

**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, 2015 to June 30, 2016**



**FILED**  
01/12/2017



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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	MaryFrances McCourt	07-01-15 to 03-18-16
Interim University 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
Chief Financial Officer of Radio and TV Services	Donna J. Stroup	07-01-15 to 06-30-17



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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF WTIU-TV, A PUBLIC TELECOMMUNICATIONS ENTITY OWNED  
AND OPERATED BY INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of WTIU-TV, a public telecommunications entity owned and operated by Indiana University (University), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the WTIU-TV's internal control. Accordingly, we express no such opinion. An audit 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, 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, 2016, and June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT  
(Continued)


***Emphasis of Matter***

As discussed in Note 1, the financial statements of WTIU-TV 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 are attributable to the transactions of WTIU-TV. 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 year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is 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

WTIU-TV  
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

WTIU-TV (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 \$6,128,823, an increase of \$437,097, primarily due an increase in investments. Net capital assets comprised \$1,141,355 of the total assets. Total assets at June 30, 2015, were \$5,691,726, an increase of \$283,327, primarily due to an increase in investments. Net capital assets comprised \$1,018,695 of the total assets

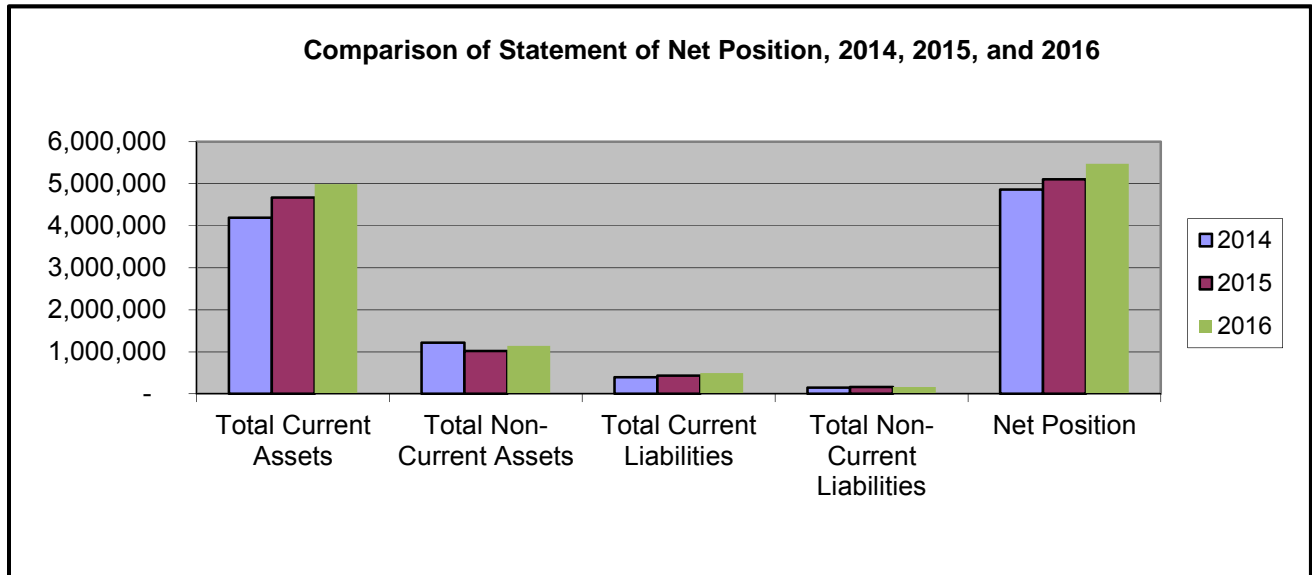
Total liabilities were \$656,851 at June 30, 2016, an increase of \$64,944. Noncurrent liabilities were 24% or \$159,059 of the liabilities at June 30, 2016. Total liabilities were \$591,907 at June 30, 2015, an increase of \$43,022. Noncurrent liabilities were 27% or \$160,016 of the liabilities at June 30, 2015. The Station had no outstanding debt obligations.

