

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

FINANCIAL STATEMENTS
AUDIT REPORT

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

July 1, 2013 to June 30, 2014



FILED
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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



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 years ended June 30, 2014 and 2013, 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 statements.

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)

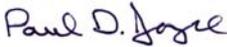
Opinion

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 WTIU-TV, 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

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management’s Discussion and Analysis
June 30, 2014 and June 30, 2013

WTIU-TV (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

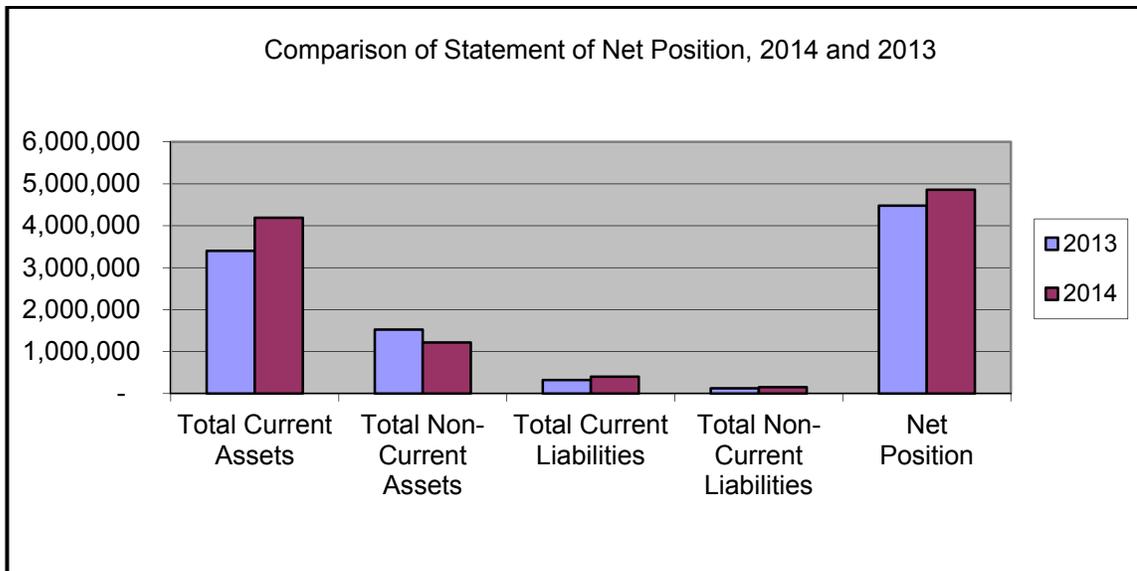
Total assets at June 30, 2014, were \$5,408,399, an increase of \$481,266. Net investment in capital assets comprised \$1,215,851 of the total assets.

Total liabilities were \$548,885 at June 30, 2014, an increase of \$102,471. Non-current liabilities were 27% or \$149,253 of the liabilities at June 30, 2014. The Station had no outstanding debt obligations.

Total net position at June 30, 2014, was \$4,859,514, a \$378,795 increase from the prior year, an 8.4% increase in net position. The breakout of net position is shown below:

Net Investment in Capital assets	\$ 1,215,851
Restricted assets	98,805
Unrestricted assets	<u>3,544,858</u>
Total net position	<u>\$ 4,859,514</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:



WTIU-TV
 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 WTIU-TV for the June 30, 2014, fiscal year increased by 19.9% from the previous year. Operating revenue changes were the result of the following factors:

- Sales and services (including royalty and event income) increased by \$284,598.
- Grants increased by \$122,452.

Total non-operating revenues were up 6%, from \$4,449,087 in fiscal year 2013 to \$4,732,233 in fiscal year 2014. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Campus general fund support for TV increased by \$164,086. Indiana University donated administrative support was \$417,381, up 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 \$563,293, an increase of 4.6% over the prior year.
- Corporate and foundation contributions were \$199,889 a decrease of 12.8% from the prior year.
- The Station received \$6,170 in endowment gifts in fiscal year 2014, which reflects a decrease of \$17,203 from the prior year's drive to establish new endowments for children's programming, news programming, and future equipment purchases.
- In-kind support was \$3,999, reflecting a drop to more normal levels than the prior year.

