

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT

WTIU-TV, A PUBLIC TELECOMMUNICATIONS ENTITY
OWNED AND OPERATED BY INDIANA UNIVERSITY
BLOOMINGTON, INDIANA

July 1, 2012 to June 30, 2013



FILED

01/31/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis (Unaudited).....	5-9
Basic Financial Statements:	
Statement of Net Position.....	12
Statement of Revenues, Expenses, and Changes in Net Position	13
Statement of Cash Flows	14
Notes to Financial Statements	15-21
Exit Conference.....	22

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

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WTIU-TV, A PUBLIC TELECOMMUNICATIONS 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 WTIU-TV, a public telecommunications entity owned and operated by Indiana University (WTIU-TV), as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the WTIU-TV'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 WTIU-TV'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 we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the WTIU-TV 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

WTIU-TV
A Public Telecommunication Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2013 and June 30, 2012

WTIU-TV (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

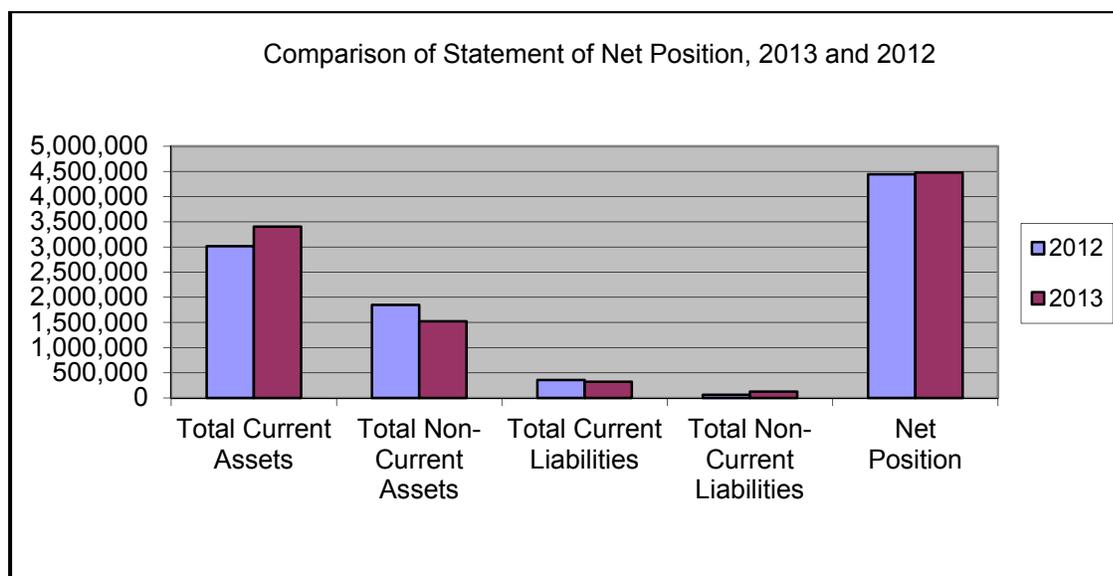
Total assets at June 30, 2013, were \$4,927,133, an increase of \$63,929. Net capital assets comprised \$1,524,433 of the total assets.

Total liabilities were \$446,414 at June 30, 2013, an increase of \$28,547. Non-current liabilities were 28% or \$126,014 of the liabilities at June 30, 2013. The Station had no outstanding debt obligations.

Total net position at June 30, 2013, was \$4,480,719, a \$35,382 increase from the prior year, or a less than 1% increase in net position. The breakout of net position is shown below:

Capital assets	\$ 1,524,433
Restricted assets	117,259
Unrestricted assets	<u>2,839,027</u>
Total net position	<u>\$ 4,480,719</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:



WTIU-TV
 A Public Telecommunication 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 WTIU-TV for the June 30, 2013, fiscal year decreased by 7.6% from the previous year. Operating revenue changes were the result of the following factors:

- Sales and services (including royalty and event income) increased by \$52,319.
- Miscellaneous grants decreased by \$214,306.

Total non-operating revenues were up 9.5%, from \$4,063,417 in fiscal year 2012 to \$4,449,087 in fiscal year 2013. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Campus general fund support for TV increased by \$189,022. Indiana University donated administrative support was \$396,326, down 3.5% 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 \$538,330, an increase of 1% over the prior year.
- Corporate and foundation contributions were \$229,167 a decrease of 7.5% from the prior year.
- The Station received an additional \$23,373 in endowment gifts and established new endowments for children's programming, news programming, and future equipment purchases.
- In-kind support was \$31,016, substantially higher than the prior year.

