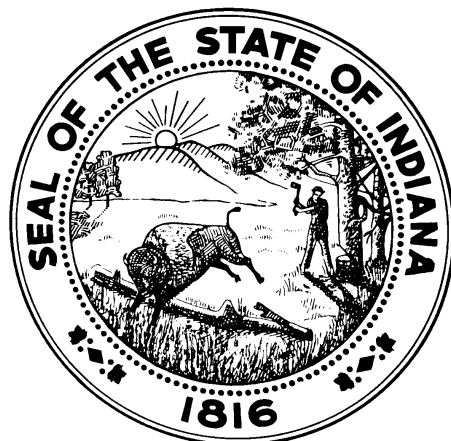


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF

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

July 1, 2006 to June 30, 2007



**FILED**  
12/31/2007



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## 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 Dr. Neil D. Theobald	08-01-94 to 07-31-07 08-01-07 to 06-30-08
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	Stephen L. Ferguson	08-19-05 to 08-17-07



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**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, 2007 and 2006. 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, 2007 and 2006, 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 inquiries 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

*State Board of Accounts*

December 27, 2007

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2007 and June 30, 2006

WTIU-TV (the Station) presents its audited financial statements for the year ending June 30, 2007, along with comparative data for the year ending June 30, 2006. 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 2007 to 2006. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Assets

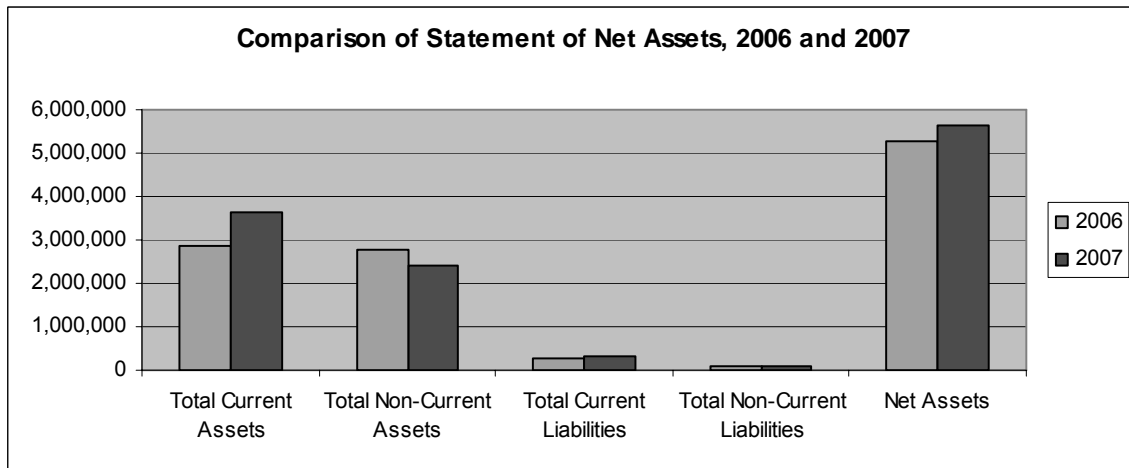
Total assets at June 30, 2007 were \$6,026,911, an increase of \$393,439. Capital net assets comprised \$2,398,065 of the \$6,026,911 in assets.

Total liabilities were \$401,791 at June 30, 2007, an increase of \$43,745. Non-current liabilities comprised 24.13% or \$96,935 of the liabilities at June 30, 2007. The Station had no outstanding debt obligations.

Total net assets at June 30, 2007 were \$5,625,120, a \$349,694 increase from the prior year, or a 6.63% increase in net assets. The breakout of net assets is shown below:

Capital assets	\$ 2,398,065
Restricted net assets	53,839
Unrestricted net assets	<u>3,173,216</u>
Total net assets	<u>\$ 5,625,120</u>

The composition of current and non-current assets and liabilities is displayed below for both the 2006 and 2007 fiscal year-ends:



Statement of Revenues, Expenses, and Changes in Net Assets

Revenues

## WTIU-TV

A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2007 and June 30, 2006

Operating revenues at WTIU-TV for the June 30, 2007 fiscal year increased by 15.99% from the previous year. Operating revenue changes were the result of the following factors:

- Facility sales and services increased due to more production-for-hire activity.
- Other income from the CPB and PBS increased due to the CPB Ready to Read grant.
- Miscellaneous grants increased due to the awarding of a grant from the National Commission on Teaching and America's Future (NCTAF) to produce a video vignette and host a forum on the MetLife Learning Teams initiative.
- The Corporation for Public Broadcasting (CPB) Community Service Grant decreased due to a 6.8% decrease in non-federal financial support (NFFS) for the Station.