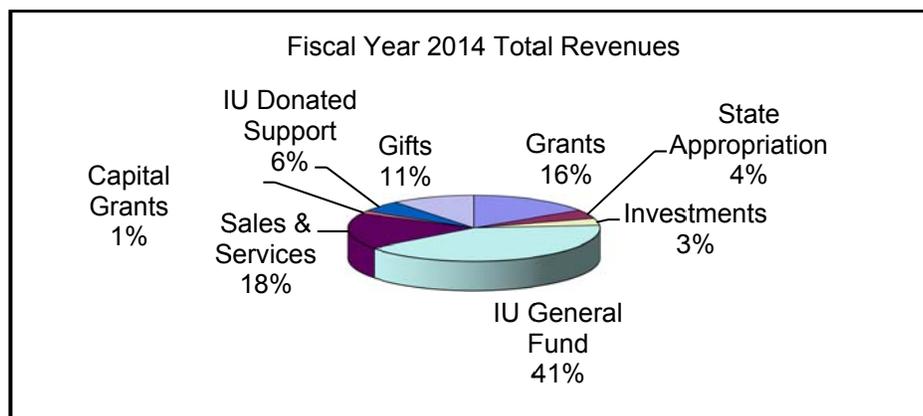
For other non-operating income:

- Interest and dividends earned by the Indiana University Foundation Pooled funds increased 11.6%.
- State appropriation increased by \$151,429.

For capital:

- The Station received \$94,169 in capital funding for the installation of uninterrupted power supplies.

In summary, total revenues of the Station increased by \$648,854 from \$6,627,873 in 2013 to \$7,276,727 in 2014, an overall increase of 10%. The compositions of these revenues are displayed in the following graph:



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Management's Discussion and Analysis
June 30, 2014 and June 30, 2013

Expenses

Operating expenses were \$6,897,932 for the 2014 fiscal year. This was an increase over the previous fiscal year of \$305,441 or 4.6%. 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 decreased by \$1,048.

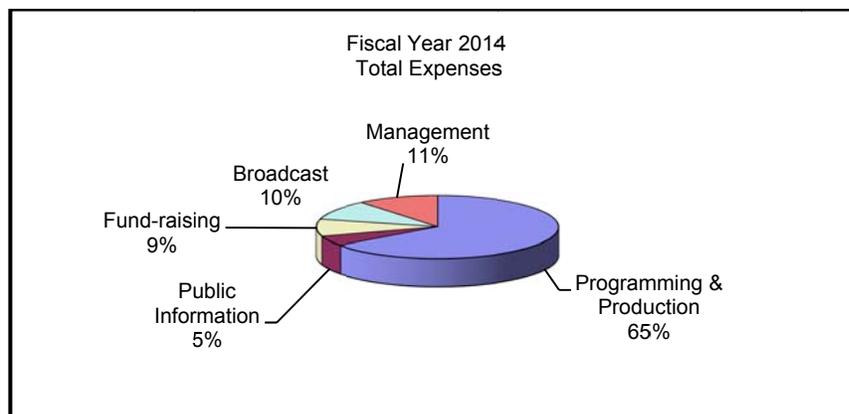
For specific functional areas:

- Programming and production costs increased \$345,342, reflecting the recognition of postemployment liability benefits as part of the university's early retirement programs.
- Broadcasting costs decreased by \$208,167, reflecting the replacement of long-term engineers with less experienced staff.
- Public information and promotion costs increased by \$67,046, reflecting greater efforts in promoting the station's programs.
- Management and general expenses increased \$71,010.
- Fund-raising, membership development, and underwriting solicitation costs increased \$30,210.

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 \$153,783.