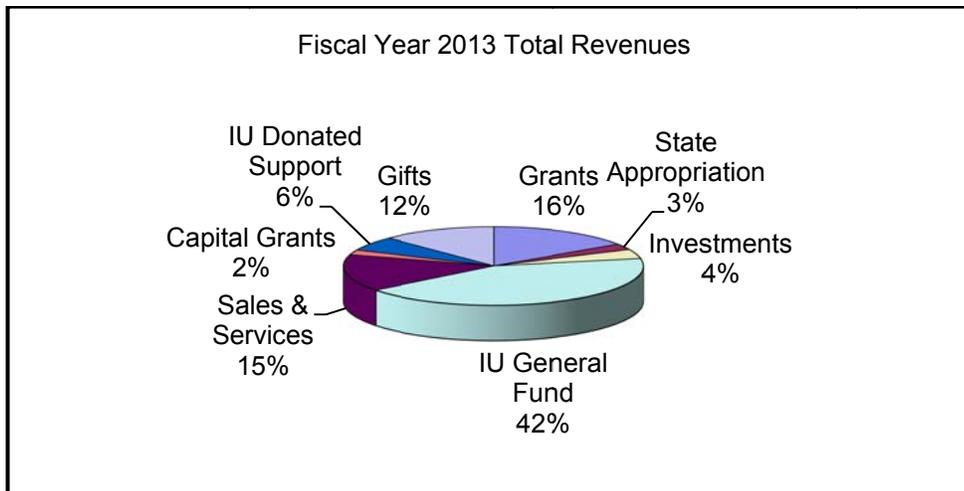
For other non-operating income:

- Interest and dividends earned by the Indiana University Foundation Pooled funds increased 12.08%.

For capital:

- The Station received \$135,511 in capital funding, primarily for the construction of a back-up generator.

In summary, total revenues of the Station increased by \$349,629 from \$6,278,244 in 2012 to \$6,627,873 in 2013, an overall increase of 5.6%. The compositions of these revenues are displayed in the following graph:



WTIU-TV
A Public Telecommunication Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2013 and June 30, 2012

Expenses

Operating expenses were \$6,592,491 for the 2013 fiscal year. This was an increase over the previous fiscal year of \$161,593 or 2.5%. 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 \$149,640.

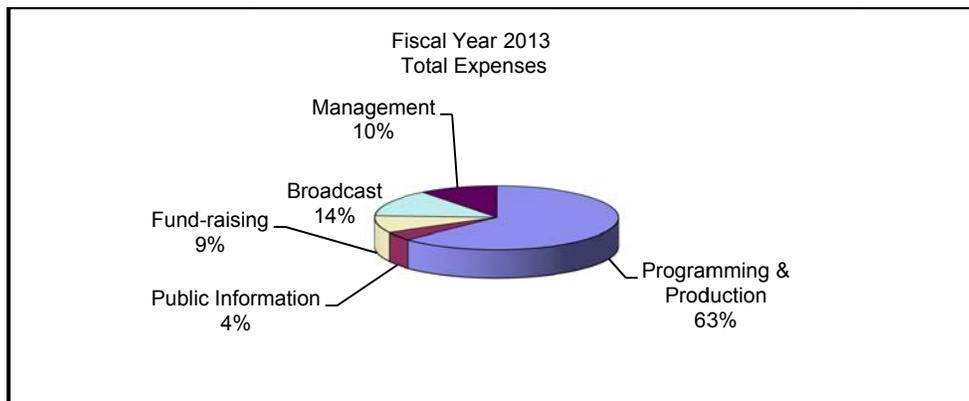
For specific functional areas:

- Programming and production costs decreased \$332,705, reflecting a swing back to more normal cost after several personnel retirement and terminal payouts the previous year.
- Broadcasting costs increased by only \$38,926.
- Public information and promotion costs increased by \$112,550, reflecting greater efforts in promoting our programs.
- Management and general expenses increased \$250,592.
- Fund-raising, membership development, and underwriting solicitation costs increased \$92,230.

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 \$168,393.

The composition of total expenses, including operating and non-operating, are displayed in the next chart by major category:



Net Position

Net position increased by \$35,382 in 2013, compared to a \$341,565 decrease in net position in 2012. The operating loss increased \$329,531 from the previous fiscal year and the net non-operating revenues increased by \$574,581. The ending net position was \$4,480,719, compared to ending net position in 2012 of \$4,445,337. This was a less than 1% increase in net position.

