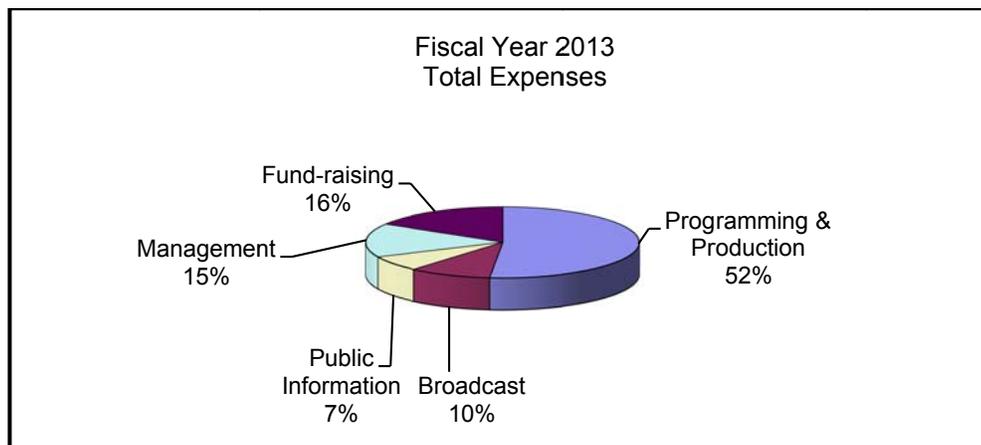
For specific functional areas:

- Programming and production costs increased by \$41,703, primarily because of expanded news production.
- Broadcasting costs increased by \$24,890.
- Public information and promotion expenses increased by \$38,345.
- Management and general expenses increased \$93,533 as administrative duties of the vacant station manager position were reassigned and salaries adjusted.
- Fund-raising, membership development, and underwriting solicitation costs increased by \$53,591.

For non-operating income:

- An increase in the market value of the Station's investments in the Indiana University Foundation Pooled Long-Term Fund resulted in an unrealized gain of \$213,262.

The composition of total expenses, including operating and non-operating, are displayed below by major category:



Net Position

Net Position increased by \$266,531 in 2013, compared to a \$73,639 increase in net position in 2012. The operating loss increased by \$389,775 from the previous fiscal year and the net non-operating revenues increased by \$584,650. The ending net position was \$2,552,722, compared to ending net position in 2012 of \$2,286,191. This was a 11.6% increase in net position.

WFIU-FM  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2013 and June 30, 2012

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	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net cash provided (used) by:		
Operating activities	(\$2,047,346)	(\$1,794,767)
Noncapital financing activities	2,073,258	1,848,970
Capital and related financing activities	33,402	28,740
Investing activities	<u>(97,410)</u>	<u>(45,008)</u>
Net increase (decrease) in cash	<u>(38,096)</u>	<u>37,935</u>
Beginning cash and cash equivalent balances	<u>99,180</u>	<u>61,245</u>
Ending cash and cash equivalent balances	<u>\$ 61,084</u>	<u>\$ 99,180</u>

Cash used by operating activities increased by \$252,579. This increase in the use of cash was the result of increases in operating expenses.

Cash provided by noncapital financing activities increased \$224,288, primarily due to more general fund support from Indiana University.

Cash provided by capital and related financing activities was \$33,402. Equipment purchased for less than \$5,000 the capitalization threshold, was recorded as operating expenses.

Cash used by investing activities increased by \$52,402.

In summary, there was a net decrease in cash and cash equivalents in 2013 of \$38,096.

Capital Assets

At June 30, 2013, the Station had \$136,526 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2013, and June 30, 2012, totaled \$29,798 and \$29,107, respectively. Details of these assets are shown below:

<u>Net Capital Assets at Year-End</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Transmission, Antenna, and Tower	\$136,526	\$166,324
Studio and Other Broadcast Equipment	0	0
Furniture and Fixtures	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$136,526</u>	<u>\$166,324</u>

Studio and Other Broadcast Equipment and Furniture and Fixtures are fully depreciated; therefore, the net amount is zero. There were no capital purchases for the station in 2013. No capital expenditures are planned for fiscal year 2014. Software updates and equipment refreshes will continue, but these are expected to be below the capital threshold.

