

**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, 2014 to June 30, 2015



**FILED**  
03/08/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Michael A. McRobbie	07-01-14 to 06-30-20
University Senior Vice President, Chief Financial Officer and Treasurer	MaryFrances McCourt	07-01-14 to 06-30-15
University Treasurer	Donald S. Lukes	07-01-15 to 06-30-16
Chairman of the Board of Trustees	Thomas E. Reilly, Jr. Randall L. Tobias	08-09-13 to 08-07-14 08-08-14 to 06-30-16
Executive Director of Radio and TV Services	Perry Metz	07-01-14 to 06-30-16



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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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the WTIU-TV's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WTIU-TV's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Opinions**

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of WTIU-TV, a public telecommunications entity owned and operated by Indiana University, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in accordance with accounting principles generally accepted in the United States of America.


**Emphasis of Matter**

As discussed in Note 1, the financial statements of WTIU-TV, a public telecommunications entity owned and operated by Indiana University, 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, 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

January 13, 2016

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2015, June 30, 2014 and Comparative Information for June 30, 2013

WTIU-TV (the Station) presents its audited financial statements for the year ended 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 2015 to 2014. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Position

Total assets at June 30, 2015, were \$5,691,726, an increase of \$283,327. Net capital assets comprised \$1,018,695 of the total assets.

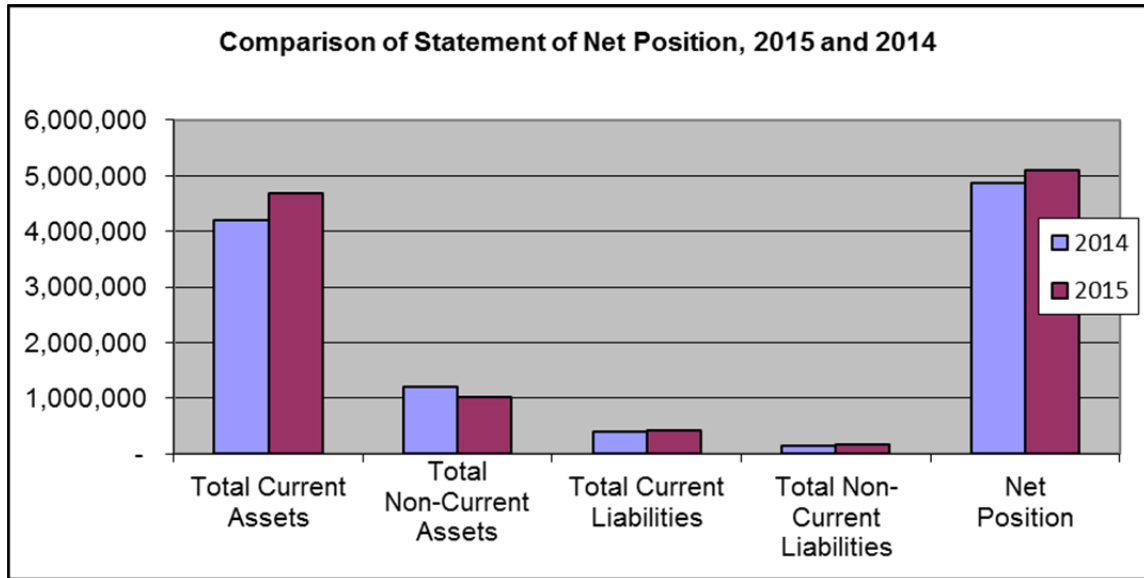
Total liabilities were \$591,907 at June 30, 2015, an increase of \$43,022. Non-current liabilities were 27% or \$160,016 of the liabilities at June 30, 2015. The Station had no outstanding debt obligations.

