

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

FINANCIAL STATEMENTS
AUDIT REPORT

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

July 1, 2015 to June 30, 2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Michael A. McRobbie	07-01-15 to 06-30-20
University Senior Vice President and Chief Financial Officer	MaryFrancesMcCourt	07-01-15 to 03-18-16
University Interim Vice President and Chief Financial Officer	Joan Hagen	03-19-16 to 08-28-16
University Vice President and Chief Financial Officer	John A. Sejdinaj	08-29-16 to 06-30-17
University Treasurer	Donald S. Lukes	07-01-15 to 06-30-17
Chairman of the Board of Trustees	Randall L. Tobias James T. Morris	07-01-15 to 08-11-16 08-12-16 to 06-30-17
Executive Director of Radio and TV Services	Perry Metz	07-01-15 to 06-30-17
Services Chief Financial Officer of Radio and TV Services	Donna J. Stroup	07-01-15 to 06-30-17



STATE OF INDIANA

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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 telecommunications entity owned and operated by Indiana University (University), as of and for the years ended June 30, 2016 and 2015, 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 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 WFIU-FM's internal control. Accordingly, we express no such opinion. An audit also 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 the 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 audit, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the business-type activities of WFIU-FM as of and for the years ended June 30, 2016 and 2015, and the respective changes in the 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.


Emphasis of Matter

As discussed in Note 1, the financial statements of WFIU-FM are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of WFIU-FM. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

December 21, 2016

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2016, June 30, 2015 and Comparative Information for June 30, 2014

WFIU-FM (the Station) presents its audited financial statements for the year ended June 30, 2016, June 30, 2015, along with comparative data for the year ended June 30, 2014. 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 2016 to 2015 and from fiscal year 2015 to 2014. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Position

Total assets at June 30, 2016, were \$3,573,160, an increase of \$407,068 due to increases in cash and other receivables. Net capital assets comprised \$118,308 of the total. Total assets at June 30, 2015, were \$3,166,092, an increase of \$212,095, primarily due to increases in cash and investments. Net capital assets comprised \$114,911 of the total.

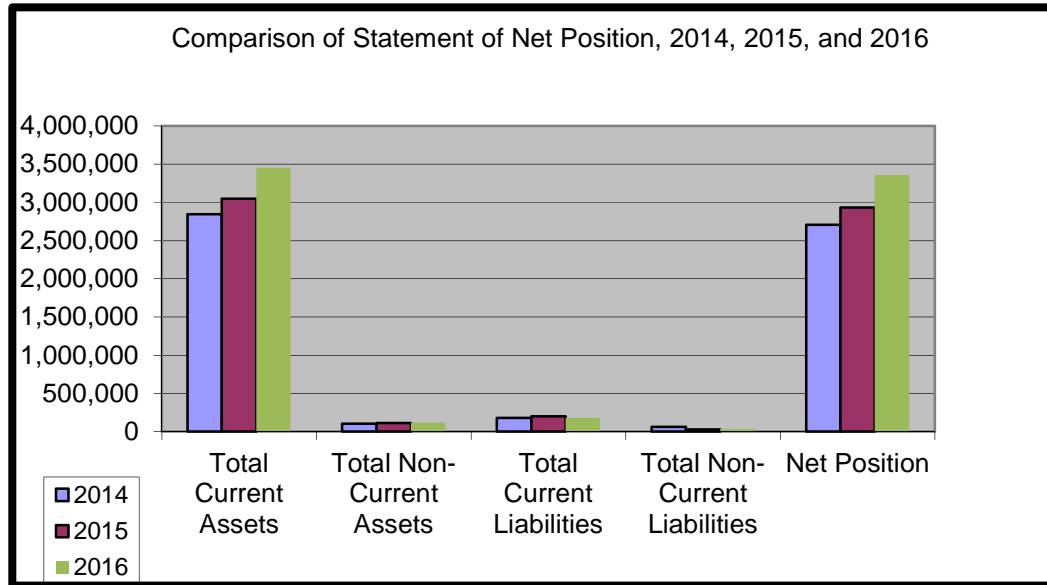
Total liabilities were \$215,207 at June 30, 2016, a decrease of \$20,346. Noncurrent liabilities were 15.5% or \$33,308 of the liabilities at June 30, 2016. Total liabilities were \$235,553 at June 30, 2015, a decrease of \$11,758. Noncurrent liabilities were 13.50% or \$31,792 of the liabilities at June 30, 2015. The Station had no outstanding debt obligations.

