

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

AUDIT REPORT  
OF

WTIU TELEVISION, A PUBLIC TELEVISION STATION  
OPERATED BY INDIANA UNIVERSITY  
BLOOMINGTON, INDIANA

July 1, 2005 to June 30, 2006



**FILED**  
12/27/2006



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
University Officials.....	2
Independent Auditor's Report.....	3
Management's Discussion and Analysis .....	4-9
Statement of Net Assets .....	10
Statement of Revenues, Expenses and Changes in Net Assets .....	11
Statement of Cash Flows .....	12
Notes to the Financial Statements .....	13-17

UNIVERSITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Adam Herbert	07-01-04 to 06-30-07
University Vice President and Chief Financial Officer	Judith Palmer	08-01-94 to 06-30-07
Interim Treasurer	Judith Palmer	07-31-04 to 09-30-05
University Treasurer	MaryFrances McCourt	10-01-05 to 06-30-07
Director of Radio and TV Services	Perry Metz	08-11-03 to 06-30-07
President of The Board of Trustees	Frederick F. Eichhorn Jr. Stephen L. Ferguson	08-15-02 to 08-18-05 08-19-05 to 08-17-07



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302 WEST WASHINGTON STREET  
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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WTIU TELEVISION, A PUBLIC TELEVISION STATION  
OPERATED BY INDIANA UNIVERSITY, BLOOMINGTON, INDIANA

We have audited the accompanying financial statements of WTIU Television Station (Station), a public television station operated by Indiana University, as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WTIU Television, as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

December 12, 2006

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2006 and June 30, 2005

WTIU-TV (the Station) presents its audited financial statements for the year ending June 30, 2006, along with comparative data for the year ending June 30, 2005. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities, and net assets of the station as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Assets, 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 2006 to 2005. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Assets

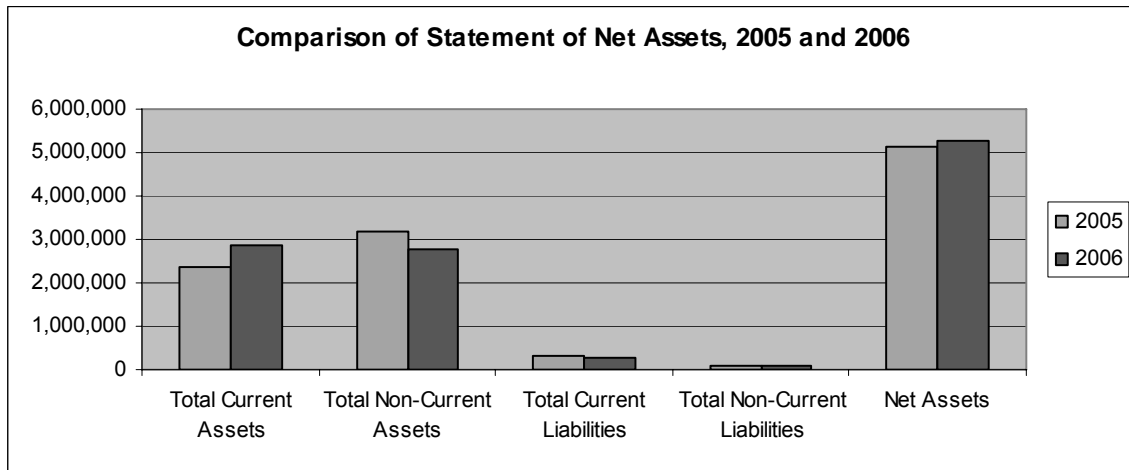
Total assets at June 30, 2006 were \$5,633,472, an increase of \$112,255. Capital net assets comprised \$2,750,045 of the \$5,633,472 in assets.

Total liabilities were \$358,046 at June 30, 2006, a decrease of \$46,853. Non-current liabilities comprised 28.34% or \$101,484 of the liabilities at June 30, 2006. The Station had no outstanding debt obligations.

