

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

FINANCIAL STATEMENTS
AUDIT REPORT

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

July 1, 2016 to June 30, 2017



FILED
02/12/2019

*This report was reissued to
correct amounts reported in
the financial statements.*

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WFIU-FM, 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 WFIU-FM Radio Station (Station), a department of Indiana University (University), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Station, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows 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 present only the financial position, the changes in financial position and cash flows of the Station, a department of the University. They do not purport to, and do not present fairly the financial position of the University as of June 30, 2017 and 2016, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements for the fiscal year ended June 30, 2016, the financial statements were restated to reflect material changes resulting from the removal of investments held and owned by the University's Foundation and other non-material corrections of errors. 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

February 7, 2019

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis June 30, 2017,
with Comparative Information for June 30, 2016 (As Restated) and June 30, 2015

WFIU-FM (the Station) presents its audited financial statements for the year ended June 30, 2017, along with comparative data for the years ended June 30, 2016 (as restated) and 2015. 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. Fiscal year 2016 has been restated to reflect material changes by removing investments held by the University's Foundation and non-material changes for the correction of errors in the original statements. Fiscal year 2015 is presented as originally stated and without discussion of variances.

Statement of Net Position

Total assets at June 30, 2017, were \$496,636, an increase of \$38,418 due to an increase in cash and cash equivalents and the purchase of capital assets. Net capital assets comprised \$116,371 of the total. Total assets at June 30, 2016, were \$458,218. Net capital assets comprised \$107,077 of the total.

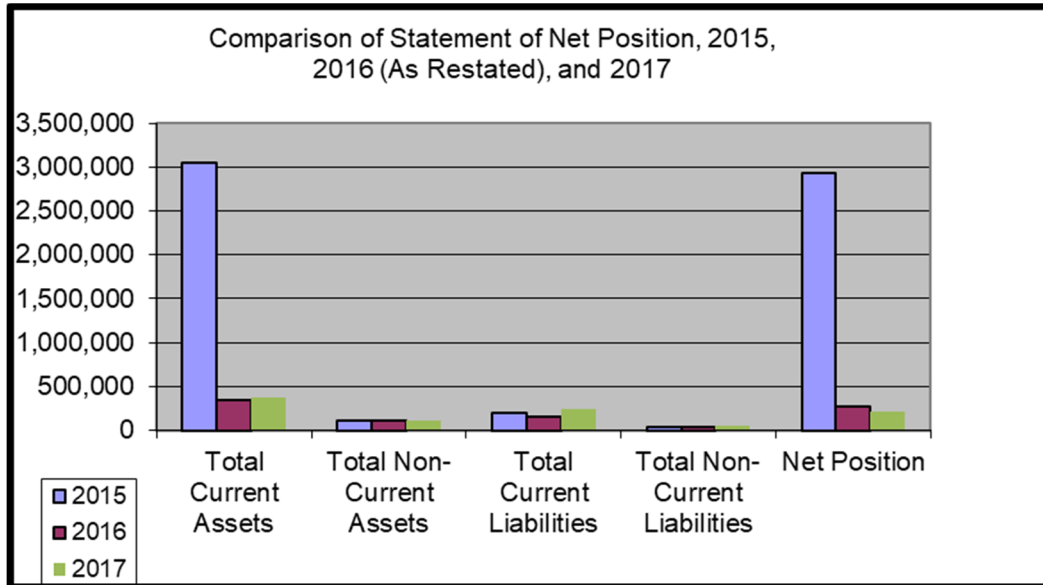
Total liabilities were \$284,005 at June 30, 2017, an increase of \$103,070. Noncurrent liabilities were 17.2% or \$48,965 of the liabilities at June 30, 2017. Total liabilities were \$180,935 at June 30, 2016. Noncurrent liabilities were 18.4% or \$33,307 of the liabilities at June 30, 2016. The Station had no outstanding debt obligations.