Total net position at June 30, 2016, was \$3,357,953, an increase of \$427,414 from fiscal year 2015, or a 14.6% increase in net position. Total net position at June 30, 2015, was \$2,930,539, an increase of \$223,853 from fiscal year 2014, or an 8.27% increase in net position. A comparison of WFIU's assets, liabilities, and net position at June 30, 2016, 2015 and 2014 is summarized as follows:

CONDENSED STATEMENT OF NET POSITION - WFIU			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Current Assets	3,454,852	3,051,181	2,846,022
Noncurrent Assets/Capital Assets	118,308	114,911	107,975
Total Assets	3,573,160	3,166,092	2,953,997
Current Liabilities	181,899	203,761	181,982
Noncurrent Liabilities	33,308	31,792	65,329
Total Liabilities	215,207	235,553	247,311
Net Investments in Capital Assets	118,308	114,911	107,975
Restricted for Expendable Station Activities	306,983	154,503	140,934
Unrestricted	2,932,662	2,661,125	2,457,777
Total Net Position	3,357,953	2,930,539	2,706,686

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The composition of current and non-current assets and liabilities and net position is displayed below for the 2016, 2015, and 2014 fiscal year-ends:



Statement of Revenues, Expenses, and Changes in Net Position

A summarized comparison of WFIU's revenues, expenses, and changes in net position is presented below:

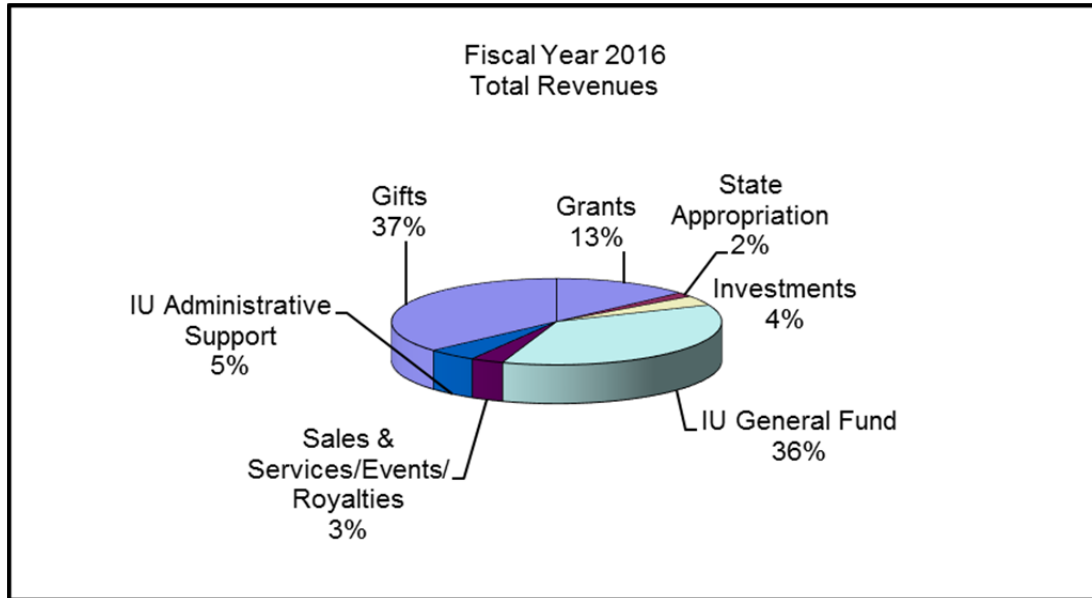
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WFIU			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Operating Revenues	574,659	241,192	246,031
Operating Expenses	(2,714,482)	(2,549,965)	(2,637,317)
Total Operating Loss	(2,139,823)	(2,308,773)	(2,391,286)
Net Nonoperating Revenues	2,567,237	2,532,626	2,545,250
Income Before Other Revenues, Expenses, Gains, or Losses	427,414	223,853	153,964
Other Revenues/Capital Grant			
Increase in Net Position	427,414	223,853	153,964
Net Position - Beginning of Year	2,930,539	2,706,686	2,552,722
Net Position - End of Year	3,357,953	2,930,539	2,706,686