Total net assets at June 30, 2006 were \$5,275,426, a \$159,108 increase from the prior year, or a 3.11% increase in net assets. The breakout of net assets is shown below:

Capital assets	\$ 2,750,045
Restricted net assets	47,305
Unrestricted net assets	<u>2,478,076</u>
Total net assets	<u>\$ 5,275,426</u>

The composition of current and non-current assets and liabilities is displayed below for both the 2005 and 2006 fiscal year-ends:



Statement of Revenues, Expenses, and Changes in Net Assets

Revenues

Operating revenues at WTIU-TV for the June 30, 2006 fiscal year increased by 5.64% from the previous year. Operating revenue changes were the result of the following factors:

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2006 and June 30, 2005

- Facility sales and services increased due to more production-for-hire activity.
- Miscellaneous grants decreased due to the completion of the Federal DOT grant to produce a covered bridges documentary in the previous fiscal year.
- The Corporation for Public Broadcasting (CPB) Community Service Grant increased due to a 2.7% increase in non-federal financial support (NFFS) for the Station.

Total non-operating revenues were down 8.67% from June 30, 2005, from \$4,202,614 to \$3,838,291. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Indiana University-Bloomington campus general fund support decreased due to the filling of several vacancies at sister station, WFIU, which shifted resources back to the radio station.
- Indiana University donated administrative support was \$401,742, a decrease of 6.86 from the prior year. This is based on the Station's prorated share of the Indiana University-Bloomington campus Institutional Support costs.

For contributions:

- Individual contributions were \$421,085, an increase of .31% over the prior year due to an increase in the individual average gift.
- Corporate and foundation contributions were \$264,568 a decrease of 48.85% from the prior year due to the lack of any national production support and the turnover of the underwriting staff for local production support.
- In-kind support was \$840, a decrease from the prior year due to the end of in-kind support from the State of Indiana for the Indiana Higher Education Telecommunications System (IHETS).

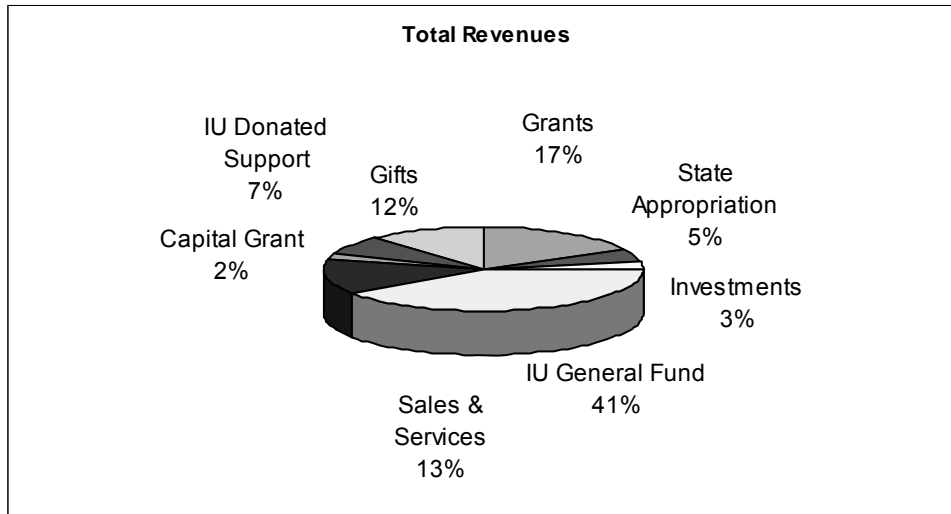
For other non-operating income:

- The fair value of the Station's investments in the Indiana University Foundation Pooled Long-Term Fund increased to \$118,582 due to the stock market's continuing economic rebound.
- Interest and dividends earned by the Indiana University Foundation Pooled funds increased due to an increase in the rate of return on the Station's investments in the Indiana University Foundation Pooled Long-Term Fund.

Other revenue consisted of a capital grant of \$130,674 from the Corporation for Public Broadcasting's Public Broadcasting Service Digital Distribution Fund (CPB PBS DDF) for the purchase of digitally compatible TV studio/control room production equipment. This grant represents a \$169,627 decrease in capital revenues from 2005.