WTIU-TV
A Public Telecommunication 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 obligation as they come due, and to determine the need for external financing.

Cash Flow for the Period	June 30, 2013	June 30, 2012
Net cash provided (used) by:		
Operating activities	(\$3,486,471)	(\$3,266,217)
Noncapital financing activities	3,759,771	3,572,379
Capital and related financing activities	(159,178)	(6,407)
Investing activities	<u>(119,071)</u>	<u>(64,981)</u>
Net increase (decrease) in cash	(4,949)	234,774
 Beginning cash and cash equivalent balances	 <u>1,330,299</u>	 <u>1,095,525</u>
 Ending cash and cash equivalent balances	 <u>\$1,325,350</u>	 <u>\$1,330,299</u>

Cash used by operating activities increased by \$220,254. This increase in the use of cash was the result of expected increases in payments to vendors and employees and income from sales and services; however, the primary factor was a decrease in grants.

Cash provided by noncapital financing activities increased by \$187,392. This increase was the result of increases in general fund support and contributions.

Cash used by capital and related financing activities increased by \$152,771 due to the purchase of a generator for our transmitter, funded by a capital grant. Equipment purchased for less than the \$5,000 capitalization threshold was recorded as operating expenses.

Cash used by investing activities increased by \$54,090, primarily to purchase investments.

In summary, there was a slight net decrease of \$4,949 in cash and cash equivalents in 2013.

Capital Assets

At June 30, 2013, the Station had \$1,524,433 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2013, and June 30, 2012, totaled \$617,373 and \$673,607, respectively. Furniture and Fixtures are fully depreciated; therefore, their net amount is zero. Details of these assets are shown below:

Net Capital Assets at Year-End	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Transmission, Antenna, and Tower	\$ 353,244	\$ 371,571
Studio and Other Broadcast Equipment	1,171,189	1,475,547
Furniture and Fixtures	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$1,524,433</u>	<u>\$1,847,118</u>

WTIU-TV
A Public Telecommunication Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2013 and June 30, 2012

Major capital purchases for the year totaled \$302,472 and included the following:

Harmonic MediaStore w/16-600GB Drives	\$ 32,690
K2 Dyno Replay Elite Package	41,327
Digital Video/Audio Router System	43,984
TDI 3000 Groomer with MRD 318B Satellite Receiver	9,442
TDI 3000 Groomer with MRD 318B Satellite Receiver	9,442
Amethyst switch	8,993
Tricaster 455 Educational with Controller-Newtek	20,283
Back-up Generator for Sare Rd Transmitter	<u>136,311</u>
Total Capital Purchases	<u>\$302,472</u>

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 stark contrast to significant declines reported by stations across the country; corporate underwriting is increasing only slightly and that is from a low base. PBS dues increased this year, not because of a national hike but because WTIU's non-federal fundraising has grown. (These dues are based in large part on a station's success in raising money; thus, stations who raise more than in previous years see a formula increase even when the dues themselves have not increased.) The station will continue to operate in the black.

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FINANCIAL STATEMENTS

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

WTIU-TV
A PUBLIC TELECOMMUNICATION 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)	\$ 1,325,350	\$ 1,330,299
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2013 and \$0 in 2012	62,846	47,739
Costs Incurred for Programming Not Yet Broadcast	3,063	3,508
Prepaid and Other	2,304	2,572
Investments (Note 2)	2,009,137	1,631,968
Total Current Assets	3,402,700	3,016,086
Noncurrent Assets:		
Property and Equipment (Note 3): Television and Other Equipment, Net of Accumulated Depreciation of \$6,022,513 in 2013 and \$5,937,142 in 2012.	1,524,433	1,847,118
Total Assets	\$ 4,927,133	\$ 4,863,204
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 98,083	\$ 83,337
Funding for Programming Not Yet Broadcast	22,317	21,705
Long-Term Liabilities - Current Portion	200,000	250,000
Total Current Liabilities	320,400	355,042
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	126,014	62,825
Total Liabilities	446,414	417,867
<u>Net Position</u>		
Net Investment in Capital Assets	1,524,433	1,847,118
Restricted for Expendable Station Activities	117,259	204,564
Unrestricted	2,839,027	2,393,655
Total Net Position	4,480,719	4,445,337
Total Liabilities and Net Position	\$ 4,927,133	\$ 4,863,204