Total net position at June 30, 2016, was \$5,471,972, a \$372,153 increase from the prior year, or a 7.3% increase in net position. Total net position at June 30, 2015, was \$5,099,819, a \$240,305 increase from the prior year, a 4.95% increase in net position. A comparison of WTIU's assets, liabilities, and net position at June 30, 2016, 2015 and 2014 is summarized as follows:

<b>CONDENSED STATEMENT OF NET POSITION - WTIU</b>			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Current Assets	4,987,468	4,673,031	4,192,548
Noncurrent Assets/Capital Assets	1,141,355	1,018,695	1,215,851
<b>Total Assets</b>	<b>6,128,823</b>	<b>5,691,726</b>	<b>5,408,399</b>
Current Liabilities	497,792	431,891	399,632
Noncurrent Liabilities	159,059	160,016	149,253
<b>Total Liabilities</b>	<b>656,851</b>	<b>591,907</b>	<b>548,885</b>
Net Investments in Capital Assets	1,141,355	1,018,695	1,215,851
Restricted for Expendable Station Activities	203,832	103,078	98,805
Unrestricted	4,126,785	3,978,046	3,544,858
<b>Total Net Position</b>	<b>5,471,972</b>	<b>5,099,819</b>	<b>4,859,514</b>

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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 WTIU's revenues, expenses, and changes in net position is presented below:

<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WTIU</b>			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2016</i>	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Operating Revenues	2,911,129	2,602,978	2,450,325
Operating Expenses	(7,089,591)	(6,689,573)	(6,897,932)
Total Operating Loss	(4,178,462)	(4,086,595)	(4,447,607)
Net Nonoperating Revenues	4,550,615	4,326,900	4,732,233
Income Before Other Revenues, Expenses, Gains, or Losses	372,153	240,305	284,626
Other Revenues/Capital Grant			94,169
<b>Increase in Net Position</b>	<b>372,153</b>	<b>240,305</b>	<b>378,795</b>
Net Position - Beginning of Year	5,099,819	4,859,514	4,480,719
<b>Net Position - End of Year</b>	<b>5,471,972</b>	<b>5,099,819</b>	<b>4,859,514</b>

#### Revenues

Operating revenues at WTIU-TV for the June 30, 2016, fiscal year increased by 11.8% from the previous year, primarily due to receiving a CPB grant for developing a regional journalism center in Indiana.

Net non-operating revenues increased 5.17%, primarily due to a substantial donor bequest, increased funding from Indiana University, and an increase in State funding. Non-operating revenue changes were the result of the following factors:

- For Indiana University-Bloomington support increase a total of \$191,896 for the general fund and administrative support.
- Contributions increased \$266,052, 34% over the prior year, due to a donor bequest.
- The State appropriation increased \$65,773 or 21%.



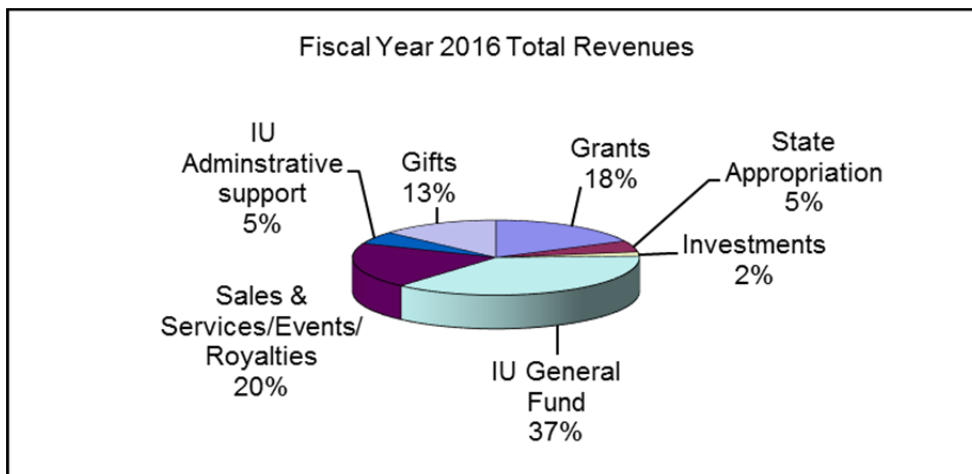
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- Interest and dividends earned by the Indiana University Foundation Pooled funds increased \$27,276 or 24%.
- The fair value of investments held at the Indiana University Foundation decreased by \$318,840.