Total non-operating revenues were up 4.11% from June 30, 2006, from \$3,838,291 to \$3,996,075. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Indiana University-Bloomington campus general fund support increased due to a vacancy at sister station, WFIU, which shifted resources to the TV Station.
- Indiana University donated administrative support was \$451,523, an increase of 12.39% 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 \$477,991, an increase of 13.51% over the prior year due to an increase in both the number of individual donors and the average individual gift.
- Corporate and foundation contributions were \$234,239 a decrease of 11.46% from the prior year due to the loss of a major corporate donor.
- In-kind support was \$24,149, an increase from the prior year due to an increase in underwriting trade-out agreements.

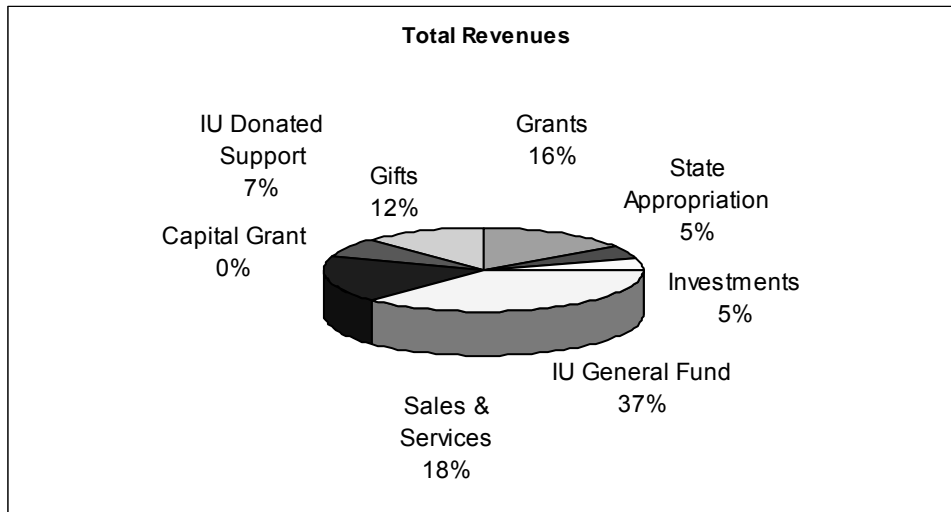
For other non-operating income:

- The fair value of the Station's investments in the Indiana University Foundation Pooled Long-Term Fund increased by \$232,479 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 \$8,000 from the US Department of Commerce's NTIA/PTFP for the purchase of digitally compatible TV studio cameras and lenses. This was a decrease in grant revenues from the prior year.

WTIU-TV  
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Management's Discussion and Analysis  
June 30, 2007 and June 30, 2006

In summary, total revenues of the Station increased by \$313,416 from \$5,709,187 in 2006 to \$6,022,603 in 2007, an overall increase of 5.49%. The compositions of these revenues are displayed in this graph:



#### Expenses

Operating expenses were \$5,661,799 for the 2007 fiscal year. This was an increase over the previous fiscal year of \$111,720 or 2.01%. Changes in the major categories of expenses were:

For all functional areas:

- Professional staff received a one-time 1% bonus in lieu of a salary increase and support staff received a 2.5% average salary increase. The professional staff fringe benefit rate increased by 1.61% for non-grant accounts and 1.53% for grant accounts. The support staff fringe benefit rate increased by .41%.
- Accrued vacation and sick leave costs increased by \$1,519.

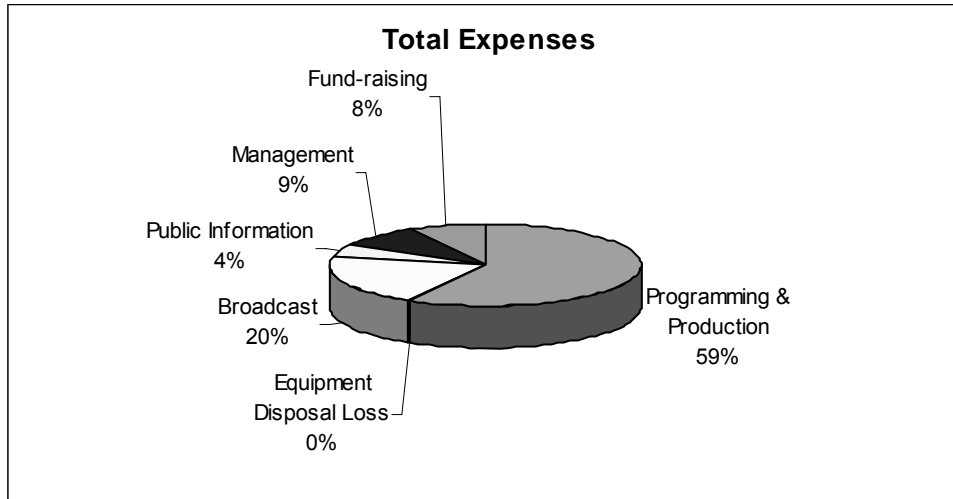
For specific functional areas:

- Programming and production costs increased due to a 5.66% increase in Public Broadcasting Service's network and program fees and the filling of two WTIU vacancies, the News Director and the Producer of Children's Programming.
- Broadcasting costs decreased again due to the continuing hiatus in the ongoing conversion to digitally compatible TV studio/control room production equipment.
- Public information and promotion costs increased due to an increase in the Ready to Read/Ready to Learn outreach efforts.
- Management and general expenses increased due to compensation cost increases.
- Fund-raising, membership development, and underwriting solicitation costs increased due to full staffing in the corporate development unit and a 40.29% increase in underwriting/corporate commissions.

The Station had a non-operating loss of \$11,110 on the disposal of capital assets in 2007. There was no loss in 2006.

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
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June 30, 2007 and June 30, 2006

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



#### Net Assets

Net assets increased by \$349,694 in 2007, compared to a \$159,108 increase in net assets in 2006. The operating loss decreased by \$166,586 from the previous fiscal year and the net non-operating revenues increased by \$157,784. Ending net assets were \$5,625,120, compared to ending net assets in 2006 of \$5,275,426. This was a 6.63% 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, 2007</u>	<u>June 30, 2006</u>
Net cash provided (used) by:		
Operating activities	(\$2,660,617)	(\$2,894,960)
Noncapital financing activities	3,232,633	3,239,963
Capital and related financing activities	(94,976)	75,036
Investing activities	<u>24,094</u>	<u>94,614</u>
Net increase in cash	501,134	514,653
Beginning cash and cash equivalent balances	<u>1,297,941</u>	<u>783,288</u>
Ending cash and cash equivalent balances	<u>\$1,799,075</u>	<u>\$1,297,941</u>

WTIU-TV  
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Management's Discussion and Analysis  
June 30, 2007 and June 30, 2006

Cash used by operating activities decreased by \$234,343. This decrease in the use of cash was the result of decreases in most operating expenses and an increase in sales and services' revenues.

Noncapital financing activities decreased by \$7,330. This decrease was the result of decreases in the general fund support from Indiana University which was not offset by the increase in contributions.

Cash used by capital and related financing activities decreased by \$170,012 due an 85.08% increase in equipment purchases and a 93.88% decrease in capital grants received. Equipment purchased for less than \$5,000, the capitalization threshold, was recorded as operating expenses.

Cash provided by investing activities decreased by \$70,520 due to a decrease in the sale of investments and an increase in the purchase of investments.

In summary, the net increase in cash and cash equivalents in 2007 was due primarily to the increases in contributions and sales and services' revenues and the increase in operating expenses.

Capital Assets

At June 30, 2007, the Station had \$2,398,065 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2007, and June 30, 2006, totaled \$476,295 and \$491,570, respectively. Details of these assets are shown below:

Net Capital Assets at Year-End	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Transmission, Antenna, and Tower	\$ 1,931,565	\$ 2,210,503
Studio and Other Broadcast Equipment	445,707	508,390
Furniture and Fixtures	<u>20,793</u>	<u>31,152</u>
 Capital Assets, Net	 <u>\$2,398,065</u>	 <u>\$2,750,045</u>

Major capital purchases for the year totaled \$135,425 and included:

- o XDCAM HD Camcorder package.
- o Two fiber transmit/receive systems.
- o Media Composer Adrenaline with DN Excel board.
- o Nielson Audio Encoder.

The Station has planned capital expenditures for the fiscal year ending June 30, 2008 at approximately \$1,307,598. Included in this are:

- o Two high definition TV (HDTV) field packages.
- o High definition conversion of production facilities.
- o Digital production equipment including three studio cameras and lenses.

WTIU-TV  
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Management's Discussion and Analysis  
June 30, 2007 and June 30, 2006

- o Miscellaneous server/computer hardware and software 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. For 2008 the Station expects an increase in support from Indiana University to help partially fund salary increases. From the State of Indiana, The Station expects to eventually receive an additional \$92,800 but a portion of that increase is already committed to funding IPBS sanctioned state-wide initiatives for 2008.