Total net position at June 30, 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, 2015, 2014 and 2013 is summarized as follows:

<b>CONDENSED STATEMENT OF NET POSITION - WTIU</b>			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2015</i>	<i>June 30, 2014</i>	<i>June 30, 2013</i>
Current Assets	4,673,031	4,192,548	3,402,700
Non Current Assets/Capital Assets	1,018,695	1,215,851	1,524,433
<b>Total Assets</b>	<b>5,691,726</b>	<b>5,408,399</b>	<b>4,927,133</b>
Current Liabilities	431,891	399,632	320,400
Long Term Liabilities	160,016	149,253	126,014
<b>Total Liabilities</b>	<b>591,907</b>	<b>548,885</b>	<b>446,414</b>
Net Investments in Capital Assets	1,018,695	1,215,851	1,524,433
Restricted for Expendable Station Activities	103,078	98,805	117,259
Unrestricted	3,978,046	3,544,858	2,839,027
<b>Total Net Position</b>	<b>5,099,819</b>	<b>4,859,514</b>	<b>4,480,719</b>

WTIU-TV  
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(Continued)

The composition of current and non-current assets and liabilities and net position is displayed below for both the 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, 2015</i>	<i>June 30, 2014</i>	<i>June 30, 2013</i>
Operating Revenues	2,602,978	2,450,325	2,043,275
Operating Expenses	(6,689,573)	(6,897,932)	(6,592,491)
Total Operating Loss	(4,086,595)	(4,447,607)	(4,549,216)
Nonoperating Revenues	4,326,900	4,732,233	4,449,087
Income Before Other Revenues, Expenses, Gains, or Losses	240,305	284,626	(100,129)
Other Revenues/Capital Grant		94,169	135,511
<b>Increase in Net Position</b>	<b>240,305</b>	<b>378,795</b>	<b>35,382</b>
Net Position - Beginning of Year	4,859,514	4,480,719	4,445,337
<b>Net Position - End of Year</b>	<b>5,099,819</b>	<b>4,859,514</b>	<b>4,480,719</b>

Revenues

Operating revenues at WTIU-TV for the June 30, 2015, fiscal year increased by 6.23% from the previous year.

WTIU-TV  
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 (Continued)

Operating revenue changes were the result of the following factors:

- Sales and services (including royalty and event income) increased by \$222,109 (17.21%).
- Investment revenues decreased by 51% due to smaller unrealized gains
- There were no capital grants in fiscal year 2015

Total 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 the following factors:

For Indiana University-Bloomington support:

- Campus general fund support for TV decreased by \$271,121.
- Indiana University donated administrative support was \$412,007, down 1.29% 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 \$544,648, a decrease of 3.31% over the prior year.
- Corporate and foundation contributions were \$203,747, an increase of 1.93% from the prior year.
- The Station received \$7,868 in endowment gifts in fiscal year 2015, which reflects an increase of \$1,698.
- In-kind support was \$20,846, reflecting efforts to better document advertising contributions.

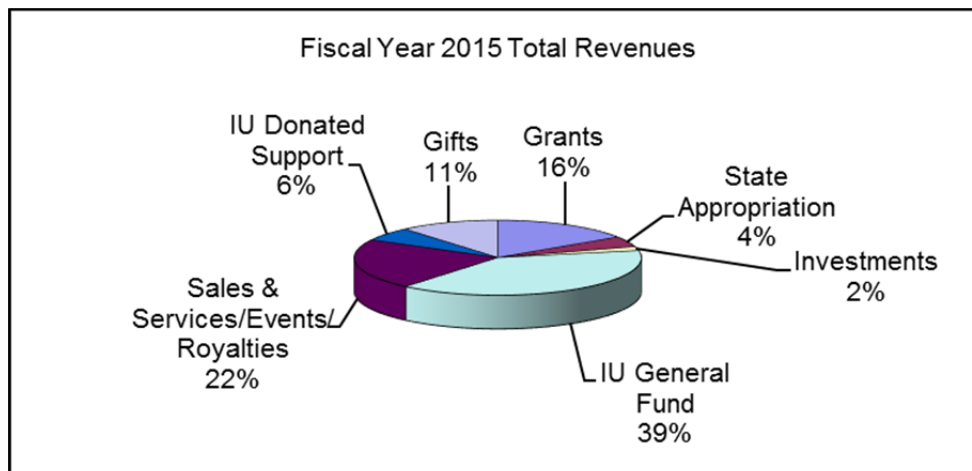
For other non-operating income:

- Interest and dividends earned by the Indiana University Foundation Pooled funds increased 18.13%.
- State appropriation decreased slightly by \$4,901.
- The slowed increase in the market value of the Station's investments in the Indiana University Foundation Pooled Long-Term Fund resulted in an unrealized gain of \$8,477.