Operating revenues at WTIU-TV for the June 30, 2015, fiscal year increased by 6.23% from the previous year. Operating revenue changes were primarily the result of a \$276,314 increase in sales and services (22.46%).

Net non-operating revenues decreased 8.57%, from \$4,732,233 in fiscal year 2014 to \$4,326,900 in fiscal year 2015. Non-operating revenue changes were the result of decreases in campus general fund support and donated administrative support, as well as individual contributions.

In summary, total revenues of the Station in fiscal year 2016 increased by \$850,671, an overall increase of 12.28%. The compositions of these revenues are displayed in the following graph:



#### Expenses

Operating expenses were \$7,089,591 for the 2016 fiscal year. This was an increase over the previous fiscal year of \$400,018 or 6%. 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 \$219,747 (5.2%).
- Broadcasting costs increased by \$143,612 (19.8%). This was primarily due to costs associated with updating Television Master Control.
- Public information and promotion costs increased by \$22,622 (6.3%).
- Management and general expenses increased \$18,174 (2.2%).
- Fund-raising, membership development, and underwriting solicitation costs decreased \$4,137 (0.7%).

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Operating expenses were \$6,689,573 for the 2015 fiscal year. This was a decrease over the previous fiscal year of \$208,359 or 3%. Changes in the major categories of expenses were:

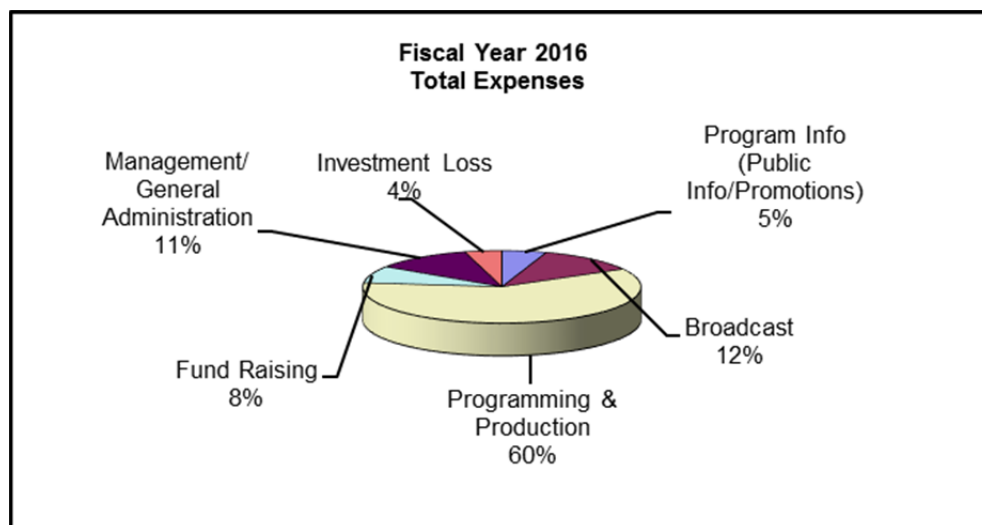
For all functional areas:

- o Professional and support staff received a 2% salary increase. The professional staff fringe benefit rate decreased from 43.72% to 39.57%. The support staff fringe benefit rate decreased from 43.25% to 39.76%.
- o Accrued vacation and sick leave liability expense increased by \$43,684.

For specific functional areas:

- o Programming and production costs decreased \$275,197 (6.14%).
- o Broadcasting costs increased by \$17,561 (2.48%).
- o Public information and promotion costs increased by \$6,213 (1.75%).
- o Management and general expenses increased \$75,526 (10%).
- o Fund-raising, membership development, and underwriting solicitation costs decreased \$32,462 (5.4%).

