

STATE BOARD OF ACCOUNTS
302 West Washington Street
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AUDIT REPORT
OF

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

July 1, 2009 to June 30, 2010



FILED
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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Michael A. McRobbie	07-01-09 to 06-30-11
University Vice President and Chief Financial Officer	Dr. Neil D. Theobald	07-01-09 to 06-30-11
University Treasurer	MaryFrances McCourt	07-01-09 to 06-30-11
Director of Radio and TV Stations	Perry Metz	07-01-09 to 06-30-11
President of the Board of Trustees	Stephen L. Ferguson William R. Cast, M.D.	08-19-08 to 08-13-09 08-14-09 to 08-13-11



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of WTIU (Station), a public television station operated by Indiana University, as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WTIU, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

January 19, 2011

STATE BOARD OF ACCOUNTS
State Board of Accounts

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis
June 30, 2010 and June 30, 2009

WTIU-TV (the Station) presents its audited financial statements for the year ending June 30, 2010, along with comparative data for the year ending June 30, 2009. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities, and net assets of the Station as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Assets, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the Station by major category during the fiscal year. Analysis will be provided for major variances from fiscal year 2010 to 2009. Included in this review are "Capital Assets" and the "Economic Outlook."

Statement of Net Assets

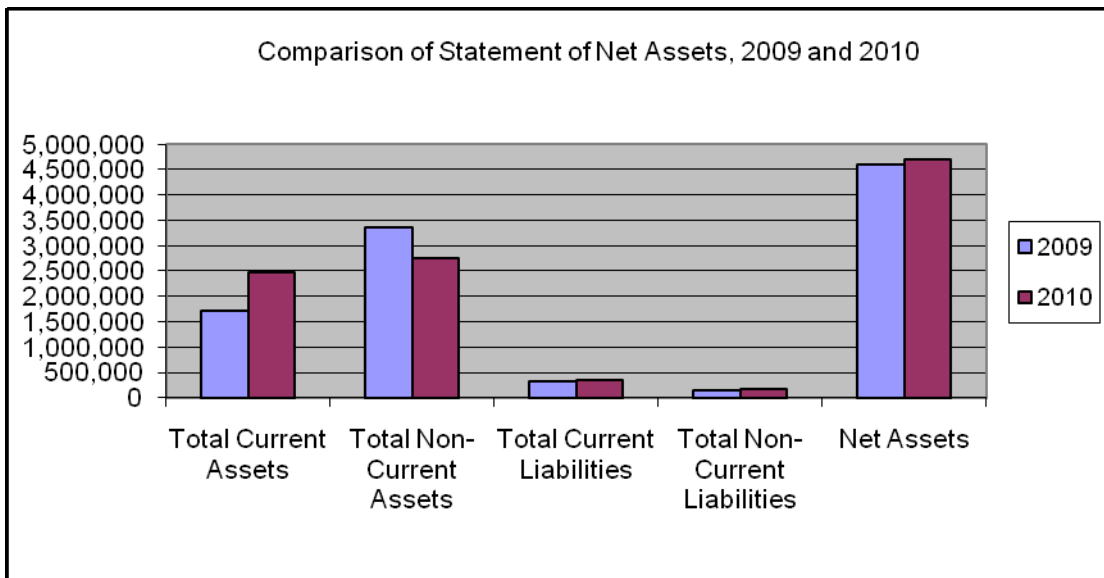
Total assets at June 30, 2010 were \$5,233,036, an increase of \$160,435. Capital net assets comprised \$2,758,245 of the total assets.

Total liabilities were \$523,889 at June 30, 2010, an increase of \$61,364. Non-current liabilities comprised 32.09% or \$168,109 of the liabilities at June 30, 2010. The Station had no outstanding debt obligations.

Total net assets at June 30, 2010 were \$4,709,147, a \$99,071 increase from the prior year, or a 2.15% increase in net assets. The breakout of net assets is shown below:

Capital assets	\$ 2,758,245
Restricted Net Assets	9,351
Unrestricted net assets	<u>1,941,551</u>
 Total net assets	 <u>\$ 4,709,147</u>

The composition of current and non-current assets and liabilities is displayed below for both the 2009 and 2010 fiscal year-ends:



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Statement of Revenues, Expenses, and Changes in Net Assets

Revenues

Operating revenues at WTIU-TV for the June 30, 2010 fiscal year increased by 9% from the previous year. Operating revenue changes were the result of the following factors:

- The Corporation for Public Broadcasting (CPB) Community Service Grant (CSG) increased slightly and CPB provided additional one-time stimulus funds.
- Facility sales and services decreased slightly.
- Other income from the CPB and PBS increased.
- Miscellaneous grants increased due to increased efforts at soliciting projects.

