

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, 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 Sejdinaj	08-29-16 to 06-30-19
University Treasurer	Donald Lukes	07-01-16 to 06-30-19
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 06-30-19
Executive Director of Radio and TV Services	Perry Metz	07-01-16 to 06-30-19
Chief Financial Officer of Radio and TV Services	Donna Stroup	07-01-16 to 06-30-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 WTIU-TV Television 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.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Station, as of and for the years ended June 30, 2017 and June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter


As discussed in Note 1, the financial statements 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 June 30, 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 opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, financial statements for the fiscal year ended June 30, 2016, 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

WTIU-TV
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

WTIU-TV (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 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 \$2,663,303, a decrease of \$251,150, primarily due to a decrease in cash and cash equivalents. Net capital assets comprised \$1,022,707 of the total assets. Total assets at June 30, 2016, were \$2,914,453. Net capital assets comprised \$999,642 of the total assets.

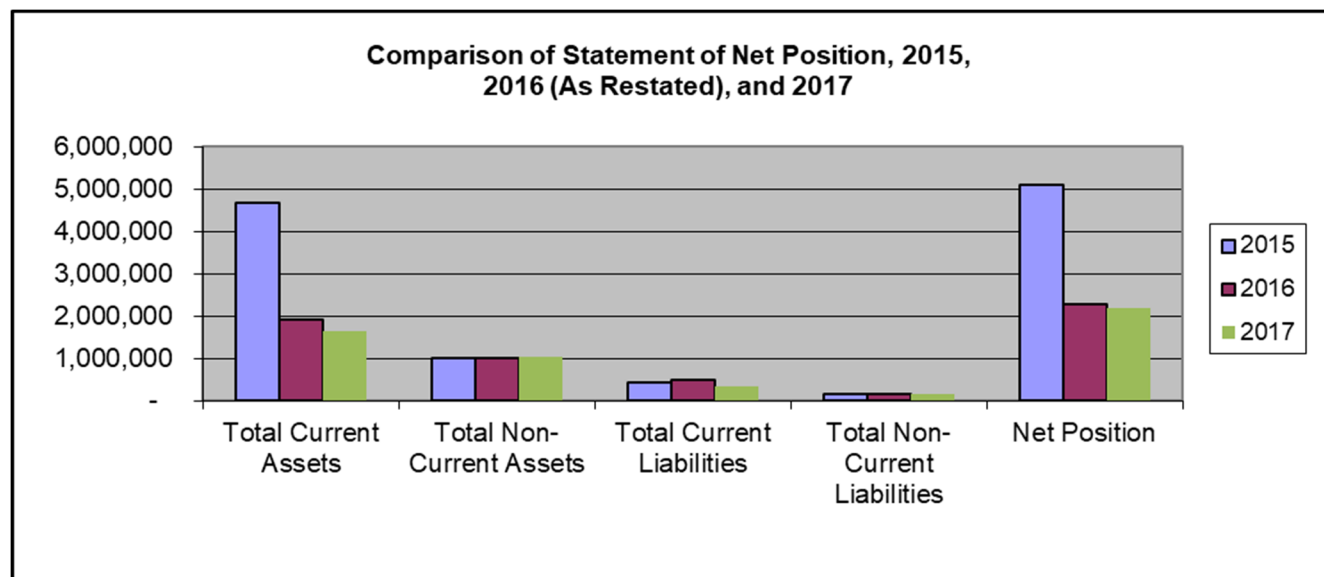
Total liabilities were \$487,839 at June 30, 2017, a decrease of \$147,998. Noncurrent liabilities were approximately 29.7% or \$144,883 of the liabilities at June 30, 2017. Total liabilities were \$635,837 at June 30, 2016. Noncurrent liabilities were 25% or \$159,059 of the liabilities at June 30, 2016.