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 \$378,795 in 2014, compared to a \$35,382 increase in net position in 2013. The operating loss decreased \$101,609 from the previous fiscal year and the net non-operating revenues increased by

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Management's Discussion and Analysis
June 30, 2014 and June 30, 2013

\$283,146. The ending net position was \$4,859,514, compared to ending net position in 2013 of \$4,480,719. This was an 8.4% 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 Flow for the Period	June 30, 2014	June 30, 2013
Net cash provided (used) by:		
Operating activities	(\$3,567,838)	(\$3,486,471)
Noncapital financing activities	4,061,322	3,759,771
Capital and related financing activities	(2,300)	(159,178)
Investing activities	<u>(208,894)</u>	<u>(119,071)</u>
Net increase (decrease) in cash	282,290	(4,949)
Beginning cash and cash equivalent balances	<u>1,325,350</u>	<u>1,330,299</u>
Ending cash and cash equivalent balances	<u>\$1,607,640</u>	<u>\$1,325,350</u>

Cash used by operating activities increased by \$81,367. 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.

Cash provided by noncapital financing activities increased by \$301,551. This was the result of increases in general fund support and state appropriations.

Cash used by capital and related financing activities decreased by \$156,878 due to the purchase of fewer capital assets than in the previous year. Equipment purchased for less than the \$5,000 capitalization threshold was recorded as operating expenses.

Cash used by investing activities increased by \$89,283, primarily to purchase investments.

In summary, there was a net increase of \$282,290 in cash and cash equivalents in 2014.

Capital Assets

At June 30, 2014, the Station had \$1,215,851 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2014, and June 30, 2013, totaled \$405,051 and \$617,373, 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, 2014</u>	<u>June 30, 2013</u>
Transmission, Antenna, and Tower	\$ 461,369	\$ 353,244
Studio and Other Broadcast Equipment	754,482	1,171,189
Furniture and Fixtures	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$1,215,851</u>	<u>\$1,524,433</u>

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Management's Discussion and Analysis
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Capital additions for the year totaled \$129,603 and included the following:

XDCAM HD Camcorder (donated)	\$ 33,134
Evertz HD Caption Encoder (purchased)	6,267
Backup Uninterrupted Power Supply (purchased)	<u>90,202</u>
Total Capital Additions	<u>\$129,603</u>

Planned capital expenditures for fiscal year 2015 include several new cameras, an update of Edit 1, a new vehicle, and replacement of obsolete production equipment. Software updates and other equipment refreshes will continue, but these are expected to be below the capital threshold.

Economic Outlook

Public television stations face a new issue in the coming two years: the FCC will be holding a reverse auction to reclaim some broadcast spectrum now held by various public and private broadcasters. Though our area is not expected to be part of this auction, too many other participants could threaten the viability of the public TV system. Management is participating in national webinars and research to monitor the situation and position WTIU in the best way possible. New funding and carriage have been attracted by our children's programming and we are reviewing additional ideas that have worked in other markets. Federal funding of public broadcasting is holding steady and State funding appears poised to increase. Membership and corporate income continue slow growth.

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BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

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

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 1,607,640	\$ 1,325,350
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2014 and \$0 in 2013	116,499	62,846
Costs Incurred for Programming Not Yet Broadcast	-	3,063
Prepaid and Other	-	2,304
Investments (Note 2)	<u>2,468,409</u>	<u>2,009,137</u>
Total Current Assets	<u>4,192,548</u>	<u>3,402,700</u>
Noncurrent Assets:		
Property and Equipment (Note 3): Television and Other Equipment, Net of Accumulated Depreciation of \$6,431,508 in 2014 and \$6,022,513 in 2013.	<u>1,215,851</u>	<u>1,524,433</u>
Total Assets	<u>\$ 5,408,399</u>	<u>\$ 4,927,133</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 103,731	\$ 98,083
Funding for Programming Not Yet Broadcast	21,241	22,317
Long-Term Liabilities - Current Portion	<u>274,660</u>	<u>200,000</u>
Total Current Liabilities	<u>399,632</u>	<u>320,400</u>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	<u>149,253</u>	<u>126,014</u>
Total Liabilities	<u>548,885</u>	<u>446,414</u>
<u>Net Position</u>		
Net investment in Capital Assets	1,215,851	1,524,433
Restricted for Expendable Station Activities	98,805	117,259
Unrestricted	<u>3,544,858</u>	<u>2,839,027</u>
Total Net Position	<u>4,859,514</u>	<u>4,480,719</u>
Total Liabilities and Net Position	<u>\$ 5,408,399</u>	<u>\$ 4,927,133</u>