For capital:

- The Station received \$0 in capital funding for fiscal year 2015.

In summary, total revenues of the Station decreased by \$346,850 from \$7,276,727 in 2014 to \$6,929,877 in 2015, an overall decrease of 4.77%. The compositions of these revenues are displayed in the following graph:



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 Management's Discussion and Analysis  
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 (Continued)

Expenses

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:



Net Position

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

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2015, June 30, 2014 and Comparative Information for June 30, 2013  
(Continued)

Statement of Cash Flows

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

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, 2015</i>	<i>June 30, 2014</i>	<i>June 30, 2013</i>
Net Cash Used by:			
Operating Activities	(3,137,702)	(3,567,838)	(3,486,471)
Noncapital Financing Activities	3,761,754	4,061,322	3,759,771
Capital and Related Financing Activities	(221,677)	(2,300)	(159,178)
Investing Activities	(334,119)	(208,894)	(119,071)
Net Increase (Decrease) in Cash and Cash Equivalents	68,256	282,290	(4,949)
Beginning Cash and Cash Equivalents	1,607,640	1,325,350	1,330,299
<b>Ending Cash and Cash Equivalents</b>	<b>1,675,896</b>	<b>1,607,640</b>	<b>1,325,350</b>

Cash used by operating activities decreased by \$430,136. This decrease is the result of increased sales & services and lower payments to employees.

Cash flows from noncapital financing activities decreased by \$299,568, primarily in university support.

Cash flows from capital and related financing activities decreased by \$219,377 due to the purchase of several new capital assets. Equipment purchased for less than the \$5,000 capitalization threshold was recorded as operating expenses.

Cash used by investing activities increased by \$125,225, primarily to the purchase of investments.

In summary, there was a net increase of \$68,256 in cash and cash equivalents in 2015.

Capital Assets

At June 30, 2015, the Station had \$1,018,695 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ended June 30, 2015, and June 30, 2014, totaled \$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:

WTIU-TV  
A Public Telecommunications Entity Owned and Operated by Indiana University  
Management's Discussion and Analysis  
June 30, 2015, June 30, 2014 and Comparative Information for June 30, 2013  
(Continued)

Net Capital Assets at Year-End	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Transmission, Antenna, and Tower	\$ 425,015	\$ 461,369
Studio and Other Broadcast Equipment	593,680	754,482
Furniture and Fixtures	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$1,018,695</u>	<u>\$1,215,851</u>

Capital additions for the year totaled \$242,424 and included the following:

Wireless Camera System	\$ 65,558
Carbon Encoder	9,176
Yamaha Digital Mixer	6,398
2 Sony XDCAM Camcorders	12,598
Leaf HDMI HDBaseT A/V Matrix switch	14,500
Toshiba Supermicro SuperStorage Server	9,875
Evertz Master Clock System	10,349
Dell PowerEdge R630 Server	6,961
2 Grass Valley TeleThon 3G Multichannel Wavelength Managers	42,800
ETC Ion1000 Lighting Control Console	9,152
Aten KM0932 Matrix KVM Switch	5,104
TBC IntelliTrac PlayBack Station Console	9,108
NVerison NCONTROL ROUTER	<u>40,845</u>
Total Capital Additions	<u>\$242,424</u>

Planned capital expenditures for fiscal year 2016 include a BTI server, Grass Valley K2 server/storage, automation, router, and ENG camera replacements. Software updates and other equipment refreshes will continue, but these are expected to be below the capital threshold.

#### Economic Outlook

The coming year will see the long-awaited FCC spectrum auction. Regardless of whether any stations are purchased in the Indianapolis market, some will be repacked (involuntarily moved to another spot on the dial); those repacking costs, though large, will be paid by the FCC, if they occur. State funding for public broadcasting stations has increased, as has our production income. This has enabled us to make important capital replacements, keeping us up to date on critical broadcasting equipment. Federal funding is holding steady while membership income is down slightly. Overall, the station remains in a strong financial position which is especially important now; in coming years, it is likely that a new technical standard will be adopted for television and new equipment may be needed.