Total net position at June 30, 2017, was \$2,175,464, a \$103,152 decrease from the prior year, or a 4.5% decrease in net position. Total net position at June 30, 2016, was \$2,278,616. A comparison of WTIU's assets, liabilities, and net position at June 30, 2017, 2016 and 2015 is summarized as follows:

CONDENSED STATEMENT OF NET POSITION - WTIU			
	<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	1,640,596	1,914,811	4,673,031
Noncurrent Assets/Capital Assets	1,022,707	999,642	1,018,695
Total Assets	2,663,303	2,914,453	5,691,726
Current Liabilities	342,956	476,778	431,891
Noncurrent Liabilities	144,883	159,059	160,016
Total Liabilities	487,839	635,837	591,907
Net Investments in Capital Assets	1,022,707	999,642	1,018,695
Restricted for Expendable Station Activities	44,716	102,071	103,078
Unrestricted	1,108,041	1,176,903	3,978,046
Total Net Position	2,175,464	2,278,616	5,099,819

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The composition of current and non-current assets and liabilities and net position is displayed below for the 2017, 2016, and 2015 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:

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WTIU			
	<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	1,879,021	1,668,822	2,602,978
Operating Expenses	(7,326,097)	(6,761,769)	(6,689,573)
Total Operating Loss	(5,447,076)	(5,092,947)	(4,086,595)
Net Nonoperating Revenues	5,343,924	5,441,882	4,326,900
Increase in Net Position	(103,152)	348,935	240,305
Net Position - Beginning of Year	2,278,616	5,099,819	4,859,514
Prior Period Adjustments	-	(3,170,138)	-
Net Position - Beginning of Year, as Restated	-	1,929,681	-
Net Position - End of Year	2,175,464	2,278,616	5,099,819

WTIU-TV
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Revenues

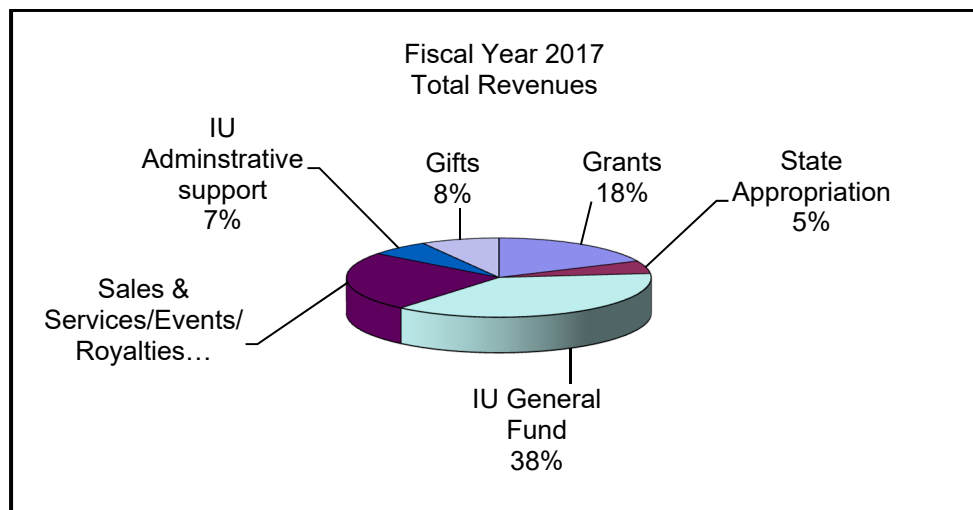
Operating revenues at WTIU-TV for the June 30, 2017, fiscal year increased by 12.6% from the previous year, primarily due to increased sales and services to other units within the university.

Net non-operating revenues decreased 1.8%, primarily due to the allocation of more University general funds to the Radio station and less to TV and decreased contribution. Non-operating revenue changes were the result of the following factors:

- Indiana University support decreased a total of \$161,254 for WTIU general fund support.
- Corporate/foundation contributions decreased

In summary, total Operating Revenues and Net Non-Operating Revenues of the Station in fiscal year 2017 increased by \$112,242, an increase of 1.6%.

The compositions of these revenues are displayed in the following graph:



Expenses

Operating expenses were \$7,326,097 for the 2017 fiscal year. This was an increase over the previous fiscal year of \$564,328 or 8.4%. 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 39.1% to 39.9%. The support staff fringe benefit rate decreased from 38.2% to 38.8%.