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



#### Change in Fair Market Value of Investments

From June 30, 2015 to June 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 \$318,840. From June 30, 2014 to June 30, 2015, there was only a slight increase in the fair market value of the Station's investments in the Indiana University Foundation Pooled Long-Term Fund which resulted in an unrealized gain of \$8,477.

#### Net Position

Net position increased by \$372,153 in 2016, compared to a \$240,305 increase from 2014. The operating loss increased \$91,867 (2.25%) from the previous fiscal year and the net non-operating revenues increased by \$223,715 (5.2%). The ending net position was \$5,471,972, compared to ending net position in 2015 of \$5,099,819. This was a 7.3% increase in net position.

Net position increased by \$240,305 (4.95%) in 2015. The operating loss decreased \$361,012 (8.12%) from the

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previous fiscal year and the net non-operating revenues decreased by \$405,333 (8.57%). The ending net position was \$5,099,819, compared to ending net position in 2014 of \$4,859,514. This was a 4.95% 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 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 WTIU's changes in cash and cash equivalents is presented below:

<b>COMPARATIVE STATEMENT OF CASH FLOWS - WTIU</b>			
	<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	(3,318,624)	(3,137,702)	(3,567,838)
Noncapital Financing Activities	4,289,250	3,761,754	4,061,322
Capital and Related Financing Activities	(518,320)	(221,677)	(2,300)
Investing Activities	(488,531)	(334,119)	(208,894)
Net Increase (Decrease) in Cash and Cash Equivalents	(36,225)	68,256	282,290
Beginning Cash and Cash Equivalents	1,675,896	1,607,640	1,325,350
<b>Ending Cash and Cash Equivalents</b>	<b>1,639,671</b>	<b>1,675,896</b>	<b>1,607,640</b>

From fiscal year 2015 to 2016, cash used by operating activities increased by \$180,922. This increase is the result of increased payments to employees and vendors, somewhat offset by increased sales and services. From fiscal year 2014 to 2015, cash used by operating activities decreased by \$430,136. This decrease is the result of increased sales & services and lower payments to employees.

From fiscal year 2015 to 2016, cash flows from noncapital financing activities increased by \$527,496, reflecting increases in University support, State support, and donor contributions. From fiscal year 2014 to 2015, cash flows from noncapital financing activities decreased by \$299,568, primarily in university support.

From fiscal year 2015 to 2016, cash used by capital and related financing activities was \$518,320, an increase of \$296,643, due to the purchase of several new capital assets. From fiscal year 2014 to 2015, cash used by capital and related financing activities increased \$219,377 due to the purchase of several new capital assets.

From fiscal year 2015 to 2016, cash used by investing activities increased by \$154,412, primarily to purchase of investments. From fiscal year 2014 to 2015, cash used by investing activities increased by \$125,225, primarily due to the purchase of investments.

In summary, there was a net decrease of \$36,225 in cash and cash equivalents in 2016, and an increase of \$68,256 in 2015.

### Capital Assets

At June 30, 2016, June 30, 2015, and June 30, 2014, the Station had \$1,141,355, \$1,018,695, and \$1,215,851 respectively, invested in capital assets, net of accumulated depreciation. Depreciation charges for the years

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ended June 30, 2016, June 30, 2015, and June 30, 2014, totaled \$395,660, \$418,833, and \$405,051 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, 2016</u>	<u>June 30, 2015</u>	June 30, 2014
Transmission, Antenna, and Tower	\$ 747,854	\$ 425,015	\$ 461,369
Studio and Other Broadcast Equipment	393,501	593,680	754,482
Furniture and Fixtures	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$1,141,355</u>	<u>\$1,018,695</u>	<u>\$1,215,851</u>

Capital additions for the year consist of the following:

Grass Valley K-2 Summit 16-Channel Server System	\$240,500
NCONTROL ROUTER (NVerizon)- TMC Automation	46,442
Utah Scientific Digital TMC Router, UHDTV compatible	97,121
Vinten Vision 250 Professional Tripod System	10,381
SNS EVO Shared Storage Server	5,137
SONY PXWX200 XDCAM XAVC HD422 Hand-Held Camcorder	6,242
SONY PXWX200 XDCAM XAVC HD422 Hand-Held Camcorder	6,242
BTI Virtual Machine (VM) Server with USB HD Loader	7,720
TeraStore 113T Digital Storage, 4RU rack mount chassis	37,379
Canon HJ40X10B/ASD-V Telephoto Lens w/ Servo support and carrying case	49,731
Sony PXW-FS7 4K XDCAM Camera System	3,808
Sony PXW-FS7 4K XDCAM Camera System	3,808
Sony PXW-FS7 4K XDCAM Camera System	3,809
Total Capital Additions	\$518,320

Purchases planned for FY17 include three ENG cameras to replace aging and mismatched equipment, a nearline archive, rack room renovation and cabling, as well as new encoders to support the addition of a fifth program stream (24/7 PBSKids) early in 2017. The joint newsroom space also will be built out. Planning will begin for renovation of the building entrances and front office.

#### Economic Outlook

The FCC national spectrum auction continues and is not expected to be completed until early 2017. Based on early rounds of the auction, the FCC has lowered its clearing target, meaning fewer stations are likely to be purchased; still, many will be repacked (involuntarily moved to another frequency). Those costs will be borne by the FCC which would be helpful to WTIU, as it would relieve the station of the significant cost of a new transmitter. There is no way of knowing until the end of the auction process if our station will be selected. Funding is expected to remain steady from all sources; production and engineering income continue to increase. This development has put the station in a position to fund capital out of operating revenue. The

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Management's Discussion and Analysis

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new technical standard ATSC 3.0 is expected to be adopted during this fiscal year with new equipment available the following year. Management is setting aside funds for that eventuality.