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

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF 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	\$ 1,102,392	\$ 987,210
Facility Sales and Services	1,229,926	977,956
Other Income From CPB and PBS	29,844	47,844
Miscellaneous Grants	27,770	2,500
Event Income	-	10,419
Royalty Income	60,393	17,346
	<u>2,450,325</u>	<u>2,043,275</u>
Total Operating Revenues		
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	4,485,347	4,140,005
Broadcasting	707,704	915,871
Public Information and Promotion	354,414	287,368
	<u>5,547,465</u>	<u>5,343,244</u>
Total Program Expenses		
Supporting Services:		
Management and General	750,971	679,961
Fundraising, Membership Development, and Underwriting Solicitation	599,496	569,286
	<u>1,350,467</u>	<u>1,249,247</u>
Total Supporting Expenses		
Total Operating Expenses	<u>6,897,932</u>	<u>6,592,491</u>
Operating Loss	<u>(4,447,607)</u>	<u>(4,549,216)</u>
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	2,973,395	2,809,309
Donated Facilities and Administrative Support From Indiana University	417,381	396,326
Appropriation From State of Indiana	316,952	165,523
Individual Contributions	563,293	538,330
Corporate/Foundation Contributions	199,889	229,167
Endowment Contributions	6,170	23,373
In-Kind Support - Other	3,999	31,016
Interest and Dividends	97,390	87,248
Net Increase (Decrease) in the Fair Value of Investments	153,783	168,393
Gain on Sale of Investments	(19)	402
	<u>4,732,233</u>	<u>4,449,087</u>
Net Nonoperating Revenues		
Loss Before Other Revenues, Expenses, Gains, or Losses	<u>284,626</u>	<u>(100,129)</u>
Capital grants	94,169	135,511
Increase (Decrease) in Net Position	378,795	35,382
<u>Net Position</u>		
Net Position - Beginning of Year	<u>4,480,719</u>	<u>4,445,337</u>
Net Position - End of Year	<u>\$ 4,859,514</u>	<u>\$ 4,480,719</u>

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

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Grants	\$ 1,060,854	\$ 1,037,554
Sales and Services	1,273,601	967,338
Payments to Employees	(3,468,140)	(3,220,613)
Payments to Vendors	(2,494,546)	(2,298,515)
Other Receipts	<u>60,393</u>	<u>27,765</u>
Net Cash Used by Operating Activities	<u>(3,567,838)</u>	<u>(3,486,471)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	2,973,194	2,809,309
Appropriation From State of Indiana	316,952	165,523
Contributions	<u>771,176</u>	<u>784,939</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,061,322</u>	<u>3,759,771</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grant	94,169	135,511
Proceeds From Sale of Capital Assets	-	7,783
Purchase of Capital Assets	<u>(96,469)</u>	<u>(302,472)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,300)</u>	<u>(159,178)</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	733	32,988
Purchase of Investments	(306,238)	(238,367)
Interest and Dividends on Investments	<u>96,611</u>	<u>86,308</u>
Net Cash Used by Investing Activities	<u>(208,894)</u>	<u>(119,071)</u>
Net Increase (Decrease) in Cash	282,290	(4,949)
Cash and Cash Equivalents - Beginning of Year	<u>1,325,350</u>	<u>1,330,299</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,607,640</u>	<u>\$ 1,325,350</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (4,447,607)	\$ (4,549,216)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	405,051	617,373
Bad Debt Expense	-	-
Donated Facilities and Administrative Support From Indiana University	417,381	396,326
In-Kind Support - State of Indiana/Other	3,999	31,016
(Increase) Decrease in Assets:		
Grant Receivable	(90,402)	-
Other Receivables, Net of Allowance for Doubtful Accounts	34,825	(10,618)
Costs Incurred for Programming Not Yet Broadcast	3,063	445
Prepaid and Other	2,304	268
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	5,649	14,746
Long-Term Liabilities - Current Portion	74,660	(50,000)
Long-Term Liabilities	<u>23,239</u>	<u>63,189</u>
Net Cash Used by Operating Activities	<u>\$ (3,567,838)</u>	<u>\$ (3,486,471)</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, 2014 and June 30, 2013

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 unearned amounts.

