

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, 2013 to June 30, 2014



FILED
02/03/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Michael A. McRobbie	07-01-13 to 06-30-20
University Senior Vice President, Chief Financial Officer and Treasurer	MaryFrances McCourt	07-01-13 to 06-30-15
Chairman of the Board Of Trustees	William R. Cast, MD Thomas E. Reilly, Jr. Randall L. Tobias	07-01-13 to 08-08-13 08-09-13 to 08-07-14 08-08-14 to 06-30-15
Director of Radio and TV Services	Perry Metz	07-01-13 to 06-30-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WFIU-FM, 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 years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise 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 audits. We conducted our audits 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 statements.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

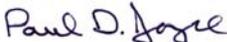
Opinions

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, 2014 and 2013, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 15, 2015

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2014 and June 30, 2013

WFIU-FM (the Station) presents its audited financial statements for the year ending June 30, 2014, along with comparative data for the year ending June 30, 2013. 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 2014 to 2013. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Position

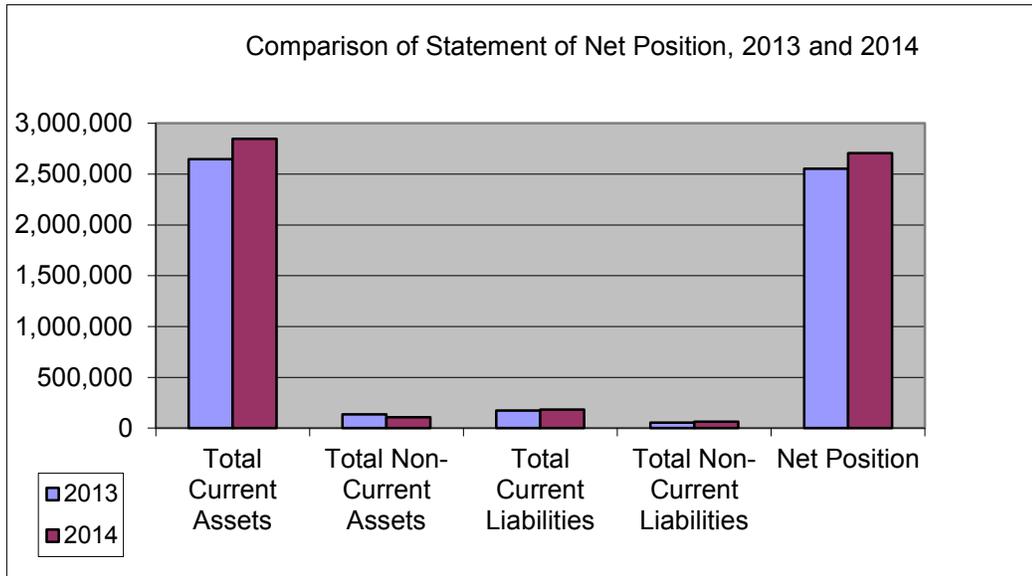
Total assets at June 30, 2014, were \$2,953,997, an increase of \$170,752. Net investment in capital assets comprised \$107,975 of the total.

Total liabilities were \$247,311 at June 30, 2014, an increase of \$16,788. Non-current liabilities were 26.4% or \$65,329 of the liabilities at June 30, 2014. The Station had no outstanding debt obligations.

Total net position at June 30, 2014, was \$2,706,686, an increase of \$153,964 from the prior year, or a 6% increase in net position. The breakout of net position is shown below:

Net investment in Capital assets	\$ 107,975
Restricted assets	140,934
Unrestricted assets	<u>2,457,777</u>
Total net position	<u>\$2,706,686</u>

The composition of current and non-current assets and liabilities and net position is displayed below for both the 2014 and 2013 fiscal year-ends:



WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2014 and June 30, 2013

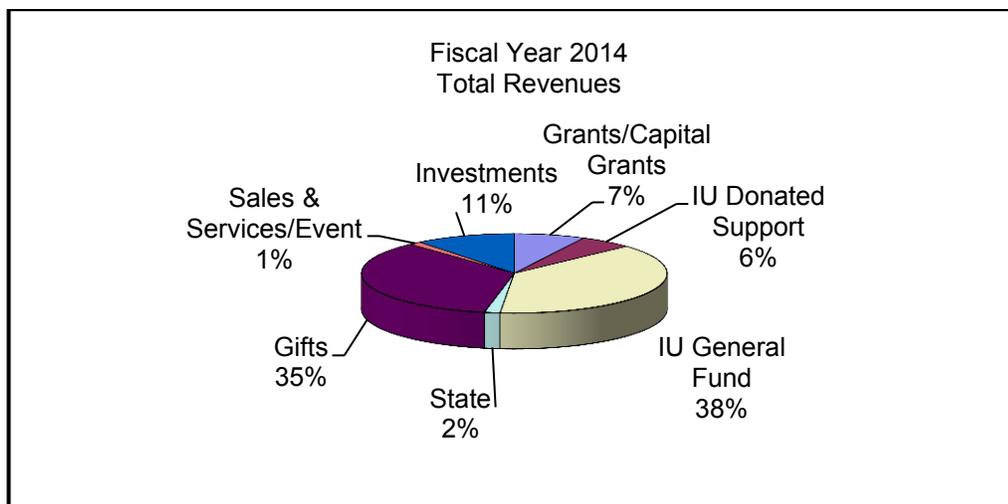
Statement of Revenues, Expenses, and Changes in Net Position

Revenues

Operating revenues at WFIU-FM for the June 30, 2014, fiscal year increased by 17% from the previous year. Operating revenue changes were primarily the result of increased facility sales and services.

Total non-operating revenues were up less than 1% in fiscal year 2014. The primary change was an increase in corporate and foundation contributions.

In summary, total revenues of the Station increased by \$6,922 in 2014, an overall increase of less than 1%. The compositions of these revenues are displayed in the following graph:



Expenses

Operating expenses were \$2,637,317 for the 2014 fiscal year. This was an increase over the previous fiscal year of \$119,489 or 4.75%. Changes in the major categories of expenses were:

For all functional areas:

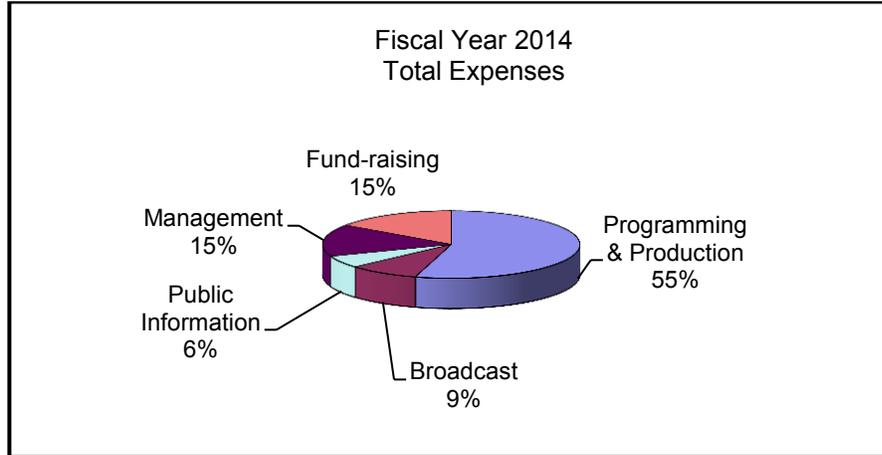
- Professional and support staff received a 2% salary increase. The professional staff fringe benefit rate increased from 43.34% to 43.72%. The support staff fringe benefit rate increased from 40.06% to 43.25%.
- Accrued vacation and sick leave liability expense increased by \$22,798.

For specific functional areas:

- Programming and production costs increased by 10.7%, primarily due to the recognition of post-employment benefit obligations.
- Broadcasting costs decreased by 4%.
- Public information and promotion expenses decreased by 12%.
- Management and general expenses increased 5%.
- Fund-raising, membership development, and underwriting solicitation costs decreased by 2%.

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

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2014 and June 30, 2013



Change in Fair Value of Investments

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 \$180,409.

Net Position

Net Position increased by \$153,964 in 2014, compared to a \$266,531 increase in net position in 2013. The operating loss increased by \$83,938 from the previous fiscal year and the net non-operating revenues increased by \$4,773. The ending net position was \$2,706,686, compared to ending net position in 2013 of \$2,552,722. This was a 6% increase in net position.