In summary, total revenues of the Station decreased by \$441,003 from \$6,150,190 in 2005 to \$5,709,187 in 2006, an overall decrease of 7.17%. The compositions of these revenues are displayed in this graph:

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2006 and June 30, 2005



**Expenses**

Operating expenses were \$5,550,079 for the 2006 fiscal year. This was a decrease over the previous fiscal year of \$331,849 or 5.64%. Changes in the major categories of expenses were:

For all functional areas:

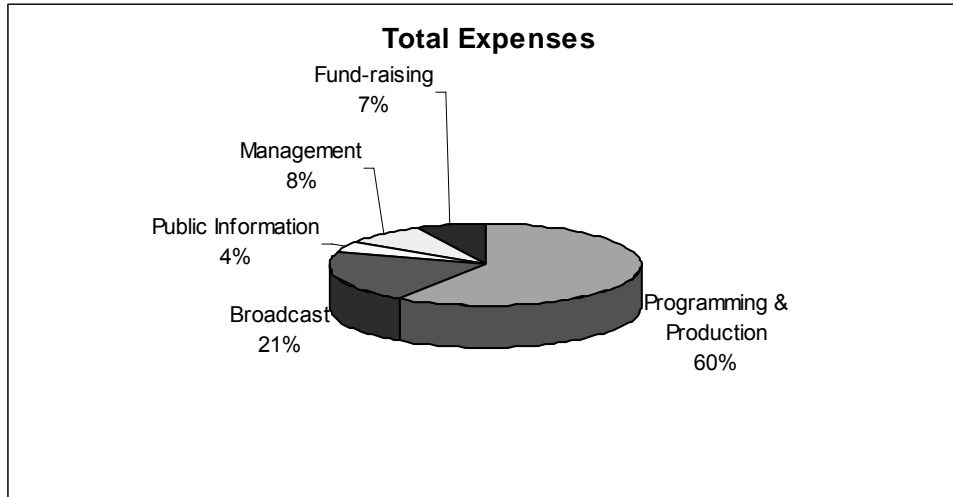
- Professional staff received a 1% average salary increase and support staff received a 2.25% average salary increase. The professional staff fringe benefit rate decreased by .41% for non-grant accounts and .78% for grant accounts. The support staff fringe benefit rate decreased by 1.27%.
- Accrued vacation and sick leave costs decreased by \$3,936.

For specific functional areas:

- Programming and production costs decreased due to a 59.44% reduction in national program production expenses.
- Broadcasting costs decreased due to a hiatus in the ongoing conversion to digitally compatible TV studio/control room production equipment.
- Both programming/production and broadcasting costs decreased due to the retirement of the Director of Operations and Engineering. The operations unit was eliminated and the director's duties assigned to other staff.
- Public information and promotion costs decreased due to a 49.2% reduction in advertising and marketing expenses.
- Management and general expenses decreased due to a reduction in travel expenses, the elimination of bonuses, and the end of the Fountain Square lease.
- Fund-raising, membership development, and underwriting solicitation costs decreased due to a vacancy in the corporate development unit for part of the year and a 15.76% reduction in underwriting/corporate commissions.

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

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2006 and June 30, 2005



**Net Assets**

Net assets increased by \$159,108 in 2006, compared to a \$268,262 increase in net assets in 2005. Although net non-operating revenues decreased by \$364,323 over the previous fiscal year, the operating loss decreased by \$424,796 from the previous fiscal year. Ending net assets were \$5,275,426, compared to ending net assets in 2005 of \$5,116,318. This was a 3.11% increase in net assets.

**Statement of Cash Flows**

The Statement of Cash Flows provides a means to assess the financial health of the Station by providing relevant information about the cash receipts and cash payments of the Station during a certain period. It assists the user in determining whether the Station has the ability to generate future net cash flows to meet its obligation as they come due, and to determine the need for external financing.

Cash Flows for the Period	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Net cash provided (used) by:		
Operating activities	(\$2,894,960)	(\$3,237,129)
Noncapital financing activities	3,239,963	3,565,362
Capital and related financing activities	75,036	(201,808)
Investing activities	<u>94,614</u>	<u>(183,803)</u>
Net increase in cash	514,653	(57,378)
Beginning cash and cash equivalent balances	<u>783,288</u>	<u>840,666</u>
Ending cash and cash equivalent balances	<u>\$1,297,941</u>	<u>\$783,288</u>

Cash used by operating activities decreased by \$342,169. This decrease in the use of cash was the result of decreases in most operating expenses and an increase in operating grants.

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2006 and June 30, 2005

Noncapital financing activities decreased by \$325,399. This decrease was the result of decreases in the general fund support from Indiana University and contributions.