Revenues

Operating revenues at WFIU-FM for the June 30, 2016, fiscal year increased by \$333,467 or 138%, primarily due to receiving a CPB grant for developing a regional journalism center in Indiana. Net non-operating revenues increased by \$34,611 or 1.4% in fiscal year 2016, primarily due to a substantial donor bequest and increased funding from Indiana University. Operating revenues at WFIU-FM for the June 30, 2015, fiscal year decreased by 1.97% from the previous year. Operating revenue changes were primarily the result of a decrease in facility sales and services. Net non-operating revenues decreased less than 1% in fiscal year 2015. The primary change was a smaller increase in the fair value of investments.

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In summary, total revenues of the Station in fiscal year 2016 increased by \$687,566, an increase of almost 25%. The compositions of these revenues are displayed in the following graph:



Expenses

Operating expenses were \$2,714,482 for the 2016 fiscal year. This was an increase over the previous fiscal year of \$164,517 or 6.45%. Changes in the major categories of expenses were:

For all functional areas:

- Professional and support staff received an average 2.5% salary increase. The professional staff fringe benefit rate decreased from 39.76% to 39.10%. The support staff fringe benefit rate decreased from 39.57% to 38.21%.

For specific functional areas:

- Programming and production costs increased by 12.5% due to an increase in the number of projects performed for other University units.
- Broadcasting costs increased by 15.82% as the station moved to add another broadcast license and prepared to get the signal operational.
- Public information and promotion expenses decreased by 10.8%, as the radio & TV stations began to combine efforts and make personnel changes.
- Management and general expenses increased only 0.4%.
- Fund-raising, membership development, and underwriting solicitation costs decreased by 1.5%.

Operating expenses were \$2,549,964 for the 2015 fiscal year. This was a decrease over the previous fiscal year of \$87,353 or 3.31%. Changes in the major categories of expenses were:

For all functional areas:

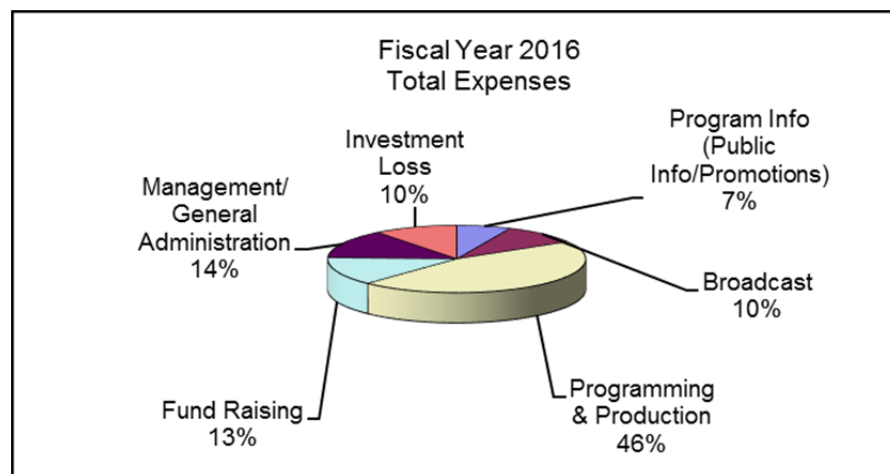
- Professional and support staff received an average 2% salary increase. The professional staff fringe benefit rate decreased from 43.72% to 39.76%. The support staff fringe benefit rate decreased from 43.25% to 39.57%.
- Accrued vacation and sick leave liability expense increased by \$6,095.