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, 2014</u>	<u>June 30, 2013</u>
Net cash provided (used) by:		
Operating activities	(\$2,139,810)	(\$2,047,346)
Noncapital financing activities	2,055,504	2,073,258
Capital and related financing activities	0.00	33,402
Investing activities	79,359	(97,410)
Net increase (decrease) in cash	<u>(4,947)</u>	<u>(38,096)</u>
Beginning cash and cash equivalent balances	<u>61,084</u>	<u>99,180</u>
Ending cash and cash equivalent balances	<u>\$ 56,137</u>	<u>\$ 61,084</u>

Cash used by operating activities increased by \$92,464. This increase in the use of cash was the result of increases in payments to employees and vendors.

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2014 and June 30, 2013

Cash provided by noncapital financing activities decreased \$17,754.

Cash provided by capital and related financing activities was \$0. Equipment purchased for less than \$5,000 the capitalization threshold, was recorded as operating expenses.

Cash used by investing activities increased by \$176,769. In summary, there was a net decrease in cash and cash equivalents in 2014 of \$4,947.

Capital Assets

At June 30, 2014, the Station had \$107,975 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2014, and June 30, 2013, totaled \$28,551 and \$29,798, respectively. Details of these assets are shown below:

<u>Net Capital Assets at Year-End</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Transmission, Antenna, and Tower	\$107,975	\$136,526
Studio and Other Broadcast Equipment	0	0
Furniture and Fixtures	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$107,975</u>	<u>\$136,526</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 2014. For 2015, the station expects to purchase a new studio board. Software updates and equipment refreshes will continue, but these are expected to be below the capital threshold.

Economic Outlook

Management is optimistic that changes will be modest in the coming fiscal year, allowing time to make the strongest case for homeland security and emergency preparedness services. State funding has prospered under strong Republican majorities by stressing education and public service. Corporate support continues to grow slightly year over year. An area of concern is membership numbers are down for the first time in many years. As a result, management is considering a second fund drive in addition the one that has been held in the past. The previous year's programming changes were unpopular and may be contributing to the membership decline, although the old schedule has been restored. We are committed to seeing to it that the station keeps operating within its means. Management has built healthy reserves in case of unforeseen circumstances.

BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

WFIU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2014 and 2013

	2014	2013
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 56,137	\$ 61,084
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2014 and \$0 in 2013	39,350	50,978
Costs Incurred for Programming Not Yet Broadcast	-	3,629
Prepaid and Other	3,895	1,885
Investments (Note 2)	2,746,640	2,529,143
Total Current Assets	2,846,022	2,646,719
Noncurrent Assets:		
Property and Equipment (Note 3): Radio and Other Equipment, Net of Accumulated Depreciation \$413,223 in 2014 and \$384,672 in 2013	107,975	136,526
Total Assets	\$ 2,953,997	\$ 2,783,245
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 49,043	\$ 35,395
Funding for Programming Not Yet Broadcast	28,799	69,207
Long-Term Liabilities - Current Portion	104,140	70,000
Total Current Liabilities	181,982	174,602
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	65,329	55,921
Total Liabilities	247,311	230,523
<u>Net Position</u>		
Net investment in Capital Assets	107,975	136,526
Restricted for Expendable Station Activities	140,934	39,489
Unrestricted	2,457,777	2,376,707
Total Net Position	2,706,686	2,552,722
Total Liabilities and Net Position	\$ 2,953,997	\$ 2,783,245