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and June 30, 2013
(Continued)

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.

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 twenty-five years.

M. Restricted Net Position

The FY 2014 financial statements report \$98,805 of restricted net position, of which \$21,125 is restricted by enabling legislation. For FY 2013, of the \$117,259 restricted net position, \$15,999 was restricted by enabling legislation.

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and June 30, 2013
(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 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:

	FY 2014	FY 2013
Indiana University	\$1,521,491	\$1,199,275
Indiana University Foundation	86,149	126,075
Total Cash and Cash Equivalents	\$1,607,640	\$1,325,350

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 \$2,273,518 and had a fair market value of \$2,468,409. Pooled investments at June 30, 2013, had a cost basis of \$1,968,971 and a fair market value of \$2,009,137.

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. 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 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. 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. The Station acquired one donated asset classified as Studio and Other Broadcast Equipment during fiscal year 2014 with a cost and accumulated depreciation of \$33,134. This asset is included in the "Additions" column below.

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Fiscal Year 2014	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Transmission, Antenna, and Tower	\$3,395,491	\$ 209,710	\$ -	\$3,605,201
Studio and Other Broadcast Equipment	4,089,551	(80,107)	15,098	3,994,346
Furniture and Fixtures	<u>61,904</u>	<u>-</u>	<u>14,092</u>	<u>47,812</u>
Total	7,546,946	129,603	29,190	7,647,359
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	3,042,247	101,585	-	3,143,832
Studio and Other Broadcast Equipment	2,918,362	336,600	15,098	3,239,864
Furniture and Fixtures	<u>61,904</u>	<u>-</u>	<u>14,092</u>	<u>47,812</u>
Total Accumulated Depreciation	<u>6,022,513</u>	<u>438,185</u>	<u>29,190</u>	<u>6,431,508</u>
Capital Assets, Net	\$1,524,433	\$(308,582)	\$ -	\$1,215,851

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	<u>61,904</u>	<u>-</u>	<u>-</u>	<u>61,904</u>
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	<u>61,904</u>	<u>-</u>	<u>-</u>	<u>61,904</u>
Total Accumulated Depreciation	<u>5,937,142</u>	<u>617,373</u>	<u>532,002</u>	<u>6,022,513</u>
Capital Assets, Net	\$1,847,118	\$(314,901)	\$ 7,784	\$ 1,524,433

Depreciation expense for the years ended June 30, 2014, and June 30, 2013, was \$405,051 and \$617,373 respectively and was charged to the major functional areas as follows:

	<u>2014</u>	<u>2013</u>
Programming and Production	\$303,466	\$402,168
Broadcasting	101,585	215,205
Public Information and Promotion	-	-
Management and General	-	-
Fundraising, Membership Development, and Underwriting	<u>-</u>	<u>-</u>
Total Depreciation Expense	\$405,051	\$617,373

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:

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<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 \$170,590 for FY 2014 and \$157,351 for FY 2013, and is computed using operating expenses as the base.

Physical plant is estimated at \$29,742 for FY 2014 and was \$21,926 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 \$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.

5. Long-Term Liabilities

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

<u>Fiscal Year 2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
Compensated absences	\$ 326,014	\$ 240,436	\$ 252,577	\$ 313,873	\$ 230,000	\$ 83,873
Postemployment ERIP						
Benefits-Health						
Reimbursement						
Accounts	-	110,040	-	110,040	44,660	65,380
<u>Fiscal Year 2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
Compensated absences	\$ 312,825	\$ 264,815	\$ 251,626	\$ 326,014	\$ 200,000	\$ 126,014

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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 pre-determined 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 \$74,508 and \$63,535, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2014, and June 30, 2013, were \$246,019 and \$234,857, respectively. Postemployment contributions to health savings accounts for the early retirement incentive programs totaled \$56,560 for the year ended June 30, 2014 and \$37,000 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.
- 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

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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.