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For specific functional areas:

- Programming and production costs decreased by 14.52%.
- Broadcasting costs increased by 8.54%.
- Public information and promotion expenses increased by 48.87%, due to efforts to increase advertising and promotion of the station's programming and document significant in-kind advertising contributions.
- Management and general expenses increased 3.71%.
- Fund-raising, membership development, and underwriting solicitation costs increased by 2.55%.

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



Change in Fair Market Value of Investments

From June 30, 2015 to Jun 30, 2016, a decrease in the fair market value of the Station's investments in the Indiana University Foundation Pooled Long-Term Fund resulted in an unrealized loss of \$318,889. From June 30, 2014 to June 30, 2015, 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 \$31,029.

Net Position

Net Position increased by \$427,414 in 2016, compared to a \$223,853 increase in net position in 2015 from 2014. The operating loss decreased by \$168,971 from the previous fiscal year and the net non-operating revenues increased by \$34,590. The ending net position was \$3,357,953, compared to ending net position in 2015 of \$2,930,539. This was a 14.6% increase in net position.

Net Position increased by \$223,853 in 2015, compared to a \$153,964 increase in net position in 2014. The operating loss decreased by \$82,514 from the previous fiscal year and the net non-operating revenues decreased by \$12,624. The ending net position was \$2,930,539, compared to ending net position in 2014 of \$2,706,686. This was an 8.27% 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

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Management's Discussion and Analysis
June 30, 2016, June 30, 2015 and Comparative Information for June 30, 2014

assists the reviewer 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.

A summarized comparison of WFIU's changes in cash and cash equivalents is presented below:

COMPARATIVE STATEMENT OF CASH FLOWS - WFIU			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Net Cash Used by:			
Operating Activities	(1,979,850)	(2,101,326)	(2,139,810)
Noncapital Financing Activities	2,546,455	2,178,293	2,055,504
Capital and Related Financing Activities	(27,617)	(33,169)	-
Investing Activities	(197,158)	27,279	79,359
Net Increase (Decrease) in Cash and Cash Equivalents	341,830	71,077	(4,947)
Beginning Cash and Cash Equivalents	127,214	56,137	61,084
Ending Cash and Cash Equivalents	469,044	127,214	56,137

From fiscal year 2015 to 2016, cash used by operating activities decreased by \$121,476. This was the result of increase in grants and sales of services. From fiscal year 2014 to 2015, cash used by operating activities decreased by \$38,484. This decrease was the result of decreases in payments to employees and vendors.

From fiscal year 2015 to 2016, cash flows from noncapital financing activities increased \$368,162, reflecting increases in University support and donor contributions. From fiscal year 2014 to 2015, cash flows from noncapital financing activities increased \$122,789 from donor contributions and support from the state and the university.

From fiscal year 2015 to 2016, cash used by capital and related financing activities was \$27,617 for the purchase of capital equipment. From fiscal year 2014 to 2015, cash used by capital and related financing activities was \$33,169 for the purchase of capital equipment.

From fiscal year 2015 to 2016, cash used investing activities decreased by \$224,437, due to an unrealized loss in fair market value offset by interest earnings. From fiscal year 2014 to 2015, cash flows from investing activities decreased by \$52,080.

In summary, there was a net increase in cash and cash equivalents in 2016 of \$341,830 and a net increase in 2015 of \$71,077.

Capital Assets

At June 30, 2016, June 30, 2015, and June 30, 2014, the Station had \$118,308, \$114,911, and \$107,975, respectively invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ended June 30, 2016, June 30, 2015, and June 30, 2014, totaled \$23,606, \$26,233, and \$28,551 respectively. The station has made only modest purchases of new capital assets over the last three years as existing capital continues to depreciate. Details of these assets are shown below:

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<u>Net Capital Assets at Year-End</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Transmission, Antenna, and Tower	\$97,197	\$108,182	\$107,975
Studio and Other Broadcast Equipment	21,111	6,729	0
Furniture and Fixtures	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$118,308</u>	<u>\$114,911</u>	<u>\$107,975</u>

Furniture and Fixtures are fully depreciated; therefore, the net amount is zero.