Total net position at June 30, 2017, was \$212,631, a decrease of \$64,652 from fiscal year 2016, or a 23.3% decrease in net position. Total net position at June 30, 2016, was \$277,283. A comparison of WFIU's assets, liabilities, and net position at June 30, 2017, 2016 and 2015 is summarized as follows:

	CONDENSED STATEMENT OF NET POSITION - WFIU		
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
		<i>As Restated</i>	
Current Assets	380,264	351,141	3,051,181
Noncurrent Assets/Capital Assets	116,371	107,077	114,911
Total Assets	496,635	458,218	3,166,092
Current Liabilities	235,040	147,628	203,761
Noncurrent Liabilities	48,964	33,307	31,792
Total Liabilities	284,004	180,935	235,553
Net Investments in Capital Assets	116,371	107,077	114,911
Restricted for Expendable Station Activities	100,566	133,328	154,503
Unrestricted	(4,306)	36,878	2,661,125
Total Net Position	212,631	277,283	2,930,539

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with Comparative Information for June 30, 2016 (As Restated) and June 30, 2015

The composition of current and non-current assets and liabilities and net position is displayed below for the 2017, 2016 (as restated), and 2015 fiscal year-ends:



Statement of Revenues, Expenses, and Changes in Net Position

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

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WFIU			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
		<i>As Restated</i>	
Operating Revenues	132,883	256,528	241,192
Operating Expenses	(3,279,875)	(2,713,160)	(2,549,965)
Total Operating Loss	(3,146,992)	(2,456,632)	(2,308,773)
Net Nonoperating Revenues	3,082,340	2,727,923	2,532,626
Increase in Net Position	(64,652)	271,291	223,853
Net Position - Beginning of Year	277,283	2,930,539	2,706,686
Prior Period Adjustments	-	(2,924,547)	-
Net Position - Beginning of Year, as Retated	-	5,992	
Net Position - End of Year	212,631	277,283	2,930,539

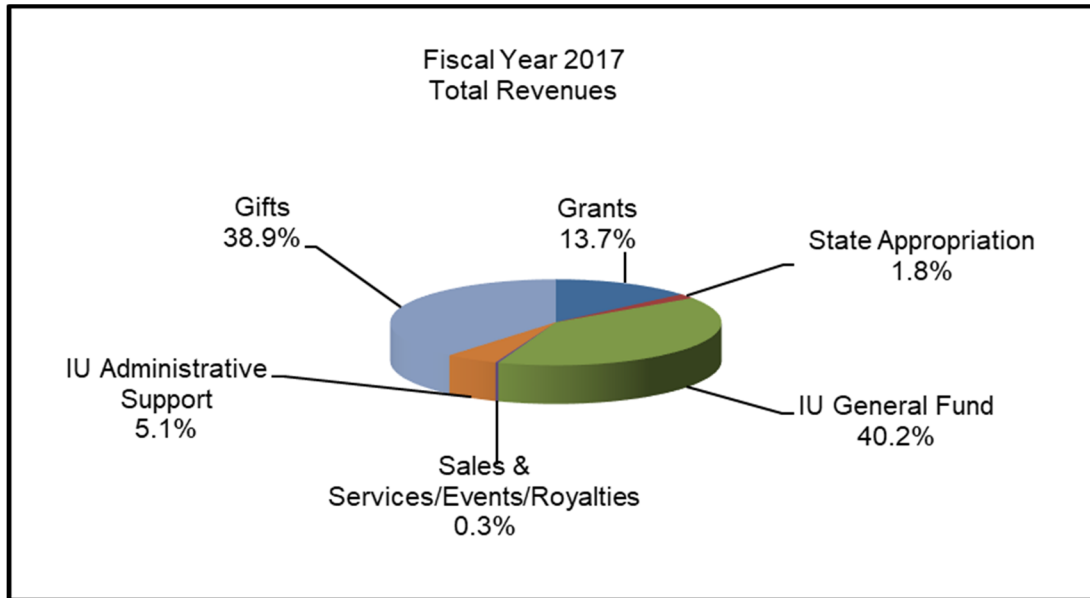
Revenues

Operating revenues at WFIU-FM for the June 30, 2017, fiscal year decreased by \$123,645 or 48.2%, after the 2016 sale of two FCC licenses. The CPB grant for regional journalism continued into the second year. Net non-operating revenues increased by \$354,417 or 13% in fiscal year 2017, primarily due to an increase in general fund support from the University and increased contributions from the IU Foundation.