Cash provided by capital and related financing activities increased by \$276,844 due to the receipt of a capital grant for \$130,674 but an 88.92% decline in equipment purchases. Equipment purchased for less than \$5,000, the capitalization threshold, was recorded as operating expenses.

Cash provided by investing activities increased by \$278,417 due to an increase in the sale of investments and a decrease in the purchase of investments.

In summary, the net increase in cash and cash equivalents in 2006 was due primarily to decreases in the purchase of equipment and investments and operating expenses.

Capital Assets

At June 30, 2006, the Station had \$2,750,045 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2006, and June 30, 2005, totaled \$491,570 and \$452,695, respectively. Details of these assets are shown below:

Net Capital Assets at Year-End	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Transmission, Antenna, and Tower	\$ 2,210,503	\$ 2,504,802
Studio and Other Broadcast Equipment	508,390	631,826
Furniture and Fixtures	<u>31,152</u>	<u>43,291</u>
 Capital Assets, Net	 <u>\$2,750,045</u>	 <u>\$3,179,919</u>

Major capital purchases for the year totaled \$55,638 and included:

- o Hot Pod news camera tripod..
- o Fastbreak digital master control automation soft and hardware.

The Station has planned capital expenditures for the fiscal year ending June 30, 2007 at approximately \$588,350. Included in this are:

- o High definition TV (HDTV) field package.
- o Digital production equipment including three studio cameras and lenses.
- o Miscellaneous server/computer upgrades.

Economic Outlook

The economic position of the Station is closely tied to that of Indiana University, which in turn, is closely tied to that of the State of Indiana. Because of Indiana's shrinking manufacturing base and slow participation in the national economic recovery, the station does not expect any significant increase in support from either Indiana University or the State of Indiana.

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2006 and June 30, 2005

The members of Indiana Public Broadcasting Services (IPBS) are expected to fund their inflationary costs and new digital equipment needs through increases in corporate and private contributions, grants, and sales of production services. The Station projects no growth in revenues from contributions and production services. The station has been awarded a grant from the US Department of Commerce's NTIA/PTFP for \$225,000 for digital studio production equipment acquisitions. The DOC NTIA/PTFP grant requires a match of \$225,000 for equipment purchases, to be funded by the Station from non-federal sources. The DOC NTIA/PTFP grant is in effect from 10/01/2006 through 9/30/2007.

The Station has also been awarded a \$66,675 grant from the Bloomington Provost's fund for digital field production equipment acquisitions. The Bloomington Provost's grant requires a match of \$66,675 for equipment purchases, to be funded by the Station from contributions and sales of production services.

For fiscal year 2007 operating expenses, the Station has a 5.25% decrease in federal support from the Corporation for Public Broadcasting, flat funding from the State of Indiana and Indiana University. Funding for unavoidable increases in expenses, digital services, and equipment matching funds will have to come from the Station's reserves and internal reallocations.

**WTIU-TV**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,297,941	\$ 783,288
Grant Receivable	-	36,211
Other Receivables, Net of Allowance for Doubtful		
Accounts of \$1,912 in 2006 and \$7,990 in 2005	54,772	79,685
Costs Incurred for Programming Not Yet Broadcast	3,556	13,517
Prepaid and Other	9,714	3,562
Investments (Note 2)	<u>1,517,444</u>	<u>1,425,035</u>
 Total Current Assets	 <u>2,883,427</u>	 <u>2,341,298</u>
Noncurrent assets:		
Property and Equipment (Note 3):		
Television and Other Equipment, Net of Accumulated Depreciation		
of \$3,394,469 in 2006 and \$3,039,143 in 2005	<u>2,750,045</u>	<u>3,179,919</u>
 Total Noncurrent Assets	 <u>2,750,045</u>	 <u>3,179,919</u>
 Total Assets	 <u>\$ 5,633,472</u>	 <u>\$ 5,521,217</u>
<b><u>Liabilities</u></b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 48,131	\$ 78,600
Funding for Programming Not Yet Broadcast	8,431	23,747
Long-Term Liabilities - Current Portion	<u>200,000</u>	<u>200,000</u>
 Total Current Liabilities	 <u>256,562</u>	 <u>302,347</u>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	<u>101,484</u>	<u>102,552</u>
 Total Liabilities	 <u>358,046</u>	 <u>404,899</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets	2,750,045	3,179,919
Restricted For Expendable Station Activities:		
Educational Programs and Interconnection	47,305	45,262
Unrestricted	<u>2,478,076</u>	<u>1,891,137</u>
 Total Net Assets	 <u>5,275,426</u>	 <u>5,116,318</u>
 Total Liabilities and Net Assets	 <u>\$ 5,633,472</u>	 <u>\$ 5,521,217</u>