For specific functional areas:

- Programming and production costs increased \$611,523 (14.9%), due to the addition of staff needed to support new sales and services.
- Broadcasting costs increased by \$235,402 (27.5%). This was primarily due to costs associated with updating Television Master Control and increased personnel and support for sales and services.
- Public information and promotion costs increased by \$109,083 (28.3%), and included the addition of promotional personnel and increased advertising.

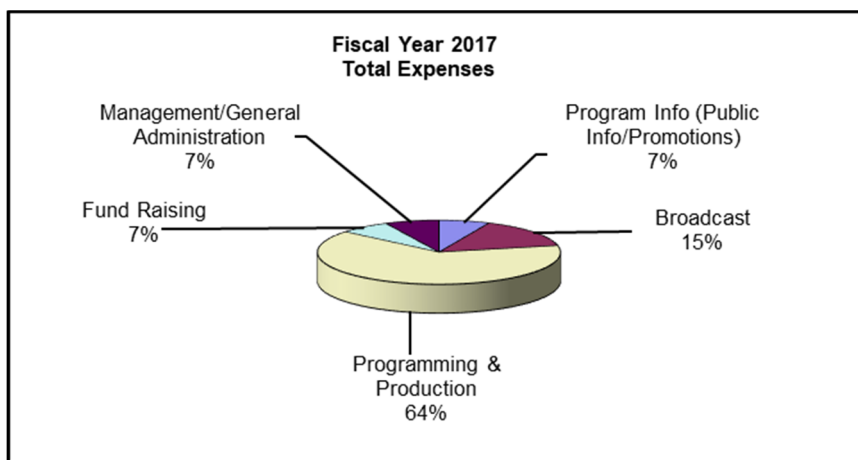
WTIU-TV

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

- Management and general expenses decreased \$321,652 (37.9%), as efforts focused on new sales and services and marketing efforts.
- Fund-raising, membership development, and underwriting solicitation costs decreased \$70,028 (12.4%), as we shifted to greater efforts on general promotions.

Operating expenses were \$6,761,769 for the 2016 fiscal year.

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



Net Position

Net position decreased by \$103,152 in 2017. The operating loss increased \$354,129 (7.0%) from the previous fiscal year and the net non-operating revenues decreased by \$97,957 (1.8%). The ending net position was \$2,175,465, compared to ending net position in 2016 of \$2,278,616. This was a 4.5% 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 WTIU's changes in cash and cash equivalents is presented below:

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

COMPARATIVE STATEMENT OF CASH FLOWS - WTIU			
	<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	(4,805,203)	(4,560,841)	(3,137,702)
Noncapital Financing Activities	4,865,987	5,187,652	3,761,754
Capital and Related Financing Activities	(283,390)	(518,320)	(221,677)
Investing Activities	-	-	(334,119)
Net Increase (Decrease) in Cash and Cash Equivalents	(222,606)	108,491	68,256
Beginning Cash and Cash Equivalents	1,543,215	1,434,724	1,607,640
Ending Cash and Cash Equivalents	1,320,609	1,543,215	1,675,896

From fiscal year 2016 to 2017, cash used by operating activities increased by \$244,362. This increase is the result of increased payments to employees and vendors, somewhat offset by increased sales and services.

From fiscal year 2016 to 2017, cash flows from noncapital financing activities decreased by \$321,665, reflecting decreases in University support and donor contributions.

From fiscal year 2016 to 2017, cash used by capital and related financing activities was \$283,390, a decrease of \$234,930, due to the purchase of fewer capital assets.

In summary, there was a net decrease of \$222,606 in cash and cash equivalents in 2017.

Capital Assets

At June 30, 2017, June 30, 2016, and June 30, 2015, the Station had \$1,022,707, \$999,642, and \$1,018,695 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 \$258,826, \$345,210 and \$418,833 respectively. Furniture and Fixtures are fully depreciated; therefore, their net amount is zero.