Total non-operating revenues were down 6.78% from June 30, 2009, from \$3,950,276 to \$3,682,509. Non-operating revenue changes were the result of the following factors:

For Indiana University-Bloomington support:

- Indiana University-Bloomington campus general fund support for TV decreased due to the reallocation of FTE between the radio and television stations and a transfer to Radio. Indiana University donated administrative support was \$340,966, a slight increase 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 \$486,026, a decrease of 3.25% over the prior year.
- Corporate and foundation contributions were \$215,259 a decrease of 13% from the prior year due to the decline in the economic outlook.
- The Station received an additional \$3,415 endowment gift as seed money for the Al Cobine Endowment fund for jazz programming.
- In-kind support was \$5,150, an increase from the prior year due to an increase in underwriting trade-out agreements.

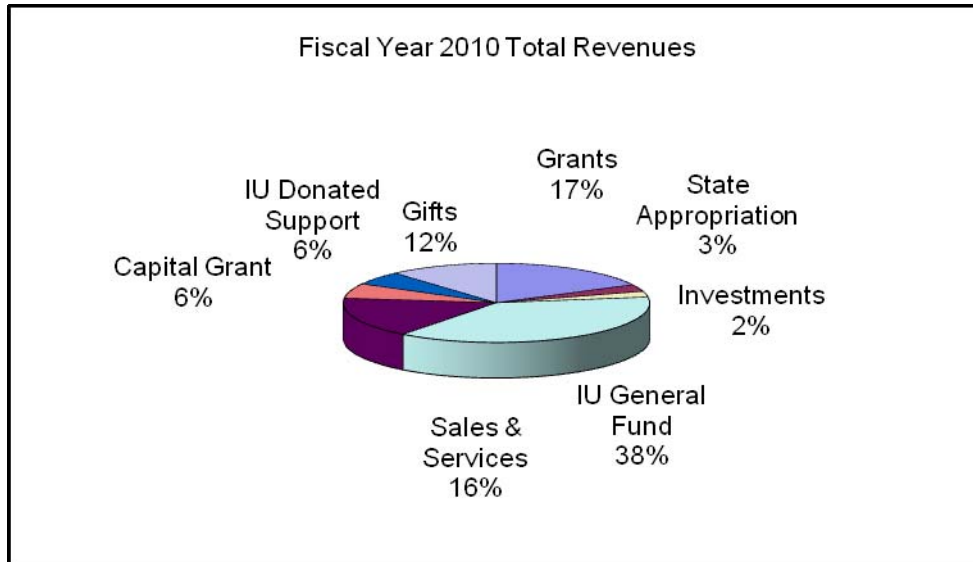
For other non-operating income:

- Interest and dividends earned by the Indiana University Foundation Pooled funds decreased due to a decrease in the rate of return on the Station's investments in the Indiana University Foundation Pooled Long-Term Fund.
- The sale of investments in the Indiana University Foundation Pooled Long-Term Fund resulted in a small loss of \$3.

Other revenue consisted of three capital grants totaling \$373,160, including \$79,510 from the US Department of Commerce's NTIA/PTFP for the purchase of digital TV studio cameras and lenses. This is an increase in total grant revenues from the prior year.

In summary, total revenues of the Station decreased by \$70,740 from \$6,206,565 in 2009 to \$6,135,825 in 2010, an overall decrease of 1.14%. The compositions of these revenues are displayed in the following graph:

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 Management's Discussion and Analysis
 June 30, 2010 and June 30, 2009



Expenses

Operating expenses were \$6,001,967 for the 2010 fiscal year. This was a decrease over the previous fiscal year of \$458,712 or 7%. Changes in the major categories of expenses were:

For all functional areas:

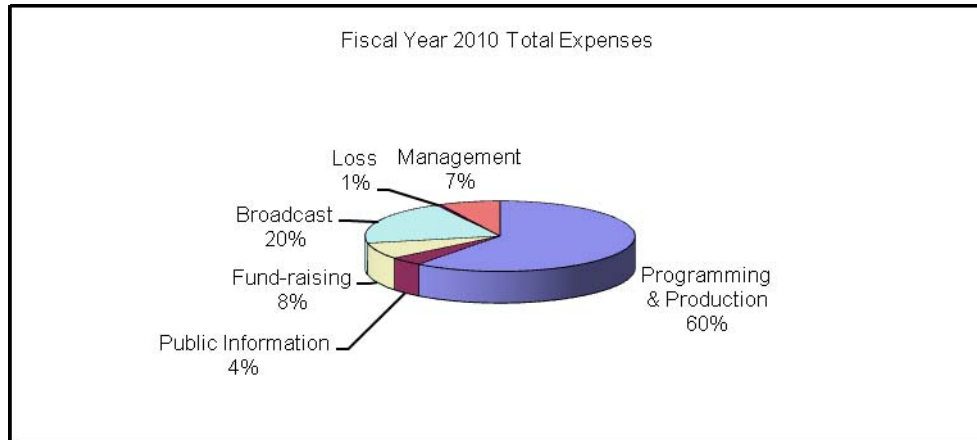
- Professional and support staff did not receive salary increases for the year ended June 30, 2010. The professional staff fringe benefit rate decreased by 0.32% for non-grant accounts and increased 1.07% for grant accounts. The support staff fringe benefit rate increased by 3.23%.
- Accrued vacation and sick leave costs decreased by \$298.

For specific functional areas:

- Programming and production costs decreased 10%, reflecting the result of management efforts to curtail outside program purchases in an effort to have the station operate within reduced revenue.
- Broadcasting costs decreased 5% due to the completion of the conversion to digitally compatible TV studio/control room production equipment.
- Public information and promotion costs increased due to additional news coverage.
- Management and general expenses decreased and were curtailed due to financial uncertainty in terms of state funding; efforts were made to maintain a small cushion in case reductions occurred in state support (as turned out to be the case).
- Fund-raising, membership development, and underwriting solicitation costs decreased only slightly.

The Station had a non-operating loss of \$34,786 on the disposal of capital assets. In 2009, there was a gain of \$11,388 on the disposal of capital assets and a \$553,028 decrease in the fair value of investments. The composition of total expenses, including operating and non-operating, are displayed below by major category:

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Net Assets

Net assets increased by \$99,071 in 2010, compared to a \$795,754 decrease in net assets in 2009. The operating loss decreased by \$630,428 from the previous fiscal year and the net non-operating revenues increased by \$239,087. Ending net assets were \$4,709,147, compared to ending net assets in 2009 of \$4,610,076. This was a 2.15% increase in net assets.

Statement of Cash Flows

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

Cash Flows for the Period	June 30, 2010	June 30, 2009
Net cash provided (used) by:		
Operating activities	(\$2,797,306)	(\$3,536,576)
Noncapital financing activities	3,169,391	3,530,820
Capital and related financing activities	228,704	(1,172,911)
Investing activities	<u>17,173</u>	<u>144,318</u>
Net decrease in cash	617,962	(1,034,349)
Beginning cash and cash equivalent balances	<u>611,437</u>	<u>1,645,786</u>
Ending cash and cash equivalent balances	<u>\$1,229,399</u>	<u>\$ 611,437</u>

Cash used by operating activities decreased by \$739,270. This decrease in the use of cash was the result of decreases in operating expenses.

Noncapital financing activities decreased by \$361,429. This decrease was the result of decreases in general fund support, the appropriation from the State of Indiana, and contributions.

Cash provided by capital and related financing activities increased by \$1,401,615 due to the receipt of three capital grants for equipment purchases. Equipment purchased for less than \$5,000, the capitalization threshold, was recorded as operating expenses.

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June 30, 2010 and June 30, 2009

Cash provided by investing activities decreased by \$127,145 due to the purchase of long-term investments and a decrease in investment earnings.

In summary, the net increase in cash and cash equivalents in 2010 was due primarily to the decreases in the operating loss and capital equipment purchases.