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 modest growth in revenues from contributions and no growth in revenues from production services. The Station anticipates a 4.85% decrease in federal support from the Corporation for Public Broadcasting for operating expenses. For equipment, the Station has been awarded a grant from the US Department of Commerce's NTIA/PTFP for \$347,850 for conversion of the production facilities to high definition. The DOC NTIA/PTFP grant requires a match of \$347,850 for equipment purchases, to be funded by the Station from non-federal sources. The DOC NTIA/PTFP grant is in effect from 10/01/2007 through 3/31/2009. In addition, the Station has until 03/31/2008 to spend its 2007 \$225,000 equipment grant from the DOC NTIA/PTFP and the corresponding match of \$225,000. The Station is waiting for the signing of the Sony Alliance, a strategic partnership between Indiana University and Sony Corporation, in order to take advantage of the Sony Alliance's anticipated preferred pricing.

The Station has also been awarded a \$76,000 grant from the Bloomington Provost's fund for digital production equipment acquisitions. The Bloomington Provost's grant will help fund the Station's match for the 2007 DOC NTIA/PTFP grant.

Funding for digital services and the remaining 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, 2007 and 2006

	2007	2006
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,799,075	\$ 1,297,941
Other Receivables, Net of Allowance for Doubtful Accounts of \$800 in 2007 and \$1,912 in 2006	16,592	54,772
Costs Incurred for Programming Not Yet Broadcast	6,188	3,556
Prepaid and Other	7,328	9,714
Investments (Note 2)	1,799,663	1,517,444
Total Current Assets	3,628,846	2,883,427
Noncurrent assets:		
Property and Equipment (Note 3): Television and Other Equipment, Net of Accumulated Depreciation of \$3,870,131 in 2007 and \$3,394,469 in 2006	2,398,065	2,750,045
Total Assets	\$ 6,026,911	\$ 5,633,472
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 78,392	\$ 48,131
Funding for Programming Not Yet Broadcast	21,464	8,431
Long-Term Liabilities - Current Portion	205,000	200,000
Total Current Liabilities	304,856	256,562
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	96,935	101,484
Total Liabilities	401,791	358,046
<u>Net Assets</u>		
Invested in Capital Assets	2,398,065	2,750,045
Restricted For Expendable Station Activities:		
Educational Programs and Interconnection	53,839	47,305
Unrestricted	3,173,216	2,478,076
Total Net Assets	5,625,120	5,275,426
Total Liabilities and Net Assets	\$ 6,026,911	\$ 5,633,472

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, 2007 and 2006

	2007	2006
<u>Operating Revenues</u>		
CPB Community Service Grant	\$ 886,217	\$ 920,928
Facility Sales and Services	1,029,009	756,546
Other Income From CPB and PBS	70,799	55,585
Miscellaneous Grants	16,206	5,184
Event Income	995	-
Royalty Income	15,302	1,979
Total Operating Revenues	2,018,528	1,740,222
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	3,291,634	3,287,983
Broadcasting	1,159,668	1,169,179
Public Information and Promotion	253,061	228,508
Total Program Expenses	4,704,363	4,685,670
Supporting Services:		
Management and General	501,836	462,098
Fundraising, Membership Development, and Underwriting Solicitation	455,600	402,311
Total Supporting Expenses	957,436	864,409
Total Operating Expenses	5,661,799	5,550,079
Operating Loss	(3,643,271)	(3,809,857)
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	2,223,148	2,284,665
Donated Facilities and Administrative Support From Indiana University	451,523	401,742
Appropriation From State of Indiana	278,140	278,140
Individual Contributions	477,991	421,085
Corporate/Foundation Contributions	234,239	264,568
In-Kind Support - Other	24,149	840
Interest and Dividends	74,259	67,244
Net Increase in the Fair Value of Investments	232,479	118,582
Gain on Sale of Investments	147	1,425
Loss on Disposal of Capital Assets	(11,110)	-
Net Nonoperating Revenues	3,984,965	3,838,291
Income Before Other Revenues, Expenses, Gains, or Losses	341,694	28,434
Capital Grant - DOC NTIA/PTFP	8,000	-
Capital Grant - CPB	-	130,674
Increase in Net Assets	349,694	159,108
<u>Net Assets</u>		
Net assets - Beginning of Year	5,275,426	5,116,318
Net Assets - End of Year	\$ 5,625,120	\$ 5,275,426