WFIU-FM  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2013 and June 30, 2012

Economic Outlook

Federal funding of public broadcasting is holding steady, though subject to sequestration reductions. Management continues to keep a reserve fund for that eventuality. State funding, which enjoys bipartisan support, has increased to levels not seen for a number of years. The state itself is experiencing a slow but steady recovery, making it possible to seek additional support for specific services (eg., homeland security, emergency preparedness, etc.). Membership income has grown slowly, in contrast to national reports of decline at some stations; corporate underwriting has grown each year, though we expect it to level off in the coming 12 months. The station has been able to fund a major equipment refresh from operations and that means no surprises are expected financially. A change in programming was not well-received and it remains to be seen if any long-term effects will be felt in membership. The net position remains strong.

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## FINANCIAL STATEMENTS

The financial statements and accompanying notes were prepared by management of the WFIU-FM. The financial statements and notes are presented as intended by the WFIU-FM.

WFIU-FM  
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY  
STATEMENT OF NET POSITION  
June 30, 2013 and 2012

	2013	2012
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 61,084	\$ 99,180
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2013 and \$0 in 2012	50,978	143,061
Costs Incurred for Programming Not Yet Broadcast	3,629	1,020
Prepaid and Other	1,885	8,482
Investments (Note 2)	2,529,143	2,105,222
Total Current Assets	2,646,719	2,356,965
Noncurrent Assets:		
Property and Equipment (Note 3): Radio and Other Equipment, Net of Accumulated Depreciation \$384,672 in 2013 and \$361,385 in 2012	136,526	166,324
Total Assets	\$ 2,783,245	\$ 2,523,289
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 35,395	\$ 33,430
Funding for Programming Not Yet Broadcast	69,207	51,337
Long-Term Liabilities - Current Portion	70,000	90,000
Total Current Liabilities	174,602	174,767
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	55,921	62,331
Total Liabilities	230,523	237,098
<u>Net Position</u>		
Net Investment in Capital Assets	136,526	166,324
Restricted for Expendable Station Activities	39,489	98,898
Unrestricted	2,376,707	2,020,969
Total Net Position	2,552,722	2,286,191
Total Liabilities and Net Position	\$ 2,783,245	\$ 2,523,289

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 POSITION  
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Operating Revenues</u>		
CPB Community Service Grant	\$ 195,305	\$ 201,871
Facility Sales and Services	5,648	3,173
Other Income From CPB and NPR	(10,855)	124,341
Miscellaneous Grants and Revenues	14,643	13,836
Royalty Income	<u>5,739</u>	<u>4,972</u>
Total Operating Revenues	<u>210,480</u>	<u>348,193</u>
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	1,297,448	1,255,745
Broadcasting	243,590	218,700
Public Information and Promotion	<u>177,069</u>	<u>138,724</u>
Total Program Expenses	<u>1,718,107</u>	<u>1,613,169</u>
Supporting Services:		
Management and General	385,135	291,602
Fundraising, Membership Development, and Underwriting Solicitation	<u>414,586</u>	<u>360,995</u>
Total Supporting Expenses	<u>799,721</u>	<u>652,597</u>
Total Operating Expenses	<u>2,517,828</u>	<u>2,265,766</u>
Operating Loss	<u>(2,307,348)</u>	<u>(1,917,573)</u>
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	1,132,028	876,957
Donated Facilities and Administrative Support From Indiana University	153,508	152,687
Appropriation From State of Indiana	26,337	25,255
Individual Contributions	588,484	577,446
Corporate/Foundation Contributions	266,945	379,605
Endowment Contributions	16,072	5,453
In-Kind Support - Other	32,869	34,710
Interest and Dividends	110,410	102,497
Net Increase (Decrease) in the Fair Value of Investments	213,262	(198,783)
Gain on Sale of Investments	<u>562</u>	<u>-</u>
Net Nonoperating Revenues	<u>2,540,477</u>	<u>1,955,827</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>233,129</u>	<u>38,254</u>
Capital grant	<u>33,402</u>	<u>35,385</u>
Increase in Net Position	<u>266,531</u>	<u>73,639</u>
<u>Net Position</u>		
Net Position - Beginning of Year	<u>2,286,191</u>	<u>2,212,552</u>
Net Position - End of Year	<u>\$ 2,552,722</u>	<u>\$ 2,286,191</u>