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

**WTIU-TV**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b><u>Operating Revenues</u></b>		
CPB Community Service Grant	\$ 920,928	\$ 885,403
Facility Sales and Services	756,546	670,289
Other Income From CPB and PBS	55,585	51,325
Miscellaneous Grants	5,184	38,212
Royalty Income	1,979	2,046
	<u>1,740,222</u>	<u>1,647,275</u>
<b><u>Operating Expenses</u></b>		
Program Services:		
Programming and Production	3,287,983	3,425,136
Broadcasting	1,169,179	1,293,925
Public Information and Promotion	228,508	235,165
	<u>4,685,670</u>	<u>4,954,226</u>
Supporting Services:		
Management and General	462,098	493,455
Fundraising, Membership Development, and Underwriting Solicitation	402,311	434,247
	<u>864,409</u>	<u>927,702</u>
Total Operating Expenses	<u>5,550,079</u>	<u>5,881,928</u>
Operating Loss	<u>(3,809,857)</u>	<u>(4,234,653)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
General Fund Support From Indiana University	2,284,665	2,333,191
Donated Facilities and Administrative Support From Indiana University	401,742	431,340
Appropriation From State of Indiana	278,140	278,140
Individual Contributions	421,085	419,804
Corporate/Foundation Contributions	264,568	517,231
In-Kind Support - State of Indiana	-	114,675
In-Kind Support - Other	840	3,983
Interest and Dividends	67,244	56,116
Net Increase in the Fair Value of Investments	118,582	48,134
Gain on Sale of Investments	1,425	-
	<u>3,838,291</u>	<u>4,202,614</u>
Net Nonoperating Revenues	<u>3,838,291</u>	<u>4,202,614</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>28,434</u>	<u>(32,039)</u>
Capital Grant - DOC NTIA/PTFP	-	38,954
Capital Grant - CPB	130,674	261,347
	<u>130,674</u>	<u>261,347</u>
Increase in Net Assets	159,108	268,262
<b><u>Net Assets</u></b>		
Net assets - Beginning of Year	<u>5,116,318</u>	<u>4,848,056</u>
Net Assets - End of Year	<u>\$ 5,275,426</u>	<u>\$ 5,116,318</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, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Cash Flows From Operating Activities:</b>		
Grants	\$ 1,009,691	\$ 948,799
Sales and Services	769,673	727,593
Payments to Employees	(2,938,776)	(2,889,883)
Payments to Vendors	(1,734,429)	(1,987,672)
Payments to Reimburse Employees	(18,126)	(42,775)
Other Receipts	<u>17,007</u>	<u>6,809</u>
Net Cash Used by Operating Activities	<u>(2,894,960)</u>	<u>(3,237,129)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
General Fund Support From Indiana University	2,276,364	2,333,191
Appropriation From State of Indiana	278,140	278,140
Contributions	<u>685,459</u>	<u>954,031</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,239,963</u>	<u>3,565,362</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital Grant	130,674	300,301
Purchase of Capital Assets	<u>(55,638)</u>	<u>(502,109)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>75,036</u>	<u>(201,808)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds From Sales of Investments	32,773	2,707
Purchase of Investments	(4,927)	(241,615)
Interest and Dividends on Investments	<u>66,768</u>	<u>55,105</u>
Net Cash Provided (Used) by Investing Activities	<u>94,614</u>	<u>(183,803)</u>
Net Increase (Decrease) in Cash	514,653	(57,378)
Cash and Cash Equivalents - Beginning of Year	<u>783,288</u>	<u>840,666</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,297,941</u>	<u>\$ 783,288</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>		
Operating Loss	\$ (3,809,857)	\$ (4,234,653)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	491,570	452,695
Bad Debt Expense	(6,077)	3,282
Donated Facilities and Administrative Support From Indiana University	401,742	431,340
In-Kind Support - State of Indiana/Other	840	118,658
(Increase) Decrease in Assets:		
Grant Receivable	36,211	(22,665)
Other Receivables, Net of Allowance for Doubtful Accounts	18,339	31,789
Costs Incurred for Programming Not Yet Broadcast	9,961	269
Prepaid and Other	(6,152)	3,079
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(30,469)	(23,791)
Long-Term Liabilities - Current Portion	-	38,008
Long-Term Liabilities	<u>(1,068)</u>	<u>(35,140)</u>
Net Cash Used by Operating Activities	<u>\$ (2,894,960)</u>	<u>\$ (3,237,129)</u>