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

WTIU-TV
A PUBLIC TELECOMMUNICATION 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	\$ 987,210	\$ 997,456
Facility Sales and Services	977,956	945,649
Other Income From CPB and PBS	47,844	43,549
Miscellaneous Grants	2,500	216,806
Event Income	10,419	-
Royalty Income	<u>17,346</u>	<u>7,753</u>
Total Operating Revenues	<u>2,043,275</u>	<u>2,211,213</u>
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	4,140,005	4,472,710
Broadcasting	915,871	876,945
Public Information and Promotion	<u>287,368</u>	<u>174,818</u>
Total Program Expenses	<u>5,343,244</u>	<u>5,524,473</u>
Supporting Services:		
Management and General	679,961	429,369
Fundraising, Membership Development, and Underwriting Solicitation	<u>569,286</u>	<u>477,056</u>
Total Supporting Expenses	<u>1,249,247</u>	<u>906,425</u>
Total Operating Expenses	<u>6,592,491</u>	<u>6,430,898</u>
Operating Loss	<u>(4,549,216)</u>	<u>(4,219,685)</u>
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	2,809,309	2,620,287
Donated Facilities and Administrative Support From Indiana University	396,326	410,688
Appropriation From State of Indiana	165,523	168,149
Individual Contributions	538,330	532,567
Corporate/Foundation Contributions	229,167	247,728
Endowment Contributions	23,373	3,152
In-Kind Support - Other	31,016	3,000
Interest and Dividends	87,248	77,846
Net Increase (Decrease) in the Fair Value of Investments	168,393	(151,635)
Gain on Sale of Investments	402	-
Loss on Disposal of Capital Assets	<u>-</u>	<u>(37,276)</u>
Net Nonoperating Revenues	<u>4,449,087</u>	<u>3,874,506</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	<u>(100,129)</u>	<u>(345,179)</u>
Capital grants	<u>135,511</u>	<u>3,614</u>
Increase (Decrease) in Net Position	35,382	(341,565)
<u>Net Position</u>		
Net Position - Beginning of Year	<u>4,445,337</u>	<u>4,786,902</u>
Net Position - End of Year	<u>\$ 4,480,719</u>	<u>\$ 4,445,337</u>

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

WTIU-TV
A PUBLIC TELECOMMUNICATION 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	\$ 1,037,554	\$ 1,257,811
Sales and Services	967,338	920,283
Payments to Employees	(3,220,613)	(3,179,162)
Payments to Vendors	(2,298,515)	(2,272,902)
Other Receipts	<u>27,765</u>	<u>7,753</u>
Net Cash Used by Operating Activities	<u>(3,486,471)</u>	<u>(3,266,217)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	2,809,309	2,620,287
Appropriation From State of Indiana	165,523	168,149
Contributions	<u>784,939</u>	<u>783,943</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,759,771</u>	<u>3,572,379</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grant	135,511	3,614
Proceeds From Sale of Capital Assets	7,783	-
Purchase of Capital Assets	<u>(302,472)</u>	<u>(10,021)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(159,178)</u>	<u>(6,407)</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	32,988	6,942
Purchase of Investments	(238,367)	(148,785)
Interest and Dividends on Investments	<u>86,308</u>	<u>76,862</u>
Net Cash Used by Investing Activities	<u>(119,071)</u>	<u>(64,981)</u>
Net Increase (Decrease) in Cash	(4,949)	234,774
Cash and Cash Equivalents - Beginning of Year	<u>1,330,299</u>	<u>1,095,525</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,325,350</u>	<u>\$ 1,330,299</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (4,549,216)	\$ (4,219,685)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	617,373	673,607
Donated Facilities and Administrative Support From Indiana University	396,326	410,687
In-Kind Support - State of Indiana/Other	31,016	3,000
(Increase) Decrease in Assets:		
Other Receivables, Net of Allowance for Doubtful Accounts	(10,618)	(25,366)
Costs Incurred for Programming Not Yet Broadcast	445	7,022
Prepaid and Other	268	8,942
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	14,746	12,027
Long-Term Liabilities - Current Portion	(50,000)	-
Long-Term Liabilities	<u>63,189</u>	<u>(136,451)</u>
Net Cash Used by Operating Activities	<u>\$ (3,486,471)</u>	<u>\$ (3,266,217)</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, 2013 and June 30, 2012

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 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 the fiscal year-end. Unearned restricted contributions and grants that support these acquisitions

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

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 twenty-five years.

M. Restricted Assets

The FY 2013 financial statements report \$117,259 of restricted net position, of which \$15,999 is restricted by enabling legislation. For FY 2012, of the \$204,564 restricted net position, \$18,299 was restricted by enabling legislation.