Capital Assets

At June 30, 2010, the Station had \$2,758,245 invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ending June 30, 2010, and June 30, 2009, totaled \$718,048 and \$680,663, respectively. Details of these assets are shown below:

Net Capital Assets at Year-End	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Transmission, Antenna, and Tower	\$1,042,693	\$1,254,251
Studio and Other Broadcast Equipment	1,715,552	2,110,867
Furniture and Fixtures	<u>0</u>	<u>1,235</u>
Capital Assets, Net	<u>\$2,758,245</u>	<u>\$3,366,353</u>

Major capital purchases for the year totaled \$161,697 and included:

- Four Channel Box Graphic Systems
- Two Multi-image Display Processors & Frames
- Video Server
- Audio/Video Test System
- Transport Stream Monitoring System
- XDCam Camcorder
- Two Tri-caster Audio/Video Switchers
- Storage Manager Software for Video Server
- Digital Audio Console System
- Digital Intercom System

WTIU was recently notified that it was successful in its application for a peer-reviewed equipment grant. As a result, the station plans to replace old analog cameras with new high-definition models; this \$422,000 project will complete our conversion to a digital, high definition facility. We have the cash in hand for half the project and the grant will cover the other half. New wireless microphones will be purchased to keep us in compliance with FCC frequency-use rules.

Economic Outlook

The coming year will be one of unusual uncertainty for WTIU. Questions are expected in Congress about the level of national funding for public broadcasting and any cut will be felt by TV stations more than radio stations because of the difference in the cost of doing business. State support already has been cut by 50 % and that cut is not expected to be restored, given the state's current financial position. At the same time, WTIU does benefit from strong member, grant, and University support; corporate support has shown some weakness but generally less than is seen at many of our sister stations. Management intends to hold down discretionary spending, to build reserves, and to investigate new revenue-generating activities.

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2010 and 2009

	2010	2009
<u>Assets</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,229,399	\$ 611,437
Other Receivables, Net of Allowance for Doubtful Accounts of \$0 in 2010 and \$0 in 2009	21,309	12,204
Costs Incurred for Programming Not Yet Broadcast	18,347	4,694
Prepaid and Other	5,620	9,466
Investments (Note 2)	1,200,116	1,068,177
Total Current Assets	2,474,791	1,705,978
Noncurrent Assets:		
Property and Equipment (Note 3): Television and Other Equipment, Net of Accumulated Depreciation of \$5,282,343 in 2010 and \$4,784,524 in 2009	2,758,245	3,366,623
Total Assets	\$ 5,233,036	\$ 5,072,601
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 106,026	\$ 52,345
Funding for Programming Not Yet Broadcast	25,754	41,258
Deferred Revenue	-	450
Long-Term Liabilities - Current Portion	224,000	224,000
Total Current Liabilities	355,780	318,053
Noncurrent Liabilities:		
Long-Term Liabilities (Note 5)	168,109	144,472
Total Liabilities	523,889	462,525
<u>Net Assets</u>		
Invested in Capital Assets	2,758,245	3,366,623
Restricted for Expendable Station Activities:		
Educational Programs	46,301	21,248
Restricted Endowment for Jazz Program Activities	17,099	12,126
Restricted for Capital Acquisitions	(54,049)	-
Unrestricted	1,941,551	1,210,079
Total Net Assets	4,709,147	4,610,076
Total Liabilities and Net Assets	\$ 5,233,036	\$ 5,072,601

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

WTIU-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OWNED AND OPERATED BY INDIANA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2010 and 2009