Capital additions for the year consist of the following:

CABINETWORKS iVideo K2035 Laminated Radio Control Desk	\$ 9,996
SNS EVO Shared Storage Server	5,137
SONY PXWX200 XDCAM XAVC HD422 Hand-Held Camcorder	6,243
SONY PXWX200 XDCAM XAVC HD422 Hand-Held Camcorder	6,242
 Total Capital Additions	 \$27,618

Purchases planned for FY17 include transmitters and licenses for new radio frequencies in Bloomington and Seymour; these will enable second broadcast streams in each city. Radio office spaces also will be refurbished.

Economic Outlook

Public radio ratings around the country have increased, in part because of the intense interest in the national elections. Funding is expected to remain steady from all sources, though grant money will decrease slightly as we enter the second and final year of the CPB grant to establish a statewide news service. In cooperation with partner stations, management is seeking funding for future years of that effort. We have begun a modest fundraising effort to endow working student positions at both stations as a way of supporting future students with salaries and meaningful work experience in the field. In addition to holding two fund drives per year (as begun last year), Membership has been emphasizing sustaining membership and, as a result, more than a quarter of our members are giving on an ongoing basis; this will hold costs down and keep membership revenue more reliable.

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STATEMENT OF NET POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 469,044	\$ 127,214
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2016 and \$0 in 2015	108,611	50,697
Costs Incurred for Programming Not Yet Broadcast	-	0
Prepaid and Other	395	1,600
Investments (Note 2)	<u>2,876,802</u>	<u>2,871,670</u>
Total Current Assets	<u>3,454,852</u>	<u>3,051,181</u>
Noncurrent Assets:		
Property and Equipment (Note 3): Television and Other Equipment, Net of Accumulated Depreciation of \$441,711 in 2016 and \$439,456 in 2015.	<u>118,308</u>	<u>114,911</u>
Total Assets	<u>\$ 3,573,160</u>	<u>\$ 3,166,092</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 57,234	\$ 61,133
Funding for Programming Not Yet Broadcast	33,665	38,128
Deferred Revenue	0	0
Long-Term Liabilities - Current Portion	<u>91,000</u>	<u>104,500</u>
Total Current Liabilities	<u>181,899</u>	<u>203,761</u>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	<u>33,308</u>	<u>31,792</u>
Total Liabilities	<u>215,207</u>	<u>235,553</u>
<u>Net Position</u>		
Invested in Capital Assets	118,308	114,911
Restricted for Expendable Station Activities	306,983	154,503
Unrestricted	<u>2,932,662</u>	<u>2,661,125</u>
Total Net Position	<u>3,357,953</u>	<u>2,930,539</u>
Total Liabilities and Net Position	<u>\$ 3,573,160</u>	<u>\$ 3,166,092</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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Operating Revenues</u>		
CPB Community Service Grant	\$ 193,806	\$ 198,938
Facility Sales and Services	102,251	9,320
Other Income From CPB and PBS	124,337	16,717
Miscellaneous Grants	145,141	6,365
Royalty Income	9,124	9,852
Total Operating Revenues	<u>574,659</u>	<u>241,192</u>
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	1,382,283	1,228,471
Broadcasting	294,410	254,198
Public Information and Promotion	<u>206,217</u>	<u>231,196</u>
Total Program Expenses	<u>1,882,910</u>	<u>1,713,865</u>
Supporting Services:		
Management and General	421,771	420,010
Fundraising, Membership Development, and Underwriting Solicitation	<u>409,801</u>	<u>416,090</u>
Total Supporting Expenses	<u>831,572</u>	<u>836,100</u>
Total Operating Expenses	<u>2,714,482</u>	<u>2,549,965</u>
Operating Loss	<u>(2,139,823)</u>	<u>(2,308,773)</u>
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	1,266,475	1,156,738