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
Grants	\$ 958,799	\$ 1,009,691
Sales and Services	1,063,748	769,673
Payments to Employees	(2,869,314)	(2,938,776)
Payments to Vendors	(1,804,761)	(1,734,429)
Payments to Reimburse Employees	(41,626)	(18,126)
Other Receipts	<u>32,537</u>	<u>17,007</u>
Net Cash Used by Operating Activities	<u>(2,660,617)</u>	<u>(2,894,960)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	2,225,392	2,276,364
Appropriation From State of Indiana	278,140	278,140
Contributions	<u>729,101</u>	<u>685,459</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,232,633</u>	<u>3,239,963</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grant	8,000	130,674
Purchase of Capital Assets	<u>(102,976)</u>	<u>(55,638)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(94,976)</u>	<u>75,036</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	1,694	32,773
Purchase of Investments	(51,299)	(4,927)
Interest and Dividends on Investments	<u>73,699</u>	<u>66,768</u>
Net Cash Provided/(Used) by Investing Activities	<u>24,094</u>	<u>94,614</u>
Net Increase/(Decrease) in Cash	501,134	514,653
Cash and Cash Equivalents - Beginning of Year	<u>1,297,941</u>	<u>783,288</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,799,075</u>	<u>\$ 1,297,941</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (3,643,271)	\$ (3,809,857)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	476,295	491,570
Bad Debt Expense	(1,113)	(6,077)
Donated Facilities and Administrative Support From Indiana University	451,523	401,742
In-Kind Support - State of Indiana/Other	24,149	840
(Increase) Decrease in Assets:		
Grant Receivable	-	36,211
Other Receivables, Net of Allowance for Doubtful Accounts	33,782	18,339
Costs Incurred for Programming Not Yet Broadcast	(2,632)	9,961
Prepaid and Other	2,386	(6,152)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(2,187)	(30,469)
Long-Term Liabilities - Current Portion	5,000	-
Long-Term Liabilities	<u>(4,549)</u>	<u>(1,068)</u>
Net Cash Used by Operating Activities	<u>\$ (2,660,617)</u>	<u>\$ (2,894,960)</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, 2007 and June 30, 2006

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, 2007 and June 30, 2006  
(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 2007.

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, 2007.

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, 2007, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$1,381,117 and had a fair value of \$1,799,663 at June 30, 2007.

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Notes to Financial Statements  
June 30, 2007 and June 30, 2006  
(Continued)

3. Property and Equipment

	Beginning Balance	Additions	Retirements	Ending Balance
Transmission, Antenna, and Tower	\$ 3,767,676	\$ 64,752	\$ -	\$ 3,832,428
Studio and Other Broadcast Equipment	2,216,184	164,398	105,468	2,275,114
Furniture and Fixtures	160,654	-	-	160,654
	<u>6,144,514</u>	<u>229,150</u>	<u>105,468</u>	<u>6,268,196</u>
Less Accumulated Depreciation:				
Transmission, Antenna, and Tower	1,557,173	343,690	-	1,900,863
Studio and Other Broadcast Equipment	1,707,794	215,971	94,358	1,829,407
Furniture and Fixtures	129,502	10,359	-	139,861
	<u>3,394,469</u>	<u>570,020</u>	<u>94,358</u>	<u>3,870,131</u>
Capital Assets, Net	<u>\$ 2,750,045</u>	<u>\$ (340,870)</u>	<u>\$ 11,110</u>	<u>\$ 2,398,065</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, 2007, and June 30, 2006, was \$476,295 and \$491,570, respectively, and was charged to the major functional areas as follows:

	2007	2006
Programming and Production	\$ 127,529	\$ 140,814
Broadcasting	345,540	347,082
Public Information and Promotion	604	731
Management and General	1,381	1,545
Fundraising, Membership Development, and Underwriting	1,241	1,398
	<u>1,241</u>	<u>1,398</u>
Total Depreciation Expense	<u>\$ 476,295</u>	<u>\$ 491,570</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:

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Capital Assets	DOC Grant No.	Original Cost	Lien Through
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 \$248,323 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 \$5,352. 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, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 301,484	\$ 217,809	\$ 217,358	\$ 301,935	\$ 205,000

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, 2007, and June 30, 2006, were \$35,133 and \$40,351, 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. These employees are covered by the IUSERP (IU Supplemental Early Retirement

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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, 2007, and June 30, 2006, were \$220,735 and \$215,927, 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, 2007, and June 30, 2006, were primarily accrued payroll.