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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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 1,639,671	\$ 1,675,896
Other Receivables, Net of Allowance for Doubtful Accounts of <b>\$0 in 2016</b> and \$0 in 2015	113,922	73,199
Prepaid and Other	395	0
Investments (Note 2)	<u>3,233,480</u>	<u>2,923,936</u>
Total Current Assets	<u>4,987,468</u>	<u>4,673,031</u>
Noncurrent Assets:		
Property and Equipment (Note 3): Television and Other Equipment, Net of Accumulated Depreciation of <b>\$7,015,881 in 2016</b> and \$6,729,735 in 2015.	<u>1,141,355</u>	<u>1,018,695</u>
Total Assets	<u><u>\$ 6,128,823</u></u>	<u><u>\$ 5,691,726</u></u>
<b><u>Liabilities</u></b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 219,528	\$ 149,778
Funding for Programming Not Yet Broadcast	20,464	14,813
Long-Term Liabilities - Current Portion	<u>257,800</u>	<u>267,300</u>
Total Current Liabilities	<u>497,792</u>	<u>431,891</u>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	<u>159,059</u>	<u>160,016</u>
Total Liabilities	<u>656,851</u>	<u>591,907</u>
<b><u>Net Position</u></b>		
Invested in Capital Assets	1,141,355	1,018,695
Restricted for Expendable Station Activities	203,832	103,078
Unrestricted	<u>4,126,785</u>	<u>3,978,046</u>
Total Net Position	<u>5,471,972</u>	<u>5,099,819</u>
Total Liabilities and Net Position	<u><u>\$ 6,128,823</u></u>	<u><u>\$ 5,691,726</u></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, 2016 and 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b><u>Operating Revenues</u></b>		
CPB Community Service Grant	\$ 1,097,748	\$ 1,063,679
Facility Sales and Services	1,525,343	1,506,240
Other Income From CPB and PBS	146,136	22,576
Miscellaneous Grants	137,213	4,295
Event Income	663	-
Royalty Income	4,026	6,188
Total Operating Revenues	<u>2,911,129</u>	<u>2,602,978</u>
<b><u>Operating Expenses</u></b>		
Program Services:		
Programming and Production	4,429,897	4,210,150
Broadcasting	868,877	725,265
Public Information and Promotion	383,249	360,627
Total Program Expenses	<u>5,682,023</u>	<u>5,296,042</u>
Supporting Services:		
Management and General	844,671	826,497
Fundraising, Membership Development, and Underwriting Solicitation	562,897	567,034
Total Supporting Expenses	<u>1,407,568</u>	<u>1,393,531</u>
Total Operating Expenses	<u>7,089,591</u>	<u>6,689,573</u>
Operating Loss	<u>(4,178,462)</u>	<u>(4,086,595)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
General Fund Support From Indiana University	2,881,302	2,702,274
Donated Facilities and Administrative Support From Indiana University	424,875	412,007
Appropriation From State of Indiana	377,824	312,051
Individual Contributions	779,803	544,648
Corporate/Foundation Contributions	213,145	203,747
Endowment Contributions	24,615	7,868
In-Kind Support - Other	25,598	20,846
Interest and Dividends	142,324	115,048
Net Increase (Decrease) in the Fair Value of Investments	(318,840)	8,477
Loss on Sale of Investments	(31)	(66)
Net Nonoperating Revenues	<u>4,550,615</u>	<u>4,326,900</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>372,153</u>	<u>240,305</u>
Increase in Net Position	<u>372,153</u>	<u>240,305</u>
<b><u>Net Position</u></b>		
Net Position - Beginning of Year	5,099,819	4,859,514
Net Position - End of Year	<u>\$ 5,471,972</u>	<u>\$ 5,099,819</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, 2016 and 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Cash Flows From Operating Activities:</b>		
Grants	\$ 1,326,697	\$ 1,180,752
Sales and Services	1,534,550	1,463,795
Payments to Employees	(3,503,216)	(3,284,193)
Payments to Vendors	(2,681,344)	(2,504,243)
Payments to Reimburse Employees		
Other Receipts	4,689	6,187
Net Cash Used by Operating Activities	<u>(3,318,624)</u>	<u>(3,137,702)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
General Fund Support From Indiana University	2,881,302	2,702,274
Appropriation From State of Indiana	377,824	312,051
Contributions	1,030,124	747,429
Net Cash Provided by Noncapital Financing Activities	<u>4,289,250</u>	<u>3,761,754</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds From Sale of Capital Assets	-	20,747
Purchase of Capital Assets	(518,320)	(242,424)
Net Cash Used by Capital and Related Financing Activities	<u>(518,320)</u>	<u>(221,677)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds From Sales of Investments	(96)	9
Purchase of Investments	(628,319)	(447,125)
Interest and Dividends on Investments	139,884	112,997
Net Cash Used by Investing Activities	<u>(488,531)</u>	<u>(334,119)</u>
Net Increase (Decrease) in Cash	(36,225)	68,256
Cash and Cash Equivalents - Beginning of Year	1,675,896	1,607,640
Cash and Cash Equivalents - End of Year	<u>\$ 1,639,671</u>	<u>\$ 1,675,896</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>		
Operating Loss	\$ (4,178,462)	\$ (4,086,595)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	395,660	418,833
Bad Debt Expense	-	-
Donated Facilities and Administrative Support From Indiana University	424,875	412,007
In-Kind Support - State of Indiana/Other	25,598	20,846
(Increase) Decrease in Assets:		
Grant Receivable	(54,400)	90,402
Other Receivables, Net of Allowance for Doubtful Accounts	9,206	(42,645)
Prepaid and Other	(395)	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	69,750	46,047
Long-Term Liabilities - Current Portion	(9,500)	(7,360)
Long-Term Liabilities	(956)	10,763
Net Cash Used by Operating Activities	<u>\$ (3,318,624)</u>	<u>\$ (3,137,702)</u>

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

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**1. Summary of Significant Accounting Policies**

**A. Organization**

WTIU-TV (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 that 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 twenty-five 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

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 2016

FY 2015

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Indiana University	\$1,543,215	\$1,434,724
Indiana University Foundation	<u>96,456</u>	<u>241,172</u>
Total Cash and Cash Equivalents	<u>\$1,639,671</u>	<u>\$1,675,896</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 \$3,345,087 and had a fair market value of \$3,233,480. Pooled investments at June 30, 2015, had a cost basis of \$2,717,508 and a fair market value of \$2,923,936.