Details of these assets are shown below:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Net Capital Assets at Year-End</u>		<u>As Restated</u>	
Transmission, Antenna, and Tower	\$562,249	\$576,745	\$425,015
Studio and Other Broadcast Equipment	460,458	422,897	593,680
Furniture and Fixtures	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$1,022,707</u>	<u>\$999,642</u>	<u>\$1,018,695</u>

Capital additions for the year consist of the following:

NewTek TriCaster 460 with TC-460CS controller	15,623.50
Sony PXW-FS7 4K XDCAM Camera System	25,897.99
Sony PXW-FS7 4K XDCAM Camera System	25,897.99

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Sony PXW-FS7 4K XDCAM Camera System	25,898.02
APPLE MAC PRO Desktop Computer	6,939.00
GUIDEBUILDER PSIP Open System PSIP Generator	9,167.78
Harmonic Electra X2 1HD/4SD, includes ProStream Multiplexer 1000	71,929.01
Canon DIGISUPER 80; HDTV Field Box Lens	84,191.52
Nielsen Watermarks Encoder NWE-TS	8,837.60
NewTek TriCaster 460 with TC-460CS controller	1,499.06
Reception Area Building Remodel	<u>7,509.00</u>
Total Capital Additions	283,390.47

Purchases planned for FY18 include an ATSC 3.0-capable transmitter and circular antenna system; much of this cost will be covered by the Federal Communications Commission. In addition, we hope to replace our studio link to the transmitter and to buy replacement prompter monitors as well as one administrative server. The green room will be expanded and remodeled as well as Television Master Control.

Economic Outlook

As expected, the FCC national spectrum auction did not result in a financial offer for WTIU to move to the VHF spectrum; it did, however, result in an order to move us involuntarily to a higher UHF channel. That means the FCC will pay approximately \$1 million of the cost, resulting in a new transmitter and other equipment which the station does not have to fund. With the signing of a new 30-year grant worth about \$3 million in total revenue, the station has added a new revenue source. WTIU also has signed a 7-year agreement with the Athletic Department to provide a variety of engineering, production, and design services. These arrangements, combined with steady state and national funding, put WTIU in a more stable financial position than many of its peers. Although the new technical standard of ATSC 3.0 is not expected to hit the market in the coming year, management is purchasing 3.0-ready equipment from now on to avoid paying higher costs later. The station's quasi-endowment may experience a slight decline in the coming 12 months as equipment is purchased for studios at the athletic department but will recover and grow as revenue comes in from that contract.

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.

WTIU-TV
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</u> <u>2016</u>
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents (Note 1)	1,320,609	1,543,215
Grants Receivable	51,750	54,400
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2017 and \$0 in 2016	10,296	43,022
Prepaid and Other	257,941	274,174
Total Current Assets	1,640,596	1,914,811
Noncurrent Assets:		
Property and Equipment (Note 3): Net of Accumulated Depreciation of \$7,093,130.97 in 2017 and \$6,875,796.66 in 2016.	1,022,707	999,642
Total Assets	2,663,303	2,914,453
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	85,156	218,978
Long-Term Liabilities - Current Portion	257,800	257,800
Total Current Liabilities	342,956	476,778
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	144,883	159,059
Total Liabilities	487,839	635,837
<u>Net Position</u>		
Invested in Capital Assets	1,022,707	999,642
Restricted for Expendable Station Activities	44,716	102,071
Unrestricted	1,108,041	1,176,903
Total Net Position	2,175,464	2,278,616
Total Liabilities and Net Position	2,663,303	2,914,453

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, 2017 and 2016

	<u>2017</u>	<u>As Restated</u> <u>2016</u>
<u>Operating Revenues</u>		
Facility Sales and Services	1,749,186	1,525,253
Other Income From CPB and PBS	-	1,667
Miscellaneous Grants	125,638	137,213
Event Income	-	663
Royalty Income	4,197	4,026
Total Operating Revenues	1,879,021	1,668,822
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	4,716,847	4,105,324
Broadcasting	1,091,317	855,915
Public Information and Promotion	494,198	385,115
Total Program Expenses	6,302,362	5,346,354
Supporting Services:		
Management and General	527,444	849,096
Fundraising, Membership Development, and Underwriting Solicitation	496,291	566,319
Total Supporting Expenses	1,023,735	1,415,415
Total Operating Expenses	7,326,097	6,761,769
Operating Loss	(5,447,076)	(5,092,947)
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	2,720,048	2,881,302
Donated Facilities and Administrative Support From Indiana University	458,874	420,796
Appropriation From State of Indiana	377,824	377,823
CPB Contributions	1,187,922	1,242,216
Individual Contributions	8,980	6,241
Corporate/Foundation Contributions	571,213	680,069
In-Kind Support - Other	20,562	25,598
Loss on Disposal of Capital Assets	(1,499)	(192,163)
Net Nonoperating Revenues	5,343,924	5,441,882
Increase (Decrease) in Net Position	(103,152)	348,935
<u>Net Position</u>		
Net Position - Beginning of Year	2,278,616	5,099,819
Prior Period Adjustments	-	(3,170,138)
Net Position - Beginning of Year, as Restated	-	1,929,681
Net Position - End of Year	2,175,464	2,278,616