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In summary, total Operating Revenues and Net Non-operating Revenues of the Station in fiscal year 2017 increased by \$230,772, an increase of 7.7%.

The compositions of revenues are displayed in the following graph:



Expenses

Operating expenses were \$3,279,875 for the 2017 fiscal year. This was an increase over the previous fiscal year of \$566,715 or 20.9%. Changes in the major categories of expenses were:

For all functional areas:

- Professional and support staff received an average 2.5% salary increase. The professional staff fringe benefit rate increased from 39.10% to 39.88%. The support staff fringe benefit rate increased from 38.21% to 38.77%.

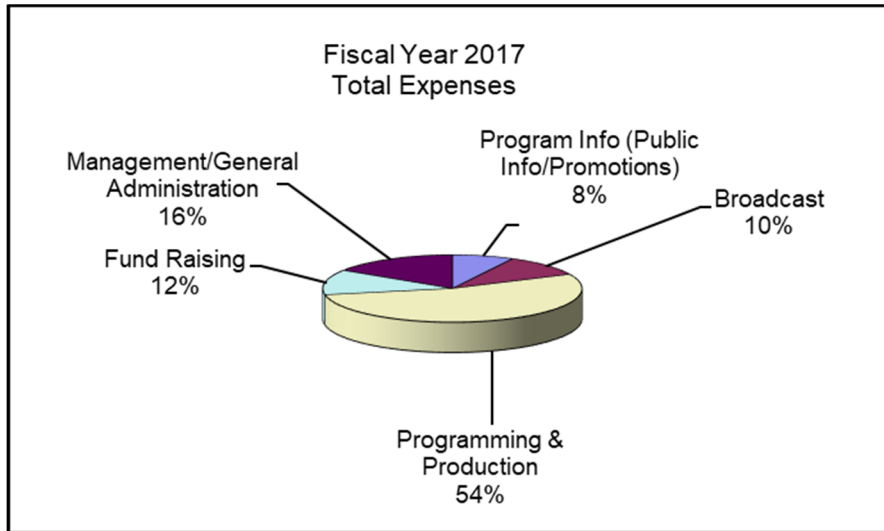
For specific functional areas:

- Programming and production costs increased by 27.6% primarily due to personnel and other costs for the first full year of the CPB grant for regional journalism.
- Broadcasting costs increased by 15.6% as the station completed the addition of another broadcast license and it became operational.
- Public information and promotion expenses increased by 25.9%, including promotion of the new station and an increase in overall promotions.
- Management and general expenses increased 23.8%, as personnel devoted more time to radio and less to television.
- Fund-raising, membership development, and underwriting solicitation costs decreased 3.4%.

Operating expenses were \$2,713,160 for the 2016 fiscal year.

WFIU-FM
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with Comparative Information for June 30, 2016 (As Restated) and June 30, 2015

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



Net Position

Net Position decreased by \$64,652 in 2017. The operating loss was \$3,146,992 in 2017 and 2,456,632 in 2016. However, net non-operating revenues increased by \$354,417 from 2016 to 2017. The ending net position was \$212,631, compared to ending net position in 2016 of \$277,283. This was a 23.3% decrease in net position.

Statement of Cash Flows

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

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

COMPARATIVE STATEMENT OF CASH FLOWS - WFIU	<i>Fiscal Year Ended</i>		
	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2015</i>
		<i>As Restated</i>	
Net Cash Used by:			
Operating Activities	(2,831,646)	(2,297,992)	(2,101,326)
Noncapital Financing Activities	2,897,315	2,535,837	2,178,293
Capital and Related Financing Activities	(33,895)	(27,618)	(33,169)
Investing Activities	-	-	27,279
Net Increase (Decrease) in Cash and Cash Equivalents	31,774	210,227	71,077
Beginning Cash and Cash Equivalents	296,740	86,513	56,137
Ending Cash and Cash Equivalents	328,514	296,740	127,214

WFIU-FM
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with Comparative Information for June 30, 2016 (As Restated) and June 30, 2015

From fiscal year 2016 to 2017, cash used by operating activities decreased by \$533,654. This was the result of increased payments to vendors and employees as the new station became operational.