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

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Notes to Financial Statements  
June 30, 2006 and June 30, 2005

1. Summary of Significant Accounting Policies

A. Organization

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

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

B. Basis of Accounting

The accompanying financial statements have been prepared by the Station as a special-purpose government entity engaged in business type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities. Interfund receivables and payables have been eliminated in the Statement of Net Assets. Eliminations have been made in the Statement of Revenues, Expenses, and Changes in Net Assets to remove the "doubling-up" effect of internal service fund activity.

C. Operating Revenues

Operating revenues consist of the community service grant from the Corporation for Public Broadcasting, production sales and services, royalties, auction revenues, special event revenues, and miscellaneous grants for operating activities.

D. Revenue Recognition - Unrestricted

Unrestricted contributions, pledges and grants are recorded as revenue in the Statement of Revenues, Expenses, and Changes in Net Assets when received. Contributions for underwriting are recorded as revenue in the Statement of Revenues, Expenses, and Changes in Net Assets when the underwriting credits have aired.

E. Revenue Recognition - Restricted

Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Station has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as restricted deferred amounts.

F. Production Programming (Completed Contract Method or Purchased Programming)

Costs incurred for programs not yet broadcast relate to programs produced by the Station that will be initially broadcast subsequent to the fiscal year-end. This classification includes costs of program and film rights and licenses acquired prior to the fiscal year-end, and initially utilized subsequent to the fiscal year-end. Unearned restricted contributions and grants that support these acquisitions are deferred in the accompanying balance sheet. 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 Assets.

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Notes to Financial Statements  
June 30, 2006 and June 30, 2005  
(Continued)

G. Statement of Cash Flows

Cash flows are presented using the direct method. Cash equivalents include demand deposits and bank certificates of original maturities of thirty days or less.

H. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Revenue, Expenses, and Changes in Net Assets. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

I. Income Taxes

The Station is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for fiscal year 2006.

J. Enterprise Fund Election

The Station, reporting as an enterprise fund using proprietary fund accounting, had the option of electing to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Station did not elect to do this.

K. Investment Valuation

Investments are presented in the financial statements at fair market value as of June 30, 2006.

L. 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.

M. Capital Assets

The capitalization threshold for capital assets is \$5,000. Capital assets are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets (excluding assets funded by the Federal Government) using the straight-line method calculated on a monthly basis. The estimated lives of such assets range between five and twenty-three years.

2. Investments

The pooled investments are currently managed 100% for the University by the Indiana University Foundation. The funds are invested in accordance with the investment policy approved by the 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, 2006, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$1,331,075 and had a fair value of \$1,517,444 at June 30, 2006.

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Notes to Financial Statements  
June 30, 2006 and June 30, 2005  
(Continued)

3. Property and Equipment

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Transmission, Antenna, and Tower	\$ 3,751,222	\$ 50,520	\$ 34,066	\$ 3,767,676
Studio and Other Broadcast Equipment	2,299,015	51,167	133,998	2,216,184
Furniture and Fixtures	<u>168,825</u>	<u>-</u>	<u>8,171</u>	<u>160,654</u>
 Totals	 <u>6,219,062</u>	 <u>101,687</u>	 <u>176,235</u>	 <u>6,144,514</u>
 Less Accumulated Depreciation				
Transmission, Antenna, and Tower	1,246,420	344,819	34,066	1,557,173
Studio and Other Broadcast Equipment	1,667,189	174,603	133,998	1,707,794
Furniture and Fixtures	<u>125,534</u>	<u>12,139</u>	<u>8,171</u>	<u>129,502</u>
 Total Accumulated Depreciation	 <u>3,039,143</u>	 <u>531,561</u>	 <u>176,235</u>	 <u>3,394,469</u>
 Capital Assets, Net	 <u>\$ 3,179,919</u>	 <u>\$ (429,874)</u>	 <u>\$ -</u>	 <u>\$ 2,750,045</u>

Donated assets from the University were recorded by the Station at the acquisition price of the University. The depreciation expenses by the University were recorded on the Station's records as accumulated depreciation.