Donated Facilities and Administrative Support From Indiana University	167,883	162,614
Appropriation From State of Indiana	56,583	45,476
Individual Contributions	825,645	599,047
Corporate/Foundation Contributions	377,898	368,636
Endowment Contributions	27,315	9,817
In-Kind Support - Other	37,163	37,391
Interest and Dividends	127,813	121,928
Net Increase (Decrease) in the Fair Value of Investments	(318,889)	31,029
Loss on Sale of Investments	(35)	(50)
Loss on Disposal of Capital Assets	(614)	-
Net Nonoperating Revenues	<u>2,567,237</u>	<u>2,532,626</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>427,414</u>	<u>223,853</u>
Capital grants	-	-
Increase in Net Position	<u>427,414</u>	<u>223,853</u>
<u>Net Position</u>		
Net Position - Beginning of Year	<u>2,930,539</u>	<u>2,706,686</u>
Net Position - End of Year	<u>\$ 3,357,953</u>	<u>\$ 2,930,539</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Grants	\$ 408,884	\$ 221,970
Sales and Services	102,647	9,320
Payments to Employees	(1,562,322)	(1,587,420)
Payments to Vendors	(938,187)	(755,098)
Payments to Reimburse Employees	-	-
Other Receipts	<u>9,128</u>	<u>9,902</u>
Net Cash Used by Operating Activities	<u>(1,979,850)</u>	<u>(2,101,326)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	1,266,475	1,156,738
Appropriation From State of Indiana	56,583	45,476
Contributions	<u>1,223,397</u>	<u>976,079</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,546,455</u>	<u>2,178,293</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grant	-	-
Proceeds From Sale of Capital Assets	-	-
Purchase of Capital Assets	<u>(27,617)</u>	<u>(33,169)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(27,617)</u>	<u>(33,169)</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	(101)	25
Purchase of Investments	(323,955)	(94,076)
Interest and Dividends on Investments	<u>126,898</u>	<u>121,330</u>
Net Cash Used by Investing Activities	<u>(197,158)</u>	<u>27,279</u>
Net Increase (Decrease) in Cash	341,830	71,077
Cash and Cash Equivalents - Beginning of Year	<u>127,214</u>	<u>56,137</u>
Cash and Cash Equivalents - End of Year	<u>\$ 469,044</u>	<u>\$ 127,214</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (2,139,823)	\$ (2,308,772)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	23,606	26,233
Bad Debt Expense		
Donated Facilities and Administrative Support From Indiana University	167,883	162,614
In-Kind Support - State of Indiana/Other	37,163	37,391
(Increase) Decrease in Assets:		
Grant Receivable	(54,400)	-
Other Receivables, Net of Allowance for Doubtful Accounts	400	-
Costs Incurred for Programming Not Yet Broadcast	-	2,295
Prepaid and Other	1,205	
Increase (Decrease) in Liabilities:	-	12,090
Accounts Payable and Accrued Expenses	(3,900)	-
Long-Term Liabilities - Current Portion	(13,500)	360
Long-Term Liabilities	<u>1,516</u>	<u>(33,537)</u>
Net Cash Used by Operating Activities	<u>\$ (1,979,850)</u>	<u>\$ (2,101,326)</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, 2016 and June 30, 2015

1. Summary of Significant Accounting Policies

A. Organization

WFIU-FM (the Station) is owned by the Trustees of Indiana University (the University), Bloomington, Indiana. The Station is operated by the Radio and Television Services Department of Indiana University.

The financial statements reflect only the activity of the Station and are not intended to present fairly the position of the University, and the results of its operations and cash flows.

Portions of both contribution and membership income and expenditures are deposited with and disbursed by the Indiana University Foundation.

B. Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). 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 in the financial statements.