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, 2017 and 2016

	<u>2017</u>	<u>As Restated</u> <u>2016</u>
Cash Flows From Operating Activities:		
Grants	\$ 128,288	\$ 84,480
Sales and Services	1,781,912	1,534,459
Payments to Employees	(3,877,215)	(3,503,216)
Payments to Vendors	(2,842,385)	(2,681,253)
Other Receipts	4,197	4,689
Net Cash Used by Operating Activities	<u>(4,805,203)</u>	<u>(4,560,841)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	2,720,048	2,881,302
Appropriation From State of Indiana	377,823	377,824
Contributions	1,768,116	1,928,526
Net Cash Provided by Noncapital Financing Activities	<u>4,865,987</u>	<u>5,187,652</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of Capital Assets	<u>(283,390)</u>	<u>(518,320)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(283,390)</u>	<u>(518,320)</u>
Cash Flows From Investing Activities:		
Net Cash Used by Investing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(222,606)	108,491
Cash and Cash Equivalents - Beginning of Year	1,543,215	1,434,724
Cash and Cash Equivalents - End of Year	<u>\$ 1,320,609</u>	<u>\$ 1,543,215</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (5,447,076)	\$ (5,092,947)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	258,826	345,210
Donated Facilities and Administrative Support From Indiana University	458,874	420,796
In-Kind Support - State of Indiana/Other	20,562	25,598
(Increase) Decrease in Assets:		
Grant Receivable	2,650	(54,400)
Other Receivables, Net of Allowance for Doubtful Accounts	32,726	9,206
Prepaid and Other	16,233	(274,174)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(133,821)	70,326
Long-Term Liabilities - Current Portion	-	(9,500)
Long-Term Liabilities	(14,177)	(956)
Net Cash Used by Operating Activities	<u>\$ (4,805,203)</u>	<u>\$ (4,560,841)</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, 2017 and June 30, 2016 (As Restated)

1. Summary of Significant Accounting Policies

A. Organization

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

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

Portions of both contribution and membership income and expenditures are deposited with and disbursed by the Indiana University Foundation. 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 \$514,624 and \$615,086 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 by the University's Foundation and other changes for the correction of errors in the original statements.

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.

WTIU-TV
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. Prepaid and Other

Prepaid consists of Member Dues to the Public Broadcasting Service.

G. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist primarily of amounts due for accrued payroll and other operating expenses.

H. 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.

I. 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 contribution (non-exchange revenue).

J. Revenue Recognition – Unrestricted

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

K. 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.

L. 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

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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.

M. 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.

N. 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.

O. 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 a required provision for income taxes for fiscal year 2017 of \$21,338.

P. 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.

Q. 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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R. 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**

WTIU-TV 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 (As Restated)</u>
Indiana University	\$1,320,609	\$1,543,215

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 TV footnote	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Transmission, Antenna, and Tower	3,719,796	89,934	0	3,809,730
Studio and Other Broadcast Equipment	4,147,880	193,456	42,991	4,298,345
Furniture and Fixtures	7,763	0	0	7,763
Total	<u>7,875,439</u>	<u>283,390</u>	<u>42,991</u>	<u>8,115,838</u>
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	3,143,051	104,430	0	3,247,481
Studio and Other Broadcast Equipment	3,724,983	154,396	41,492	3,837,887
Furniture and Fixtures	7,763	0	0	7,763
Total Accumulated Depreciation	<u>6,875,797</u>	<u>258,826</u>	<u>41,492</u>	<u>7,093,131</u>
Capital Assets, Net	999,642	24,564	1,499	1,022,707