Depreciation expense for the years ended June 30, 2006, and June 30, 2005, was \$491,570 and \$452,695, respectively, and was charged to the major functional areas as follows:

	<u>2006</u>	<u>2005</u>
Programming and Production	\$ 140,814	\$ 142,002
Broadcasting	347,082	304,028
Public Information and Promotion	731	1,150
Management and General	1,545	2,950
Fundraising, Membership Development, and Underwriting	<u>1,398</u>	<u>2,565</u>
 Total Depreciation Expense	 <u>\$ 491,570</u>	 <u>\$ 452,695</u>

For capital assets partially financed with U.S. Department of Commerce NTIA/PTFP grants, the Federal Government requires a ten year lien establishing it as the priority secured creditor. This is to enforce its reversionary interest in the fixed asset for a ten year period (dating from the PTFP's approval of the final inventory for the grant); in case the Station defaults on the terms and conditions of the grant. The capital assets against which the Federal Government has a lien are:

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Notes to Financial Statements  
June 30, 2006 and June 30, 2005  
(Continued)

<u>Capital Assets</u>	<u>DOC Grant No.</u>	<u>Original Cost</u>	<u>Lien Through</u>
Transmitter	18-02-92107	\$ 766,854	2005
Beta SP Videotape Recorders	18-02-94099	96,321	2006
TV Master Control Switcher and Video Server	18-02-96048	111,461	2007
Field Cameras and Video Editing System	18-02-98124	229,722	2009
Digital TV Studio Production Equipment	18-02-N03030	369,074	2014

4. In-Kind Support

In-kind support is divided between administrative support supplied by Indiana University and other in-kind contributions from sources outside the University.

Administrative support from Indiana University consists of institutional support, donated facilities, and physical plant operations. These are included as revenue and expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Institutional support is estimated at \$199,309 and is computed using operating expenses as the base.

The value of donated facilities is calculated on the Annual Value Computations for Buildings and Tower Facilities form provided by the Corporation for Public Broadcasting and totals \$197,848 for the recently renovated Radio and TV Building. No value is claimed for the Transmitter Building because its remaining useful life is zero.

Physical plant is estimated at \$4,585. This represents the Station's pro rata share of allowable physical plant costs not allocated by the University based on gross square feet. The physical plant costs allocated to the Station by the University are included in the general fund support from the University.

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 302,552</u>	<u>\$ 211,173</u>	<u>\$ 212,241</u>	<u>\$ 301,484</u>	<u>\$ 200,000</u>

6. Pension Plan

The Station's appointed employees are covered by the same retirement plans as other employees of Indiana University. The required contributions are pooled at the University level and charged to the Station at a predetermined rate. Non-exempt employees are covered by PERF (Public Employee's Retirement Fund), which is a defined benefit plan. Total PERF pension expenses for the years ended June 30, 2006, and June 30, 2005, were \$40,351 and \$51,326, respectively. Exempt employees are covered by the IU Retirement Plan. This is a defined contribution plan with three funding levels. In addition, the University provides early retirement benefits to certain appointed academic and professional staff.

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Notes to Financial Statements  
June 30, 2006 and June 30, 2005  
(Continued)

These employees are covered by the IUSERP (IU Supplemental Early Retirement Program) or the 18/20 Retirement Plan. The IU Retirement Plan, IUSERP, and the 18/20 Retirement Plan pension expenses for the years ended June 30, 2006, and June 30, 2005, were \$215,927 and \$221,633, respectively. Complete details of these plans can be found in the Indiana University Annual Financial Report.

7. Accounts Payable and Accrued Expenses

The Station's accounts payable and accrued expenses at June 30, 2006, and June 30, 2005, were primarily accrued payroll.