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Grants	\$ 266,238	\$ 272,903
Sales and Services	2,787	3,173
Payments to Employees	(1,543,528)	(1,549,315)
Payments to Vendors	(778,582)	(526,499)
Other Receipts	<u>5,739</u>	<u>4,971</u>
Net Cash Used by Operating Activities	<u>(2,047,346)</u>	<u>(1,794,767)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	1,132,028	876,957
Appropriation From State of Indiana	26,337	25,256
Contributions	<u>914,893</u>	<u>946,757</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,073,258</u>	<u>1,848,970</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grants	33,402	35,385
Purchase of Capital Assets	<u>-</u>	<u>(6,645)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>33,402</u>	<u>28,740</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	37,046	319
Purchase of Investments	(244,068)	(146,753)
Interest and Dividends on Investments	<u>109,612</u>	<u>101,426</u>
Net Cash Used by Investing Activities	<u>(97,410)</u>	<u>(45,008)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(38,096)	37,935
Cash and Cash Equivalents - Beginning of Year	<u>99,180</u>	<u>61,245</u>
Cash and Cash Equivalents - End of Year	<u>\$ 61,084</u>	<u>\$ 99,180</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (2,307,348)	\$ (1,917,573)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	29,798	29,107
Donated Facilities and Administrative Support From Indiana University	153,508	152,687
In-Kind Support - Other	32,869	34,710
(Increase) Decrease in Assets		
Other Receivables, Net of Allowance for Doubtful Accounts	64,284	(67,145)
Costs Incurred for Programming Not Yet Broadcast	(2,609)	17,518
Prepaid and Other	6,597	1,809
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	1,965	(13,360)
Long-Term Liabilities - Current Portion	(20,000)	-
Long-Term Liabilities	<u>(6,410)</u>	<u>(32,520)</u>
Net Cash Used by Operating Activities	<u>\$ (2,047,346)</u>	<u>\$ (1,794,767)</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, 2013 and June 30, 2012

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 Position. Eliminations have been made in the Statement of Revenues, Expenses, and Changes in Net Position 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 Position when received. Contributions for underwriting are recorded as revenue in the Statement of Revenues, Expenses, and Changes in Net Position 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

WFIU-FM  
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and June 30, 2012  
(Continued)

the fiscal year-end. Unearned restricted contributions and grants that support these acquisitions are deferred in the accompanying Statement of Net Position. 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 Position.

G. Statement of Cash Flows

Cash flows are presented using the direct method. Cash equivalents include demand deposits and bank certificates with 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 Position. 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 2013.

J. Investment Valuation

Investments are presented in the financial statements at fair market value as of June 30, 2013.

K. 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.

L. 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.

WFIU-FM  
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and June 30, 2012  
(Continued)

M. Restricted Net Position

The FY 2013 financial statements report \$39,489 of restricted net position, of which \$0 is restricted by enabling legislation. For FY 2012, of the \$98,898 restricted net position, \$0 was restricted by enabling legislation.

2. Deposits and Investments

A. Deposits

WFIU-FM maintains no directly held bank accounts. Rather, the Station's funds are held and managed by Indiana University and the Indiana University Foundation. Each institution has an Investment Policy Statement. The investment policies of these institutions ultimately determine the credit risk for the Station.

The station's "demand deposits" with each institution were as follows:

	<u>FY 2013</u>	<u>FY2012</u>
Indiana University	\$32,302	\$46,244
Indiana University Foundation	<u>28,782</u>	<u>52,936</u>
Total Cash and Cash Equivalents	<u>\$61,084</u>	<u>\$99,180</u>

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Station will not be able to recover its funds. The Station does not have a formal deposit policy for custodial credit risk.

B. Investments

The pooled investments are currently managed 100% for the university by Indiana University Foundation. The funds are invested in accordance with the investment policy approved by 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, 2013, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$2,444,969 and had a fair market value of \$2,529,143. Pooled investments at June 30, 2012, had a cost basis of \$2,107,786 and a fair market value of \$2,105,222.

Statutory Authorization for Investments

The Indiana University Board of Trustees have acknowledged responsibility as a fiduciary body for the invested assets of the university. Indiana Code 30-4-3-3 requires the trustees to "exercise the judgment and care required by Indiana Code 30-4-3-3.5," the Indiana Uniform Prudent Investor Act. That Act requires the trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirement, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution." The trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the university's investment policy. The trustees have delegated the day-to-day responsibilities of overseeing the investment program to the Office of the Treasurer.

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Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Station will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. WFIU-FM does not have a formal investment policy for custodial credit risk for investments. The Station relies on the Indiana University and the Indiana University Foundation investment policies.