From fiscal year 2016 to 2017, cash flows from noncapital financing activities increased \$361,478, reflecting increases in University support and contributions.

From fiscal year 2016 to 2017, cash used by capital and related financing activities was \$33,895 for the purchase of capital equipment, an increase over the previous year's purchases of \$27,618.

There were no cash flows from investing activities.

In summary, there was a net increase in cash and cash equivalents in 2017 of \$31,774 and a net increase in 2016 of \$210,227.

Capital Assets

At June 30, 2017, June 30, 2016, and June 30, 2015, the Station had \$116,371, \$107,077, and \$114,911, respectively invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ended June 30, 2017, June 30, 2016, and June 30, 2015, totaled \$24,601, \$23,606, and \$26,233 respectively. The station has made only modest purchases of new capital assets over the last three years as existing capital continues to depreciate.

Details of these assets are shown below:

<u>Net Capital Assets at Year-End</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u> As Restated	<u>June 30, 2015</u>
Transmission, Antenna, and Tower	\$76,858	\$85,966	\$108,182
Studio and Other Broadcast Equipment	39,513	21,111	6,729
Furniture and Fixtures	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$116,371</u>	<u>\$107,077</u>	<u>\$114,911</u>

Furniture and Fixtures are zero in 2017 due to being fully retired in 2016.

Capital additions for the year consist of the following:

Broadcast Electronics, STXe 500 Digital FM Exciter/Transmitter, 25-550 watts.	\$ 5,120
Broadcast Electronics, STXe 500 Digital FM Exciter/Transmitter, 25-550 watts.	5,120
Axia IP-Audio Multi-Component Console Mixing System for WFIU Studio	16,146
Reception Area Building Remodel	<u>7,509</u>
Total Capital Additions	<u>\$33,895</u>

Purchases planned for FY18 include a new Audio 6 console and I/O replacement gear. While we will repurpose some existing equipment, most will be new, including a mixing console, Ethernet switches, and software. We will continue our multi-year computer workstation replacement plan to bring more machines up to date. Much of Radio Master Control will be moved upstairs to TMC for efficiency.

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Economic Outlook

Station ratings are at an all-time high and fundraising is strong across all departments. A major grant seems likely for our statewide news network, planned giving is growing, and underwriting is up. The fundraising effort to endow working student positions is successful, with 11 positions now funded. Sustaining members now account for about a third of our membership, promising more financial stability and lower acquisition costs. State and national funding are expected to remain steady. The station is financially healthy and has been able to afford studio renovations and program expansion out of operating revenue. Importantly, the station's quasi-endowment continues to grow which bodes well for handling any future downturn in the country's economy.

BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Station. The financial statements and notes are presented as intended by the Station.

WFIU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 1 & Note 2)	\$ 328,514	\$ 296,740
Grants Receivable	\$ 51,750	\$ 54,400
Total Current Assets	380,264	351,140
Noncurrent Assets:		
Property and Equipment (Note 3): Net of Accumulated Depreciation of \$466,312 in 2017 and \$441,711 in 2016.	116,371	107,077
Total Assets	\$ 496,635	\$ 458,217
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 133,040	\$ 56,628
Long-Term Liabilities - Current Portion	102,000	91,000
Total Current Liabilities	235,040	147,628
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	48,964	33,306
Total Liabilities	284,004	180,934
<u>Net Position</u>		
Invested in Capital Assets	116,371	107,077
Restricted for Expendable Station Activities	100,566	133,328
Unrestricted	(4,306)	36,878
Total Net Position	212,631	277,283
Total Liabilities and Net Position	\$ 496,635	\$ 458,217