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues</u>		
CPB Community Service Grant	\$ 190,622	\$ 195,305
Facility Sales and Services	29,838	5,648
Other Income From CPB and NPR	18,985	(10,855)
Miscellaneous Grants and Revenues	-	14,643
Event Revenues	3,150	-
Royalty Income	3,436	5,739
	<u>246,031</u>	<u>210,480</u>
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	1,437,072	1,297,448
Broadcasting	234,196	243,590
Public Information and Promotion	155,296	177,069
	<u>1,826,564</u>	<u>1,718,107</u>
Supporting Services:		
Management and General	405,000	385,135
Fundraising, Membership Development, and Underwriting Solicitation	405,753	414,586
	<u>810,753</u>	<u>799,721</u>
Total Operating Expenses	<u>2,637,317</u>	<u>2,517,828</u>
Operating Loss	<u>(2,391,286)</u>	<u>(2,307,348)</u>
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	1,069,402	1,132,028
Donated Facilities and Administrative Support From Indiana University	158,504	153,508
Appropriation From State of Indiana	46,190	26,337
Individual Contributions	595,100	588,484
Corporate/Foundation Contributions	369,909	266,945
Endowment Contributions	6,255	16,072
In-Kind Support - Other	3,145	32,869
Interest and Dividends	116,336	110,410
Net Increase (Decrease) in the Fair Value of Investments	180,409	213,262
Gain on Sale of Investments	-	562
	<u>2,545,250</u>	<u>2,540,477</u>
Net Nonoperating Revenues	<u>2,545,250</u>	<u>2,540,477</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>153,964</u>	<u>233,129</u>
Capital grant	-	33,402
Increase in Net Position	<u>153,964</u>	<u>266,531</u>
<u>Net Position</u>		
Net Position - Beginning of Year	<u>2,552,722</u>	<u>2,286,191</u>
Net Position - End of Year	<u>\$ 2,706,686</u>	<u>\$ 2,552,722</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Grants	\$ 209,607	\$ 266,238
Sales and Services	32,299	2,787
Payments to Employees	(1,622,761)	(1,543,528)
Payments to Vendors	(765,541)	(778,582)
Other Receipts	<u>6,586</u>	<u>5,739</u>
Net Cash Used by Operating Activities	<u>(2,139,810)</u>	<u>(2,047,346)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	1,069,402	1,132,028
Appropriation From State of Indiana	46,191	26,337
Contributions	<u>939,911</u>	<u>914,893</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,055,504</u>	<u>2,073,258</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grants	<u>-</u>	<u>33,402</u>
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>33,402</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	(762)	37,046
Purchase of Investments	(36,329)	(244,068)
Interest and Dividends on Investments	<u>116,450</u>	<u>109,612</u>
Net Cash Used by Investing Activities	<u>79,359</u>	<u>(97,410)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,947)	(38,096)
Cash and Cash Equivalents - Beginning of Year	<u>61,084</u>	<u>99,180</u>
Cash and Cash Equivalents - End of Year	<u>\$ 56,137</u>	<u>\$ 61,084</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (2,391,286)	\$ (2,307,348)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	28,551	29,798
Bad Debt Expense		
Donated Facilities and Administrative Support From Indiana University	158,504	153,508
In-Kind Support - Other	3,145	32,869
(Increase) Decrease in Assets		
Other Receivables, Net of Allowance for Doubtful Accounts	2,461	64,284
Costs Incurred for Programming Not Yet Broadcast	3,628	(2,609)
Prepaid and Other	(2,011)	6,597
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	13,649	1,965
Deferred Revenue	-	-
Long-Term Liabilities - Current Portion	34,140	(20,000)
Long-Term Liabilities	<u>9,409</u>	<u>(6,410)</u>
Net Cash Used by Operating Activities	<u>\$ (2,139,810)</u>	<u>\$ (2,047,346)</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, 2014 and June 30, 2013

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 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.

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(Continued)

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 2014.

J. Investment Valuation

Investments are presented in the financial statements at fair market value as of June 30, 2014.

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.

M. Restricted Net Position

The FY 2014 financial statements report \$140,934 of restricted net position, of which \$0 is restricted by enabling legislation. For FY 2013, of the \$39,489 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 Indiana University Foundation. Each institution has an Investment Policy Statement. The investment policies of these institutions ultimately determine the credit risk for the Station.

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(Continued)

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

	<u>FY 2014</u>	<u>FY 2013</u>
Indiana University	\$26,096	\$32,302
Indiana University Foundation	<u>30,041</u>	<u>28,782</u>
Total Cash and Cash Equivalents	<u>\$56,137</u>	<u>\$61,084</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, 2014, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$2,480,988 and had a fair market value of \$2,746,640. Pooled investments at June 30, 2013, had a cost basis of \$2,442,969 and a fair market value of \$2,529,143.

Statutory Authorization for Investments

The Indiana University Board of Trustees has 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.

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 Indiana University and Indiana University Foundation investment policies.

The Station's pooled investments held by Indiana University Foundation are detailed in the investment paragraph B above. The custodial credit risk could not be determined at June 30, 2014 and 2013, respectively.

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.

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2014 and June 30, 2013
(Continued)

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 2014.