	2010	2009
<u>Operating Revenues</u>		
CPB Community Service Grant	\$ 918,432	\$ 867,208
Facility Sales and Services	984,849	1,004,889
Other Income From CPB and PBS	95,219	29,341
Miscellaneous Grants	52,776	3,933
Event Income	-	-
Royalty Income	28,879	3,068
Total Operating Revenues	2,080,155	1,908,439
<u>Operating Expenses</u>		
Program Services:		
Programming and Production	3,637,619	4,055,988
Broadcasting	1,229,748	1,290,596
Public Information and Promotion	241,194	178,441
Total Program Expenses	5,108,561	5,525,025
Supporting Services:		
Management and General	439,495	464,658
Fundraising, Membership Development, and Underwriting Solicitation	453,911	470,996
Total Supporting Expenses	893,406	935,654
Total Operating Expenses	6,001,967	6,460,679
Operating Loss	(3,921,812)	(4,552,240)
<u>Nonoperating Revenues (Expenses)</u>		
General Fund Support From Indiana University	2,313,563	2,533,237
Donated Facilities and Administrative Support From Indiana University	340,966	337,118
Appropriation From State of Indiana	176,224	249,064
Individual Contributions	482,611	492,675
Corporate/Foundation Contributions	215,259	247,410
Endowment Contributions	3,415	9,686
In-Kind Support - Other	5,150	3,450
Interest and Dividends	73,194	77,597
Net Decrease in the Fair Value of Investments	72,130	(553,028)
Gain (Loss) on Sale of Investments	(3)	39
Gain (Loss) on Disposal of Capital Assets	(34,786)	11,388
Net Nonoperating Revenues	3,647,723	3,408,636
Loss Before Other Revenues, Expenses, Gains, or Losses:	(274,089)	(1,143,604)
Capital grant - DOC NTIA/PTFP	79,510	347,850
Capital grant - CPB	293,650	-
Decrease in Net Assets	99,071	(795,754)
<u>Net Assets</u>		
Net assets - Beginning of Year	4,610,076	5,405,830
Net Assets - End of Year	\$ 4,709,147	\$ 4,610,076

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Grants	\$ 989,526	\$ 888,951
Sales and Services	978,131	1,015,107
Payments to Employees	(2,959,196)	(3,251,542)
Payments to Vendors	(1,914,045)	(2,204,676)
Payments to Reimburse Employees	-	-
Other Receipts	<u>108,278</u>	<u>15,584</u>
Net Cash Used by Operating Activities	<u>(2,797,306)</u>	<u>(3,536,576)</u>
Cash Flows From Noncapital Financing Activities:		
General Fund Support From Indiana University	2,313,563	2,533,237
Appropriation From State of Indiana	176,224	249,064
Contributions	<u>679,604</u>	<u>748,519</u>
Net Cash Provided by Noncapital Financing Activities	<u>3,169,391</u>	<u>3,530,820</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grant	373,160	347,850
Proceeds From Sale of Capital Assets	17,241	-
Purchase of Capital Assets	<u>(161,697)</u>	<u>(1,520,761)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>228,704</u>	<u>(1,172,911)</u>
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	7,445	80,538
Purchase of Investments	(63,535)	(14,564)
Interest and Dividends on Investments	<u>73,263</u>	<u>78,344</u>
Net Cash Provided by Investing Activities	<u>17,173</u>	<u>144,318</u>
Net Increase (Decrease) in Cash	617,962	(1,034,349)
Cash and Cash Equivalents - Beginning of Year	<u>611,437</u>	<u>1,645,786</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,229,399</u>	<u>\$ 611,437</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (3,921,812)	\$ (4,552,240)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	718,048	680,663
Bad Debt Expense	-	-
Donated Facilities and Administrative Support From Indiana University	340,966	337,118
In-Kind Support - State of Indiana/Other	5,150	3,450
(Increase) Decrease in Assets:		
Other Receivables, Net of Allowance for Doubtful Accounts	(6,718)	10,168
Costs Incurred for Programming Not Yet Broadcast	(13,654)	8,880
Prepaid and Other	3,396	5,290
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	53,681	(53,840)
Long-Term Liabilities - Current Portion	-	(11,000)
Long-Term Liabilities	<u>23,637</u>	<u>34,935</u>
Net Cash Used by Operating Activities	<u>\$ (2,797,306)</u>	<u>\$ (3,536,576)</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, 2010 and June 30, 2009

1. Summary of Significant Accounting Policies

A. Organization

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

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

B. Basis of Accounting

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

C. Operating Revenues

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

D. Revenue Recognition - Unrestricted

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

E. Revenue Recognition - Restricted

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

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2010 and June 30, 2009
(Continued)

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

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

G. Statement of Cash Flows

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

H. Functional Allocation of Expenses

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

I. Income Taxes

The Station is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for fiscal year 2010.

J. Enterprise Fund Election

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

K. Investment Valuation

Investments are presented in the financial statements at fair market value as of June 30, 2010.