The accompanying notes are an integral part of the financial statements

WFIU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
<u>Operating Revenues</u>		
Facility Sales and Services	654	102,263
Miscellaneous Grants	122,999	145,141
Event Income	4,424	-
Royalty Income	4,806	9,124
Total Operating Revenues	132,883	256,528
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	1,767,916	1,385,317
Broadcasting	340,104	294,294
Public Information and Promotion	252,767	200,760
Total Program Expenses	2,360,787	1,880,371
Supporting Services:		
Management and General	522,316	422,007
Fundraising, Membership Development, and Underwriting Solicitation	396,772	410,782
Total Supporting Expenses	919,088	832,789
Total Operating Expenses	3,279,875	2,713,160
Operating Loss	(3,146,992)	(2,456,632)
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	1,291,137	1,266,475
Donated Facilities and Administrative Support From Indiana University	165,744	166,767
Appropriation From State of Indiana	56,583	56,583
CPB Contributions	317,610	318,143
Individual Contributions	51,609	28,491
Corporate/Foundation Contributions	1,180,376	866,146
In-Kind Support - Other	19,281	37,163
Loss on Disposal of Capital Assets	-	(11,845)
Net Nonoperating Revenues	3,082,340	2,727,923
Increase (Decrease) in Net Position	(64,652)	271,291
<u>Net Position</u>		
Net Position - Beginning of Year	277,283	2,930,539
Prior Period Adjustments	-	(2,924,547)
Net Position - Beginning of Year, as Restated	-	5,992
Net Position - End of Year	\$ 212,631	\$ 277,283

The accompanying notes are an integral part of the financial statements

WFIU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
Cash Flows From Operating Activities:		
Grants	\$ 125,649	\$ 90,741
Sales and Services	654	102,659
Payments to Employees	(1,820,288)	(1,562,321)
Payments to Vendors	(1,146,891)	(938,199)
Other Receipts	9,230	9,128
Net Cash Used by Operating Activities	<u>(2,831,646)</u>	<u>(2,297,992)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	1,291,137	1,266,475
Appropriation From State of Indiana	56,583	56,583
Contributions	1,549,595	1,212,779
Net Cash Provided by Noncapital Financing Activities	<u>2,897,315</u>	<u>2,535,837</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of Capital Assets	<u>(33,895)</u>	<u>(27,618)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(33,895)</u>	<u>(27,618)</u>
Cash Flows From Investing Activities:		
Net Cash Used by Investing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	31,774	210,227
Cash and Cash Equivalents - Beginning of Year	296,740	86,513
Cash and Cash Equivalents - End of Year	<u>\$ 328,514</u>	<u>\$ 296,740</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (3,146,992)	\$ (2,456,632)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	24,601	23,606
Donated Facilities and Administrative Support From Indiana University	165,745	166,767
In-Kind Support - State of Indiana/Other	19,281	37,163
(Increase) Decrease in Assets:		
Grant Receivable	2,650	(54,400)
Other Receivables, Net of Allowance for Doubtful Accounts	-	400
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	76,412	(2,912)
Long-Term Liabilities - Current Portion	11,000	(13,500)
Long-Term Liabilities	15,657	1,516
Net Cash Used by Operating Activities	<u>\$ (2,831,646)</u>	<u>\$ (2,297,992)</u>

The accompanying notes are an integral part of the financial statements

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2017 and June 30, 2016 (As Restated)

1. Summary of Significant Accounting Policies

A. Organization

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

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

Portions of both contribution and membership income and expenditures are deposited with and disbursed by the Indiana University Foundation. The Indiana University Foundation, Inc. (IU Foundation) is organized as a not-for-profit corporation under the laws of the State of Indiana for the exclusive purpose of supporting the University by receiving, holding, investing, and administering property and making expenditures to or for the benefit of the University. The IU Foundation distributed \$1,082,006 and \$735,018 to the Station during fiscal years 2017 and 2016, respectively.

B. Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared by the Station as a special-purpose government entity engaged in business type activities. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations have been made to minimize the "double-counting" of internal activities in the financial statements. The Station follows all applicable GASB pronouncements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

C. Restatement of Fiscal Year 2016 Financial Statements

The Station is restating its Net Position as of June 30, 2016, and the related Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows to reflect material changes by removing investments held and owned by the University's Foundation and non-material changes for the correction of errors in the original statements. The error was discovered during the audit review for FY17 and resulted in a decrease of \$2,924,547 in Net Position for FY16 as reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

D. Cash and Cash Equivalents

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

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2017 and June 30, 2016 (As Restated)

E. Grants Receivable and Other Receivables

Grants receivable are amounts due from external granting entities. Other Receivables consist primarily of amounts due from customers and are recorded net of estimated uncollectible amounts.