Fiscal Year 2014	<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	12,820	-	-	12,820
Furniture and Fixtures	<u>7,553</u>	<u>-</u>	<u>-</u>	<u>7,553</u>
Total	521,198	-	-	521,198
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	364,299	28,551	-	392,850
Studio and Other Broadcast Equipment	12,820	-	-	12,820
Furniture and Fixtures	<u>7,553</u>	<u>-</u>	<u>-</u>	<u>7,553</u>
Total Accumulated Depreciation	<u>384,672</u>	<u>28,551</u>	<u>-</u>	<u>413,223</u>
Capital Assets, Net	<u>\$ 136,526</u>	<u>\$ (28,551)</u>	<u>\$ -</u>	<u>\$ 107,975</u>

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

Depreciation expense for the years ended June 30, 2014, and June 30, 2013, was \$28,551 and \$29,798, respectively and was charged to the major functional areas as follows:

	<u>2014</u>	<u>2013</u>
Programming and Production	\$ -	\$ -
Broadcasting	28,551	29,798
Public Information and Promotion	-	-
Management and General	-	-
Fundraising, Membership Development, and Underwriting	-	-
Total Depreciation Expense	<u>\$ 28,551</u>	<u>\$ 29,798</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:

<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 nd 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 \$70,059 for FY 2014 and \$67,802 for FY 2013, and is computed using operating expenses as the base.

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Physical plant is estimated at \$10,425 for FY 2014 and was \$7,686 for FY 2013. 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.

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.

5. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2014, and June 30, 2013, was as follows:

Fiscal Year	<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 2014						
Compensated absences	\$ 125,921	\$ 92,638	\$ 96,250	\$ 122,309	\$ 85,000	\$ 37,309
Postemployment Benefits-ERIP Health Reimbursement Accounts	-	47,160	-	47,160	19,140	28,020
Fiscal Year 2013						
Compensated absences	\$ 152,331	\$ 77,864	\$ 104,274	\$ 125,921	\$ 70,000	\$ 55,921

6. Retirement Plans and Postemployment Benefits

The Station's appointed employees are covered by the same retirement plans as other employees of Indiana University. Complete details of these plans can be found in the Indiana University Annual Financial Report.

The required contributions are pooled at the university level and charged to the Station at a predetermined percentage set for the fiscal year as each covered employee is paid. Except for the fiscal years 2011 and 2014 early retirement incentive plan (ERIP) contributions to health savings accounts, the Station does not have any funding obligation once an employee retires.

Non-exempt staff retirement plan expenses the years ended June 30, 2014 and June 30, 2013 were \$39,897 and \$34,695, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2014 and June 30, 2013 were \$113,473 and \$112,079, respectively. Postemployment contributions to health savings accounts for the early retirement incentive programs totaled \$24,240 for the year ended June 30, 2014 and \$18,500 for the year ended June 30, 2013.

- Retirement and Savings Plan - All Support and Service employees with at least a 50% full-time equivalent (FTE) appointment and Temporary with Retirement employees scheduled to work at least 1,000 hours or more in a calendar year hired on or after July 1, 2013, participate in the Retirement and Savings Plan. This is a defined contribution plan under IRC 401(a) with two distinct contribution provisions.

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- Indiana Public Employees' Retirement Fund - The university contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan with an annuity savings account provision. Indiana Public Retirement System (INPRS) administers the multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. Support, technical, and service employees with at least a 50% full-time equivalent (FTE) appointment hired prior to July 1, 2013, participate in the PERF plan.
- Academic & Professional Staff Employees - Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. In addition, the university provides early retirement benefits to full-time appointed academic and professional staff employees who were in positions Grade 16 and above on or before June 30, 1999. The IU 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous university service.
- Other Postemployment Benefits - The university provides certain postemployment benefits for retired employees. The IU 18/20 Plan, Medical, and Life Insurance benefits are presented for financial statement purposes as a consolidated plan (the Plan) under the requirements for reporting Other Postemployment Benefit Plans (OPEB) required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Plan is a single-employer defined benefit plan administered by Indiana University. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: 18 years of participation in the IU Retirement Plan 15% level, at least 20 years of continuous full-time university service, and at least 64 years of age. This group of employees is eligible to receive monthly payments based on a hypothetical monthly annuity amount at age 70, up to the amount of terminal base salary, calculated as the average budgeted base salary for the five 12-month periods immediately preceding retirement. The 18/20 Plan was adopted by the Trustees of Indiana University (trustees). The university provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The university provides retiree life insurance benefits in the amount of \$6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees. The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to early retirement incentive plans, approved by executive management in fiscal years 2011 and 2014, which include five years of annual contributions to a health reimbursement account.

7. Accounts Payable and Accrued Expenses

The Station's accounts payable and accrued expenses at June 30, 2014, and June 30, 2013, were primarily accrued payroll.