L. Use of Restricted Resources

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

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2010 and June 30, 2009
(Continued)

M. Capital Assets

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

2. Investments

The pooled investments are currently managed 100% for the University by the Indiana University Foundation. The funds are invested in accordance with the investment policy approved by the Indiana University Board of Trustees. The value of the pooled shares is determined each quarter on the basis of the total fair value of pooled investments and the number of pooled shares outstanding. Income from pooled funds is distributed pro rata to each participating fund according to the number of pooled shares it holds. At June 30, 2010, pooled shares were invested in pooled long-term and pooled short-term funds. Investment pooled funds at cost were \$1,370,460 and had a fair value of \$1,200,116 at June 30, 2010.

3. Property and Equipment

	Beginning Balance	Additions	Retirements	Ending Balance
Transmission, Antenna, and Tower	\$ 3,836,735	\$ 140,117	\$ 56,049	\$ 3,920,803
Studio and Other Broadcast Equipment	4,193,597	21,580	216,208	3,998,969
Furniture and Fixtures	120,815	-	-	120,815
Totals	<u>8,151,147</u>	<u>161,697</u>	<u>272,257</u>	<u>8,040,587</u>
Less Accumulated Depreciation:				
Transmission, Antenna, and Tower	2,582,484	332,194	36,567	2,878,110
Studio and Other Broadcast Equipment	2,082,730	384,619	183,933	2,283,416
Furniture and Fixtures	119,580	1,235	-	120,815
Total Accumulated Depreciation	<u>4,784,794</u>	<u>718,048</u>	<u>220,500</u>	<u>5,282,342</u>
Capital Assets, Net	<u>\$ 3,366,353</u>	<u>\$ (556,351)</u>	<u>\$ 51,757</u>	<u>\$ 2,758,245</u>

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

WTIU-TV
A Public Telecommunications Entity Owned and Operated by Indiana University
Notes to Financial Statements
June 30, 2010 and June 30, 2009
(Continued)

Depreciation expenses for the years ended June 30, 2010 and June 30, 2009, were \$718,048 and \$680,663, respectively and were charged to the major functional areas as follows:

	2010	2009
Programming and Production	\$ 385,250	\$ 339,942
Broadcasting	332,429	338,232
Public Information and Promotion	73	461
Management and General	154	1,082
Fundraising, Membership Development, and Underwriting	142	946
Total Depreciation Expense	\$ 718,048	\$ 680,663

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:

Capital Assets	DOC Grant No.	Original Cost	Lien Through
Digital TV Studio Production Equipment	18-02-N03030	\$ 369,074	2014
High Definition Studio Camera Systems	18-02-N06114	467,278	2018
High Definition Conversion - Production	18-02-N07152	695,700	2019

4. In-Kind Support

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

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

Institutional support is estimated at \$103,030 and is computed using operating expenses as the base.

The value of donated facilities is calculated on the Annual Value Computations for Buildings and Tower Facilities form provided by the Corporation for Public Broadcasting and totals \$200,688 for the recently renovated Radio and TV Building and \$16,311 for the new roof and satellite dish mount for the Radio and TV Building. No value is claimed for the Transmitter Building because its remaining useful life is zero.

Physical plant is estimated at \$20,937. 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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Notes to Financial Statements
June 30, 2010 and June 30, 2009
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5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 368,472</u>	<u>\$ 224,358</u>	<u>\$ 200,721</u>	<u>\$ 392,109</u>	<u>\$ 224,000</u>

6. Pension Plan

The Station's appointed employees are covered by the same retirement plans as other employees of Indiana University. The required contributions are pooled at the university level and charged to the Station at a predetermined rate. Non-exempt employees are covered by PERF (Public Employees' Retirement Fund), which is a defined benefit plan. Total PERF pension expenses for the years ended June 30, 2010 and June 30, 2009, were \$56,756 and \$61,706, respectively. Exempt employees are covered by the IU Retirement Plan. This is a defined contribution plan with three funding levels. In addition, the University provides early retirement benefits to certain appointed academic and professional staff. These employees are covered by the IUSERP (IU Supplemental Early Retirement Program) or the 18/20 Retirement Plan. The IU Retirement Plan, IUSERP, and the 18/20 Retirement Plan pension expenses for the years ended June 30, 2010 and June 30, 2009, were \$213,272 and \$237,480, respectively. Complete details of these plans can be found in the Indiana University Annual Financial Report.

7. Accounts Payable and Accrued Expenses

The Station's accounts payable and accrued expenses at June 30, 2010 and June 30, 2009, were primarily accrued payroll.