F. Accounts/Loans Payable and Accrued Expenses

Accounts payable and accrued expenses consist primarily of amounts due for accrued payroll and other operating expenses. Loans Payable consist of borrowed funds from the University to cover an operating deficit of \$92,663.

G. Long-term Liabilities

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

H. Operating and Non-operating Revenues

Operating revenues consist of production sales and services, royalties, auction revenues, special event revenues, and miscellaneous grants for operating activities. All other revenues are included as non-operating revenues. Non-operating revenues include significant revenue sources that are relied upon for operations such as the community service grant from the Corporation for Public Broadcasting, IU Foundation contributions, University appropriations and state appropriations. The CPB grants have been classified as contributions (non-exchange revenue).

I. Revenue Recognition – Unrestricted

Unrestricted contributions, pledges, and grants are recorded as revenue when received.

J. Revenue Recognition – Restricted

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

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

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

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
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L. Statement of Cash Flows

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

M. Functional Allocation of Expenses

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

N. Income Taxes

The Station is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for fiscal year 2017.

O. Use of Restricted Resources

When an expense is incurred for which both restricted and unrestricted resources are available, the Station's policy is to apply the most appropriate fund source based on the relevant facts and circumstances.

P. Capital Assets

The capitalization threshold for capital assets is \$5,000 or more and a useful life in excess of one year. Capital assets are recorded at cost at the date of acquisition or fair market value at the date of contribution in the case of gifts. Donated assets from the University are recorded by the Station at the acquisition price of the University. Depreciation expense is computed using the straight-line method (excluding assets funded by the Federal Government) over the estimated useful lives of the respective assets, generally five to twenty years for equipment, ten years for library books, ten to forty years for infrastructure and land improvements, and fifteen to forty years for buildings and building components. Useful lives for capital assets are established using a combination of the American Hospital Association guidelines, Internal Revenue Service guidelines, and documented university experience. Land and capitalized art and museum collections are not depreciated.

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Q. Net Position

Net position is the residual of all other elements presented in the Statement of Net Position. Net position is classified into three major categories:

- Net investment in capital assets consists of the Station’s investment in capital assets, such as equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of amounts subject to externally imposed restrictions governing usage and is divided into two sub-categories:
 - Restricted non-expendable funds are subject to externally imposed stipulations that they be retained in perpetuity. These balances represent the corpus (historical value) of the Station’s permanent endowment funds.
 - Restricted expendable funds are available for expenditure by the Station, but must be spent according to restrictions imposed by third parties.
- Unrestricted net position includes amounts institutionally designated or committed to support specific purposes. Unrestricted resources are not subject to externally imposed restrictions and are primarily used for station operational expenses. When an expense is incurred for which both restricted and unrestricted resources are available, the station’s policy is to apply the most appropriate fund source based on the relevant facts and circumstances.

2. Deposits and Investments

A. Deposits

WFIU-FM maintains no directly held bank accounts. Rather, the Station’s funds are held and managed by Indiana University. Indiana University has an Investment Policy Statement. The investment policy ultimately determines the credit risk for the Station. The station’s “demand deposits” were as follows:

	<u>FY 2017</u>	<u>FY 2016</u> <u>As Restated</u>
Indiana University	\$ 328,515	\$ 296,741

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.

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3. Property and Equipment

Property and equipment include both purchased and donated assets. There were no donated assets during fiscal year 2017.