C. Cash and Cash Equivalents

Cash and cash equivalents includes all highly liquid investments with maturities of 90 days or less that bear little or no market risk.

D. Accounts Receivable

Accounts receivable consist primarily of amounts due from customers, underwriters, and grants and are recorded net of estimated uncollectible amounts.

E. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist primarily of amounts due for accrued payroll and other operating expenses.

F. Funding for Programming Not Yet Broadcast

Funding for programming not yet broadcast consists of underwriting and programing support received for programs not yet aired.

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G. Long-term Liabilities

Long-term Liabilities include liabilities for compensated absences, including actual earned vacation/sick time accruals for eligible employees who qualify for termination or retirement and early retirement funding liabilities.

H. Operating and Non-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. All other revenues are included as non-operating revenues. Non-operating revenues include significant revenue sources that are relied upon for operations such as University appropriations and state appropriations.

I. Revenue Recognition - Unrestricted

Unrestricted contributions, pledges, and grants are recorded as revenue when received. Contributions for underwriting are recorded as revenue when the underwriting credits have aired.

J. 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.

K. 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.

L. 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.

M. 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.

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N. 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 2016.

O. Investment Valuation

Investments are held by the Indiana University Foundation as long-term pooled funds and are presented in the financial statements at fair market value as of June 30, 2016, based on the valuation reports provided by the Indiana University Foundation.

P. 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.

Q. Capital Assets

The capitalization threshold for capital assets is \$5,000. Capital assets are recorded at cost. Donated assets from the University are recorded by the Station at the acquisition price of the University. 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.

R. Net Position

Net position is classified for financial reporting in the following categories:

- Net investment in capital assets: This component of net position includes capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- Restricted: Assets included in the restricted net position category are subject to externally imposed stipulations.
- Unrestricted: Unrestricted resources are not subject to externally imposed restrictions and are primarily used for station operational expenses. When an expense is incurred for which both restricted and unrestricted resources are available, the station's policy is to apply the most appropriate fund source based on the relevant facts and circumstances.

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

<u>FY 2016</u>	<u>FY 2015</u>
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Indiana University	\$296,740	\$ 40,702
Indiana University Foundation	<u>172,304</u>	<u>86,512</u>
Total Cash and Cash Equivalents	<u>\$469,044</u>	<u>\$127,214</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, 2016, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$3,264,105 and had a fair market value of \$2,876,802. Pooled investments at June 30, 2015, had a cost basis of \$2,578,063 and a fair market value of \$2,871,670.

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 30-4-3.5,” 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.

Fair Value Measurements

The university categorizes its fair value measurements within the fair value hierarchy as established by GASB Statement No. 72, Fair Value Measurement and Application. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The fair value of the Station’s pooled investments at June 30, 2016 and 2015, was determined primarily based on level 3 inputs. The Station’s pooled investments, \$2,876,802 and \$2,871,670 respectively at June 30, 2016 and 2015, were held at the IU Foundation.

Investment Custodial Credit Risk

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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 to manage the custodial risk.

The Station's pooled investments held by Indiana University Foundation are detailed in the investment paragraph B above. The custodial credit risk for the station's portion of the total pooled funds could not be determined at June 30, 2016 and 2015, 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.

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a government's deposits and investments. 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

Property and equipment include both purchased and donated assets. There were no donated assets during fiscal year 2016.

FY16 Radio footnote	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Transmission, Antenna, and Tower	527,033	9,996	8,424	528,605
Studio and Other Broadcast Equipment	19,781	17,622	5,989	31,414
Furniture and Fixtures	7,553		7,553	0
Total	554,367	27,618	21,966	560,019
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	418,851	20,366	7,809	431,408
Studio and Other Broadcast Equipment	13,052	3,240	5,989	10,303
Furniture and Fixtures	7,553	0	7,553	0
Total Accumulated Depreciation	439,456	23,606	21,351	441,711