## 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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and Cash Equivalents (Note 1)	\$ 1,675,896	\$ 1,607,640
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2015 and \$0 in 2014	73,199	116,499
Investments (Note 2)	<u>2,923,936</u>	<u>2,468,409</u>
Total Current Assets	<u>4,673,031</u>	<u>4,192,548</u>
Noncurrent Assets:		
Property and Equipment (Note 3):		
Television and Other Equipment, Net of Accumulated Depreciation of \$6,729,735 in 2015 and \$6,431,508 in 2014.	<u>1,018,695</u>	<u>1,215,851</u>
Total Assets	<u>\$ 5,691,726</u>	<u>\$ 5,408,399</u>
<b><u>Liabilities</u></b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 149,778	\$ 103,731
Funding for Programming Not Yet Broadcast	14,813	21,241
Long-Term Liabilities - Current Portion	<u>267,300</u>	<u>274,660</u>
Total Current Liabilities	<u>431,891</u>	<u>399,632</u>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	<u>160,016</u>	<u>149,253</u>
Total Liabilities	<u>591,907</u>	<u>548,885</u>
<b><u>Net Position</u></b>		
Net Investments in capital assets	1,018,695	1,215,851
Restricted for Expendable Station Activities	103,078	98,805
Unrestricted	<u>3,978,046</u>	<u>3,544,858</u>
Total Net Position	<u>5,099,819</u>	<u>4,859,514</u>
Total Liabilities and Net Position	<u>\$ 5,691,726</u>	<u>\$ 5,408,399</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Operating Revenues</u></b>		
CPB Community Service Grant	\$ 1,063,679	\$ 1,102,392
Facility Sales and Services	1,506,240	1,229,926
Other Income From CPB and PBS	22,576	29,844
Miscellaneous Grants	4,295	27,770
Royalty Income	6,188	60,393
Total Operating Revenues	<u>2,602,978</u>	<u>2,450,325</u>
<b><u>Operating Expenses</u></b>		
Program Services:		
Programming and Production	4,210,150	4,485,347
Broadcasting	725,265	707,704
Public Information and Promotion	<u>360,627</u>	<u>354,414</u>
Total Program Expenses	<u>5,296,042</u>	<u>5,547,465</u>
Supporting Services:		
Management and General	826,497	750,971
Fundraising, Membership Development, and Underwriting Solicitation	<u>567,034</u>	<u>599,496</u>
Total Supporting Expenses	<u>1,393,531</u>	<u>1,350,467</u>
Total Operating Expenses	<u>6,689,573</u>	<u>6,897,932</u>
Operating Loss	<u>(4,086,595)</u>	<u>(4,447,607)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
General Fund Support From Indiana University	2,702,274	2,973,395
Donated Facilities and Administrative Support From Indiana University	412,007	417,381
Appropriation From State of Indiana	312,051	316,952
Individual Contributions	544,648	563,293
Corporate/Foundation Contributions	203,747	199,889
Endowment Contributions	7,868	6,170
In-Kind Support - Other	20,846	3,999
Interest and Dividends	115,048	97,390
Net Increase (Decrease) in the Fair Value of Investments	8,477	153,783
Loss on Sale of Investments	(66)	(19)
Net Nonoperating Revenues	<u>4,326,900</u>	<u>4,732,233</u>
Income Before Other Revenues, Expenses, Gains, or Losses	<u>240,305</u>	<u>284,626</u>
Capital grants	-	94,169
Increase (Decrease) in Net Position	<u>240,305</u>	<u>378,795</u>
<b><u>Net Position</u></b>		
Net Position - Beginning of Year	<u>4,859,514</u>	<u>4,480,719</u>
Net Position - End of Year	<u>\$ 5,099,819</u>	<u>\$ 4,859,514</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities:</b>		
Grants	\$ 1,180,752	\$ 1,060,854
Sales and Services	1,463,795	1,273,601
Payments to Employees	(3,284,193)	(3,468,140)
Payments to Vendors	(2,504,243)	(2,494,546)
Payments to Reimburse Employees		
Other Receipts	<u>6,187</u>	<u>60,393</u>
Net Cash Used by Operating Activities	<u>(3,137,702)</u>	<u>(3,567,838)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
General Fund Support From Indiana University	2,702,274	2,973,194
Appropriation From State of Indiana	312,051	316,952
Contributions	<u>747,429</u>	<u>771,176</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,761,754</u>	<u>4,061,322</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital Grant	-	94,169
Proceeds From Sale of Capital Assets	20,747	-
Purchase of Capital Assets	<u>(242,424)</u>	<u>(96,469)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(221,677)</u>	<u>(2,300)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds From Sales of Investments	9	733
Purchase of Investments	(447,125)	(306,238)
Interest and Dividends on Investments	<u>112,997</u>	<u>96,611</u>
Net Cash Used by Investing Activities	<u>(334,119)</u>	<u>(208,894)</u>
Net Increase (Decrease) in Cash	68,256	282,290
Cash and Cash Equivalents - Beginning of Year	<u>1,607,640</u>	<u>1,325,350</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,675,896</u>	<u>\$ 1,607,640</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>		
Operating Loss	\$ (4,086,595)	\$ (4,447,607)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	418,833	405,051
Bad Debt Expense	-	-
Donated Facilities and Administrative Support From Indiana University	412,007	417,381
In-Kind Support - State of Indiana/Other	20,846	3,999
(Increase) Decrease in Assets:		
Grant Receivable	90,402	(90,402)
Other Receivables, Net of Allowance for Doubtful Accounts	(42,645)	34,825
Costs Incurred for Programming Not Yet Broadcast	-	3,063
Prepaid and Other	-	2,304
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	46,047	5,649
Long-Term Liabilities - Current Portion	(7,360)	74,660
Long-Term Liabilities	<u>10,763</u>	<u>23,239</u>
Net Cash Used by Operating Activities	<u>\$ (3,137,702)</u>	<u>\$ (3,567,838)</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, 2015 and June 30, 2014