FY17 Radio footnote	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Transmission, Antenna, and Tower	517,374	10,240	0	527,614
Studio and Other Broadcast Equipment	31,414	23,655	0	55,069
Furniture and Fixtures	0		0	0
Total	548,788	33,895	0	582,683
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	431,408	19,348	0	450,756
Studio and Other Broadcast Equipment	10,303	5,253	0	15,556
Furniture and Fixtures	0	0	0	0
Total Accumulated Depreciation	441,711	24,601	0	466,312
Capital Assets, Net	107,077	9,294	0	116,371

FY16 Radio footnote	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u> <u>As Restated</u>	Ending <u>Balance</u> <u>As Restated</u>
Transmission, Antenna, and Tower	527,033	9,996	19,655	517,374
Studio and Other Broadcast Equipment	19,781	17,622	5,989	31,414
Furniture and Fixtures	7,553		7,553	0
Total	554,367	27,618	33,197	548,788
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	418,851	20,366	7,809	431,408
Studio and Other Broadcast Equipment	13,052	3,240	5,989	10,303
Furniture and Fixtures	7,553	0	7,553	0
Total Accumulated Depreciation	439,456	23,606	21,351	441,711
Capital Assets, Net	114,911	4,012	11,846	107,077

Depreciation expense for the years ended June 30, 2017, and June 30, 2016, was \$24,601 and \$23,606, respectively and was charged to the major functional areas as follows:

Depreciation Expense	<u>2017</u>	<u>2016</u>
Programming and Production	5,253	3,240
Broadcasting	19,348	20,366
Public Information and Promotion	0	0
Management and General	0	0
Fundraising, Membership Development, and Underwriting	0	0
Total Depreciation Expense	24,601	23,606

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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>
FM Translators (Greensburg/French Lick)	18-01-N06131	\$ 46,990	6/2018
Digital Conversion: 2 nd Audio Channel	18-01-N07185	\$ 49,830	9/2018

4. Indiana University Donated Facilities and Administrative Support

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

Institutional support from Indiana University is estimated at \$65,857 for FY 2017 and \$72,019 for FY 2016, and is computed using operating expenses as the base.

Physical plant support from Indiana University is estimated at \$17,939 for FY 2017 and was \$10,788 for FY 2016. This represents the Station's pro rata share of allowable physical plant costs not allocated by the University based on gross square feet. The physical plant costs allocated to the Station by the University are included in the general fund support from the University.

The value of Indiana University donated facilities is calculated on the Annual Value Computations for Buildings and Tower Facilities form provided by the Corporation for Public Broadcasting and totals \$75,788 for the renovated Radio and TV Building and \$6,160 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, 2017, and June 30, 2016, was as follows. There was no longer any Postemployment ERIP in fiscal year 2017.

Fiscal Year 2017	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	124,306	102,441	75,783	150,964	102,000	48,964

Fiscal Year 2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	124,792	80,340	80,826	124,306	91,000	33,306
Postemployment ERIP Benefits-Health Reimbursement Accounts	\$11,500	0	11,500	0	0	0

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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, 2017 and June 30, 2016 were \$33,491 and \$33,326, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2017 and June 30, 2016 were \$122,508 and \$113,044, respectively. Postemployment contributions to health savings accounts for the early retirement incentive programs totaled \$0 for the year ended June 30, 2017 and \$11,500 for the year ended June 30, 2016.

- 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

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adopted by the Trustees of Indiana University (trustees). The University provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The University provides retiree life insurance benefits in the amount of \$6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees. The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to early retirement incentive plans, approved by executive management in fiscal years 2011 and 2014, which include five years of annual contributions to a health reimbursement account.

7. Risk Management

The University is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of students, employees, and their dependents. The University manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds, as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The University is self-funded for damage to buildings and building contents for the first \$100,000 per occurrence with an additional \$400,000 per occurrence covered by OCIC, with commercial excess property coverage above this amount. The University is self-funded for comprehensive general liability and automobile liability for the first \$100,000 per occurrence with an additional \$900,000 per occurrence covered by OCIC and with supplementary commercial liability umbrella policies. The University has a malpractice and professional liability policy in the amount of \$400,000 for each claim and \$1,200,000 annually in aggregate provided by OCIC. The University is self-funded for the first \$850,000 for each Workers' Compensation claim and \$125,000 in the aggregate for all claims in excess of \$850,000 for each claim. Workers' Compensation claims above these amounts are covered by commercial insurance and are subject to statutory limits. The University is self-funded for the first \$850,000 for employer liability claims with an additional \$1,000,000 in coverage through commercial insurances. The amount of settlements has not exceeded insurance coverage in any of the past three fiscal years.

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

OTHER REPORTS

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