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 30-4-3.5,” 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, \$3,233,480 and \$2,923,936 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. 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 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. 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

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

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

<b>FY16 TV footnote</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Transmission, Antenna, and Tower	3,605,562	421,442	31,102	3,995,902
Studio and Other Broadcast Equipment	4,127,623	96,878	70,930	4,153,571
Furniture and Fixtures	15,245	0	7,482	7,763
<b>Total</b>	<b>7,748,430</b>	<b>518,320</b>	<b>109,514</b>	<b>8,157,236</b>
<b>Less Accumulated Depreciation</b>				
Transmission, Antenna, and Tower	3,180,547	98,603	31,102	3,248,048
Studio and Other Broadcast Equipment	3,533,943	297,057	70,930	3,760,070

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Furniture and Fixtures	15,245	0	7,482	7,763
Total Accumulated Depreciation	6,729,735	395,660	109,514	7,015,881
<b>Capital Assets, Net</b>	<b>1,018,695</b>	<b>122,660</b>	<b>0</b>	<b>1,141,355</b>

<b>FY15 TV footnote</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Transmission, Antenna, and Tower	3,605,201	55,125	54,764	3,605,562
Studio and Other Broadcast Equipment	3,994,346	187,299	54,022	4,127,623
Furniture and Fixtures	47,812	0	32,567	15,245
<b>Total</b>	<b>7,647,359</b>	<b>242,424</b>	<b>141,353</b>	<b>7,748,430</b>
<b>Less Accumulated Depreciation</b>				
Transmission, Antenna, and Tower	3,143,832	91,478	54,763	3,180,547
Studio and Other Broadcast Equipment	3,239,864	327,355	33,276	3,533,943
Furniture and Fixtures	47,812	0	32,567	15,245
<b>Total Accumulated Depreciation</b>	<b>6,431,508</b>	<b>418,833</b>	<b>120,606</b>	<b>6,729,735</b>
<b>Capital Assets, Net</b>	<b>1,215,851</b>	<b>(176,409)</b>	<b>20,747</b>	<b>1,018,695</b>

Depreciation expense for the years ended June 30, 2016, and June 30, 2015, were charged to the major functional areas as follows:

<b>Depreciation Expense</b>	<b>2016</b>	<b>2015</b>	For
Programming and Production	297,057	327,355	
Broadcasting	98,603	91,478	
Public Information and Promotion	0	0	
Management and General	0	0	
Fundraising, Membership Development, and Underwriting	0	0	
<b>Total Depreciation Expense</b>	<b>395,660</b>	<b>418,833</b>	

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 TV Studio Production Equipment	18-02-N03030	\$369,074	9/2015
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. **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.



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Institutional support from Indiana University is estimated at \$181,564 for FY 2016 and \$165,080 for FY 2015, and is computed using operating expenses as the base.

Physical plant support from Indiana University is estimated at \$28,375 for FY 2016 and was \$31,991 for FY 2015. 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 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 \$198,780 for the renovated Radio and TV Building and \$16,156 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	345,416	253,295	211,452	387,259	243,000	144,259
Postemployment ERIP Benefits-Health Reimbursement Accounts	\$81,900	0	52,300	29,600	14,800	14,800

Fiscal Year 2015	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	\$313,873	\$254,893	\$223,350	\$345,416	\$215,000	\$130,416
Postemployment ERIP Benefits-Health Reimbursement Accounts	110,040	\$24,160	\$52,300	\$81,900	\$52,300	\$29,600

## 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 \$65,673 and \$64,069, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2016, and June 30, 2015, were \$240,000 and \$236,146, respectively. Postemployment

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contributions to health savings accounts for the early retirement incentive programs totaled \$52,300 for the year ended June 30, 2016 and \$52,300 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.
- 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**

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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 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/>.