**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.

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

C. Operating Revenues

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

D. Revenue Recognition - Unrestricted

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

E. Revenue Recognition - Restricted

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

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

Costs incurred for programs not yet broadcast relate to programs produced by the Station that will be initially broadcast subsequent to the fiscal year-end. This classification includes costs of program and film rights and licenses acquired prior to the fiscal year-end, and initially utilized subsequent to the fiscal year-end. Unearned restricted contributions and grants that support these acquisitions are deferred in the accompanying Statement of Net Position. Concurrent with initial broadcasting of the programs, their costs will be reported as incurred operating expenses and related financing will be reported as earned revenues in the Statement of Revenues, Expenses, and Changes in Net Position.

G. Statement of Cash Flows

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

H. Functional Allocation of Expenses

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

I. Income Taxes

The Station is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for fiscal year 2015.

J. Investment Valuation

Investments are presented in the financial statements at fair market value as of June 30, 2015.

K. Use of Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Station first applies the restricted resources. Once the restricted resources are depleted, the Station then applies its unrestricted resources.

L. Capital Assets

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

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M. Restricted Net Position

The FY 2015 financial statements report \$103,078 of restricted net position, of which \$21,038 is restricted by enabling legislation. For FY 2014, of the \$98,805 restricted net position, \$21,125 was restricted by enabling legislation.

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:

	<u>FY 2015</u>	<u>FY 2014</u>
Indiana University	\$1,434,724	\$1,521,491
Indiana University Foundation	241,172	86,149
Total Cash and Cash Equivalents	<u>\$1,675,896</u>	<u>\$1,607,640</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, 2015, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$2,717,508 and had a fair market value of \$2,923,936. Pooled investments at June 30, 2014, had a cost basis of \$2,273,518 and a fair market value of \$2,468,409.

**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

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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.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Station will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. WTIU-TV does not have a formal investment policy for custodial credit risk for investments. The Station relies on Indiana University and Indiana University Foundation investment policies.