The Station's pooled investments held by Indiana University Foundation at June 30, 2013, had a cost basis of \$2,444,969 and a fair market value of \$2,529,143. Pooled investments at June 30, 2012, had a cost basis of \$2,107,786 and a fair market value of \$2,105,222.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WFIU-FM does not have a formal investment policy for interest rate risk for investments. The Station relies on Indiana University and Indiana University Foundation investment policies.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. WFIU-FM does not have a formal investment policy for credit risk for investments. The Station relies on Indiana University and Indiana University Foundation investment policies.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. WFIU-FM does not have a policy in regards to concentration of credit risk. The Station relies on Indiana University and Indiana University Foundation investment policies.

Foreign Currency Risk

WFIU-FM does not have a formal policy in regards to foreign currency risk. The Station relies on Indiana University and Indiana University Foundation investment policies.

3. Property and Equipment

Donated assets from the university are recorded by the Station at the acquisition price of the university. The depreciation expenses by the university are recorded on the Station's records as accumulated depreciation. There were no donated assets during fiscal year 2013.

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Fiscal Year 2013	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Transmission, Antenna, and Tower	\$ 500,825	\$ -	\$ -	\$ 500,825
Studio and Other Broadcast Equipment	19,331	-	6,511	12,820
Furniture and Fixtures	7,553	-	-	7,553
Total	527,709	-	6,511	521,198
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	334,501	29,798	-	364,299
Studio and Other Broadcast				
Equipment	19,331	-	6,511	12,820
Furniture and Fixtures	7,553	-	-	7,553
Total Accumulated Depreciation	361,385	29,798	6,511	384,672
Capital Assets, Net	<u>\$ 166,324</u>	<u>\$ (29,798)</u>	<u>\$ -</u>	<u>\$ 136,526</u>

Fiscal Year 2012	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Transmission, Antenna, and Tower	\$ 500,288	\$ 6,645	\$ 6,108	\$ 500,825
Studio and Other Broadcast Equipment	19,331	-	-	19,331
Furniture and Fixtures	22,276	-	14,723	7,553
Total	541,895	6,645	20,831	527,709
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	311,502	29,107	6,108	334,501
Studio and Other Broadcast				
Equipment	19,331	-	-	19,331
Furniture and Fixtures	22,276	-	14,723	7,553
Total Accumulated Depreciation	353,109	29,107	20,831	361,385
Capital Assets, Net	<u>\$ 188,786</u>	<u>\$ (22,462)</u>	<u>\$ -</u>	<u>\$ 166,324</u>

Depreciation expense for the years ended June 30, 2013, and June 30, 2012, was \$29,798 and \$29,107, respectively and was charged to the major functional areas as follows:

	<u>2013</u>	<u>2012</u>
Programming and Production	\$ 0	\$ 0
Broadcasting	29,798	29,107
Public Information and Promotion	0	0
Management and General	0	0
Fundraising, Membership Development, and Underwriting	0	0
Total Depreciation Expense	<u>\$29,798</u>	<u>\$29,107</u>

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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>
Digital Broadcast Equipment	18-01-N04079	\$ 51,362	9/2015
FM Translators (Greensburg/French Lick)	18-01-N06131	\$ 46,990	6/2018
Digital Conversion: 2 <sup>nd</sup> Audio Channel	18-01-N07185	\$ 49,830	9/2018

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 Position.

Institutional support is estimated at \$67,802 for FY 2013 and \$67,342 for FY 2012, 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 \$72,156 for the renovated Radio and TV Building and \$5,864 for the new roof and satellite dish mount 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 \$7,686 for FY 2013 and was \$7,325 for FY 2012. 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 years ended June 30, 2013, and June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
Fiscal Year 2013						
Compensated absences	\$ 152,331	\$ 77,864	\$ 104,274	\$ 125,921	\$ 70,000	\$ 55,921
Fiscal Year 2012						
Compensated absences	\$ 184,851	\$ 87,665	\$ 120,185	\$ 152,331	\$ 90,000	\$ 62,331

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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 Employee's Retirement Fund), which is a defined benefit plan. Total PERF pension expenses for the years ended June 30, 2013 and June 30, 2012, were \$34,695 and \$38,376, 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, 2013 and June 30, 2012, were \$112,079 and \$127,701, 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, 2013, and June 30, 2012, were primarily accrued payroll.

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EXIT CONFERENCE

The contents of this report were discussed on January 29, 2014, with Donna Stroup, Chief Financial Officer Radio and TV Services, and Kathleen H. Hartley, Assistant Accountant. Our audit disclosed no material items that warrant comment at this time.