FY16 TV footnote	<u>Beginning Balance</u>	<u>Additions As Restated</u>	<u>Retirements As Restated</u>	<u>Ending Balance As Restated</u>
Transmission, Antenna, and Tower	3,605,562	421,442	307,208	3,719,796
Studio and Other Broadcast Equipment	4,127,623	96,878	76,621	4,147,880
Furniture and Fixtures	15,245	0	7,482	7,763
Total	<u>7,748,430</u>	<u>518,320</u>	<u>391,311</u>	<u>7,875,439</u>
Less Accumulated Depreciation				
Transmission, Antenna, and Tower	3,180,547	83,240	120,736	3,143,051
Studio and Other Broadcast Equipment	3,533,943	261,970	70,930	3,724,983
Furniture and Fixtures	15,245	0	7,482	7,763
Total Accumulated Depreciation	<u>6,729,735</u>	<u>345,210</u>	<u>199,148</u>	<u>6,875,797</u>
Capital Assets, Net	1,018,695	173,110	192,163	999,642

Depreciation expense for the years ended June 30, 2017, and June 30, 2016, were charged to the major functional areas as follows:

Depreciation Expense	<u>2017</u>	<u>2016</u>
Programming and Production	154,396	261,970
Broadcasting	104,430	83,240
Public Information and Promotion	0	0
Management and General	0	0
Fundraising, Membership Development, and Underwriting	0	0
Total Depreciation Expense	<u>258,826</u>	<u>345,210</u>

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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>
High Definition Studio Camera Systems	18-02-N06114	\$467,278	6/2018
High Definition Conversion – Production	18-02-N07152	\$695,700	3/2019
High Definition (Remote) – Production	18-02-N09157	\$233,400	6/2021
(Remote) Production, HD Cam Upgrade	18-02-N10060	\$422,700	6/2022

4. Indiana University Donated Facilities and Administrative Support

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

Institutional support from Indiana University is estimated at \$165,641 for FY 2017 and \$177,486 for FY 2016, and is computed using operating expenses as the base.

Physical plant support from Indiana University is estimated at \$53,583 for FY 2017 and was \$28,375 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. Space increased in FY 2017 due to a reallocation and increase in space occupied. For the renovated Radio and TV Building for FY 2017 and FY 2016, \$221,636, and \$198,780, respectively. For the new roof and satellite dish mount on the Radio and TV Building for FY 2017 and FY 2016, \$18,014, and \$16,155, respectively. 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Fiscal Year 2017						
Compensated absences	387,259	256,611	255,987	387,883	243,000	144,883
Postemployment ERIP Benefits-Health Reimbursement Accounts	\$29,600	0	14,800	14,800	14,800	0

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Fiscal Year 2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	345,416	253,295	211,452	387,259	243,000	144,259
Postemployment ERIP Benefits-Health Reimbursement Accounts	\$81,900	0	52,300	29,600	14,800	14,800

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 \$66,250 and \$65,673, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2017, and June 30, 2016, were \$261,005 and \$240,000, respectively. Postemployment contributions to health savings accounts for the early retirement incentive programs totaled \$14,800, for the year ended June 30, 2017 and \$52,300 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*

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Employers for Postemployment Benefits Other Than Pensions. The Plan is a single-employer defined benefit plan administered by Indiana University. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: 18 years of participation in the IU Retirement Plan 15% level, at least 20 years of continuous full-time University service, and at least 64 years of age. This group of employees is eligible to receive monthly payments based on a hypothetical monthly annuity amount at age 70, up to the amount of terminal base salary, calculated as the average budgeted base salary for the five 12-month periods immediately preceding retirement. The 18/20 Plan was adopted by the Trustees of Indiana University (trustees). The University provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The University provides retiree life insurance benefits in the amount of \$6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees. The Plan does not issue a stand-alone financial report. Reflected in this note are benefits related to early retirement incentive plans, approved by executive management in fiscal years 2011 and 2014, which include five years of annual contributions to a health reimbursement account.

7. 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/>.