The Station’s pooled investments held by Indiana University Foundation are detailed in the investment paragraph B above. The custodial credit risk could not be determined at June 30, 2015 and 2014, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WTIU-TV does not have a formal investment policy for interest rate risk for investments. The Station relies on Indiana University and Indiana University Foundation investment policies.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. WTIU-TV does not have a formal investment policy for credit risk for investments. The Station relies on Indiana University and Indiana University Foundation investment policies.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. WTIU-TV does not have a policy in regards to concentration of credit risk. The Station relies on Indiana University and Indiana University Foundation investment policies.

Foreign Currency Risk

WTIU-TV does not have a formal policy in regards to foreign currency risk. The Station relies on the Indiana University and Indiana University Foundation investment policies.

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**3. Property and Equipment**

Donated assets from the university are recorded by the Station at the acquisition price of the university. The depreciation expenses by the university are recorded on the Station's records as accumulated depreciation. There were no donated assets during fiscal year 2015. The Station acquired one donated asset classified as Studio and Other Broadcast Equipment during fiscal year 2014 with a cost and accumulated depreciation of \$33,134. This asset is included in the "Additions" column in the fiscal year 2014 chart below.

FY15 TV footnote	Beginning Balance	Additions	Retirements	Ending Balance
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
Total	7,647,359	242,424	141,353	7,748,430
Less Accumulated Depreciation				
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
Total Accumulated Depreciation	6,431,508	418,833	120,606	6,729,735
Capital Assets, Net	1,215,851	(176,409)	20,747	1,018,695

FY14 TV footnote	Beginning Balance	Additions	Retirements	Ending Balance
Transmission, Antenna, and Tower	3,395,491	209,710	0	3,605,201
Studio and Other Broadcast Equipment	4,089,551	(80,107)	15,098	3,994,346
Furniture and Fixtures	61,904	0	14,092	47,812
Total	7,546,946	129,603	29,190	7,647,359
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	3,042,247	101,585	0	3,143,832
Studio and Other Broadcast Equipment	2,918,362	336,600	15,098	3,239,864
Furniture and Fixtures	61,904	0	14,092	47,812
Total Accumulated Depreciation	6,022,513	438,185	29,190	6,431,508
Capital Assets, Net	1,524,433	(308,582)	0	1,215,851

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Depreciation expense for the years ended June 30, 2015, and June 30, 2014, were charged to the major functional areas as follows:

Depreciation Expense	<u>2015</u>	<u>2014</u>
Programming and Production	327,355	303,466
Broadcasting	91,478	101,585
Public Information and Promotion	0	0
Management and General	0	0
Fundraising, Membership Development, and Underwriting	0	0
<b>Total Depreciation Expense</b>	<b>418,833</b>	<b>405,051</b>

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

<u>Capital Assets</u>	<u>DOC Grant No.</u>	<u>Original Cost</u>	<u>Lien Through</u>
Digital 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. In-Kind Support

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

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

Institutional support is estimated at \$165,080 for FY 2015 and \$170,590 for FY 2014, and is computed using operating expenses as the base.

Physical plant is estimated at \$31,991 for FY 2015 and was \$29,742 for FY 2014. 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.

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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 \$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, 2015, and June 30, 2014, was as follows:

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

Fiscal Year 2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	\$326,014	\$240,436	\$252,577	\$313,873	\$230,000	\$83,873
Postemployment ERIP Benefits-Health Reimbursement Accounts		\$110,040		\$110,040	\$44,660	\$65,380

**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, 2015, and June 30, 2014, were \$64,069 and \$74,508, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2015, and June 30, 2014, were \$236,146 and \$246,019, respectively. Postemployment contributions to health savings accounts for the early retirement incentive programs totaled \$52,300 for the year ended June 30, 2015 and \$56,560 for the year ended June 30, 2014.

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- 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

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under the authority of the trustees. The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to early retirement incentive plans, approved by executive management in fiscal years 2011 and 2014, which include five years of annual contributions to a health reimbursement account.

**7. Accounts Payable and Accrued Expenses**

The Station's accounts payable and accrued expenses at June 30, 2015, and June 30, 2014, were primarily accrued payroll.