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

2. Deposits and Investments

A. Deposits

WTIU-TV 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	\$1,199,275	\$1,233,956
Indiana University Foundation	<u>126,075</u>	<u>96,343</u>
Total Cash and Cash Equivalents	<u>\$1,325,350</u>	<u>\$1,330,299</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 \$1,968,971 and had a fair market value of \$2,009,137 at June 30, 2013. Pooled investments at June 30, 2012, had a cost basis of \$1,760,064 and a fair market value of \$1,631,968.

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.

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

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. WTIU-TV does not have a formal investment policy for custodial credit risk for investments. The Station relies on Indiana University and Indiana University Foundation investment policies.

The Station's pooled investments held by Indiana University Foundation at June 30, 2013, had a cost basis of \$1,968,971 and a fair market value of \$2,009,137. Pooled investments at June 30, 2012, had a cost basis of \$1,760,064 and a fair market value of \$1,631,968. The custodial credit risk could not be determined at June 30, 2013 and 2012, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WTIU-TV 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. WTIU-TV 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. WTIU-TV 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

WTIU-TV does not have a formal policy in regards to foreign currency risk. The Station relies on the 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.

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

Fiscal Year 2013	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Transmission, Antenna, and Tower	\$3,274,813	196,878	\$ 76,200	\$3,395,491
Studio and Other Broadcast Equipment	4,447,543	105,594	463,586	4,089,551
Furniture and Fixtures	61,904	0	0	61,904
Total	7,784,260	302,472	539,786	7,546,946
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	2,903,242	215,205	\$76,200	3,042,247
Studio and Other Broadcast Equipment	2,971,996	402,168	455,802	2,918,362
Furniture and Fixtures	61,904	0	0	61,904
Total Accumulated Depreciation	5,937,142	617,373	532,002	6,022,513
Capital Assets, Net	<u>\$1,847,118</u>	<u>\$(314,901)</u>	<u>\$ 7,784</u>	<u>\$1,524,433</u>
Fiscal Year 2012	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Transmission, Antenna, and Tower	\$3,786,281	0	\$511,468	\$3,274,813
Studio and Other Broadcast Equipment	4,615,736	10,621	178,814	4,447,543
Furniture and Fixtures	120,816	0	58,912	61,904
Total	8,522,833	10,621	749,194	7,784,260
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	3,167,550	232,095	\$496,403	2,903,242
Studio and Other Broadcast Equipment	2,686,487	441,512	156,003	2,971,996
Furniture and Fixtures	120,816	0	58,912	61,904
Total Accumulated Depreciation	5,974,853	673,607	711,318	5,937,142
Capital Assets, Net	<u>\$2,547,980</u>	<u>\$(662,986)</u>	<u>\$ 37,876</u>	<u>\$1,847,118</u>

Depreciation expense for the years ended June 30, 2013, and June 30, 2012, was \$617,373 and \$673,607 respectively and was charged to the major functional areas as follows:

	<u>2013</u>	<u>2012</u>
Programming and Production	\$402,168	\$441,512
Broadcasting	215,205	232,095
Public Information and Promotion	-	-
Management and General	-	-
Fundraising, Membership Development, and Underwriting	-	-
Total Depreciation Expense	<u>\$617,373</u>	<u>\$673,607</u>

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:

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

<u>Capital Assets</u>	<u>DOC Grant No.</u>	<u>Original Cost</u>	<u>Lien Through</u>
Digital TV Studio Production Equipment	18-02-N03030	\$369,074	9/2014
High Definition Studio Camera Systems	18-02-N06114	\$467,278	6/2018
High Definition Conversion – Production	18-02-N07152	\$695,700	3/2019
High Definition (Remote) – Production	18-02-N09157	\$233,400	6/2021
(Remote) Production, HD Cam Upgrade	18-02-N10060	\$422,700	6/2022

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 \$157,351 for FY 2013 and \$172,744 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 \$200,735 for the renovated Radio and TV Building and \$16,314 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 \$21,926 for FY 2013 and was \$20,896 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 year 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	\$ 312,825	\$ 264,815	\$ 251,626	\$ 326,014	\$ 200,000	\$ 126,014
Fiscal Year 2012						
Compensated absences	\$ 449,276	\$ 136,962	\$ 273,413	\$ 312,825	\$ 250,000	\$ 62,825

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and June 30, 2012
(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 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 \$63,535 and \$48,118, 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 \$234,857 and \$197,345, 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.

WTIU-TV TELEVISION, A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY
INDIANA UNIVERSITY
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.