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Capital Assets, Net	114,911	4,012	615	118,308
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FY15 Radio footnote	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Transmission, Antenna, and Tower	500,825	26,208	0	527,033
Studio and Other Broadcast Equipment	12,820	6,961	0	19,781
Furniture and Fixtures	7,553	0	0	7,553
Total	521,198	33,169	0	554,367
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	392,850	26,001	0	418,851
Studio and Other Broadcast Equipment	12,820	232	0	13,052
Furniture and Fixtures	7,553	0	0	7,553
Total Accumulated Depreciation	413,223	26,233	0	439,456
Capital Assets, Net	<u>107,975</u>	<u>6,936</u>	<u>0</u>	<u>114,911</u>

Depreciation expense for the years ended June 30, 2016, and June 30, 2015, was \$23,606 and \$26,233, respectively and was charged to the major functional areas as follows:

Depreciation Expense	<u>2016</u>	<u>2015</u>
Programming and Production	0	0
Broadcasting	20,366	26,001
Public Information and Promotion	3,240	232
Management and General	0	0
Fundraising, Membership Development, and Underwriting	0	0
Total Depreciation Expense	23,606	26,233

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. Indiana University Donated Facilities and Administrative Support

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 from Indiana University is estimated at \$73,135 for FY 2016 and \$66,491 for FY 2015, and is computed using operating expenses as the base.

Physical plant support from Indiana University is estimated at \$10,788 for FY 2016 and was \$12,163 for FY 2015. This represents the Station's pro rata share of allowable physical plant costs not allocated by the

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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 Indiana University donated facilities is calculated on the Annual Value Computations for Buildings and Tower Facilities form provided by the Corporation for Public Broadcasting and totals \$77,650 for the renovated Radio and TV Building and \$6,310 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, 2016, and June 30, 2015, was as follows:

Fiscal Year 2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	124,792	80,340	80,824	124,308	91,000	33,308
Postemployment ERIP Benefits-Health Reimbursement Accounts	\$11,500	0	11,500	0	0	0

Fiscal Year 2015	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	\$122,309	\$92,913	\$90,430	\$124,792	\$93,000	\$31,792
Postemployment ERIP Benefits-Health Reimbursement Accounts	47,160	\$ 0	\$35,660	\$ 11,500	\$ 11,500	\$ 0

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 for the years ended June 30, 2016 and June 30, 2015 were \$33,326 and \$37,827, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2016 and June 30, 2015 were \$113,044 and \$105,298, respectively. Postemployment contributions to health savings accounts for the early retirement incentive programs totaled \$11,500 for the year ended June 30, 2016 and \$11,500 for the year ended June 30, 2015.

- 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, 2016, and June 30, 2015, were primarily accrued payroll.

8. Risk Management

The University is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of students, employees, and their dependents. The University manages these risks through a combination of

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risk retention and commercial insurance, including coverage from internally maintained funds, as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The University is self-funded for damage to buildings and building contents for the first \$100,000 per occurrence with an additional \$400,000 per occurrence covered by OCIC, with commercial excess property coverage above this amount. The University is self-funded for comprehensive general liability and automobile liability for the first \$100,000 per occurrence with an additional \$900,000 per occurrence covered by OCIC and with supplementary commercial liability umbrella policies. The University has a malpractice and professional liability policy in the amount of \$250,000 for each claim and \$750,000 annually in aggregate provided by OCIC. The University is self-funded for the first \$850,000 for each Workers' Compensation claim and \$125,000 in the aggregate for all claims in excess of \$850,000 for each claim. Workers' Compensation claims above these amounts are covered by commercial insurance and are subject to statutory limits. The University is self-funded for the first \$850,000 for employer liability claims with an additional \$1,000,000 in coverage through commercial insurances.

The University has four health care plans for fulltime appointed employees, one of which is also available to retirees not eligible for Medicare. All of the employee plans are self-funded by the University. All organizational units of the University, including the Station, are charged fees based on estimates of the amounts necessary to pay health care coverage costs, including premiums and claims.

OTHER REPORTS

In addition to this report, other reports may have been issued for the University. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.