

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

**FINANCIAL STATEMENTS AUDIT REPORT
OF**

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

July 1, 2019 to June 30, 2020



FILED
02/12/2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of WTIU-TV, a public television station operated by Indiana University (WTIU-TV), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise WTIU-TV's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 WTIU-TV's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WTIU-TV's internal control. Accordingly, we express no such opinion. An audit 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of WTIU-TV, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and, for the year 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 of WTIU-TV are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of Indiana University (University) that are attributable to the transactions of WTIU-TV. They do not purport to, and do not present fairly, the financial position of the University, as of June 30, 2020 and 2019, the changes in its financial position or, where applicable, 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.

Other Matters

The financial statements of WTIU-TV, as of and for the year ended June 30, 2019, were audited by other auditors, whose report, dated January 31, 2020, expressed an unmodified opinion on these statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Station's Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, and the Schedule of Changes in the Total OPEB Liability and Related Ratios - No Trust, 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 8, 2021

Management's Discussion and Analysis

June 30, 2020

WTIU-TV (the Station) presents its audited financial statements for the year ended June 30, 2020, along with comparative data for the years ended June 30, 2019 and 2018. 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.

Statement of Net Position

Total assets at June 30, 2020, were \$6,585,558, an increase of \$1,820,123, primarily due to an increase in funding provided through foundation contributions to help defray capitalized transmitter construction costs related to "repacking of the television spectrum". Net investment in capital assets comprised \$4,528,405 of the total net assets. Total assets at June 30, 2019, were \$4,765,435, an increase of \$938,910 from 2018, primarily due to an increase in capitalized transmitter construction costs related to "repacking of the television spectrum" and a corresponding receivable for partial reimbursement of the costs by the Federal Communications Commission (FCC).

Deferred outflows of resources at June 30, 2020 were \$157,111 a decrease of \$46,188 from June 30, 2019. Deferred outflows of resources at June 30, 2019 were \$203,299, a decrease of \$50,809 from June 30, 2018. Changes in deferred outflows of resources are the result of fluctuations in pension and other postemployment benefit obligations.

Total liabilities were \$1,027,259 at June 30, 2020, a decrease of \$415,633. Noncurrent liabilities were \$787,329, or approximately 76.6% of total liabilities at June 30, 2020. Total liabilities were \$1,442,892 at June 30, 2019, a decrease of \$36,001. Noncurrent liabilities were \$927,832, or approximately 64.3% of total liabilities at June 30, 2019.

Deferred inflows of resources at June 30, 2020 were \$157,640, an increase of \$79,276 from June 30, 2019. Deferred inflows of resources at June 30, 2019 were \$78,364, an increase of \$6,669 from June 30, 2018. Changes in deferred inflows of resources are the result of fluctuations in pension and other postemployment benefit obligations.

Total net position at June 30, 2020, was \$5,557,770, a \$2,110,292 increase from the prior year, or a 61.2% increase in net position, primarily due to a significant increase in contributions received. Total net position at June 30, 2019, was \$3,447,478, an increase of \$917,433 from the prior year, or a 36.2% increase in net position, from 2018.

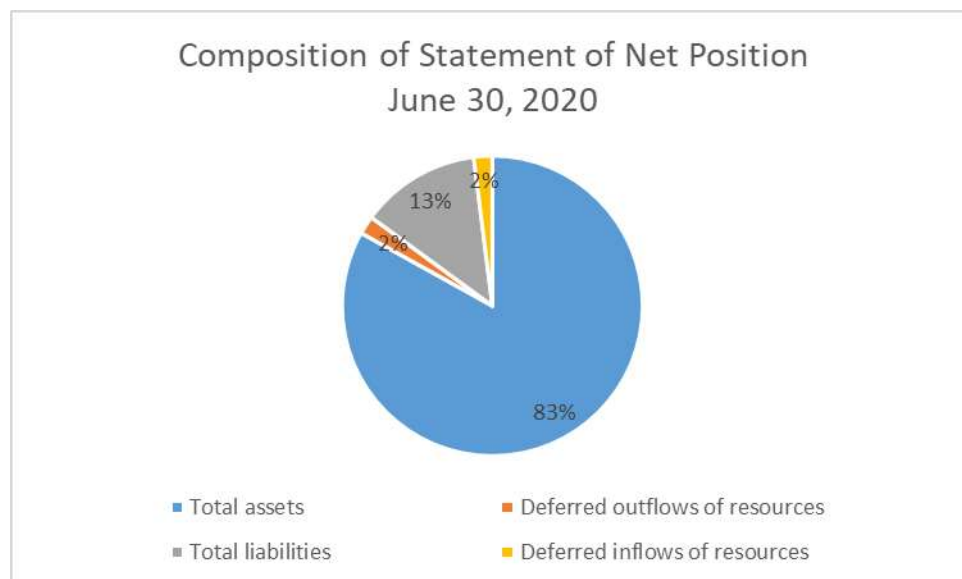
A comparison of WTIU's assets, liabilities, and net position at June 30, 2020, 2019 and 2018 is summarized as follows:

Management's Discussion and Analysis

June 30, 2020

Condensed Statement of Net Position			
	June 30, 2020	June 30, 2019	June 30, 2018
Current assets	\$ 2,057,153	\$ 1,080,060	\$ 1,410,218
Noncurrent assets	4,528,405	3,685,375	2,416,307
Total assets	6,585,558	4,765,435	3,826,525
Deferred outflows of resources	157,111	203,299	254,108
Current liabilities	239,930	515,060	561,218
Noncurrent liabilities	787,329	927,832	917,675
Total liabilities	1,027,259	1,442,892	1,478,893
Deferred inflows of resources	157,640	78,364	71,695
Net investment in capital assets	4,528,405	3,685,375	2,416,307
Restricted net position	1,291	54,550	11,709
Unrestricted net position	1,028,074	(292,447)	102,029
Total net position	\$ 5,557,770	\$ 3,447,478	\$ 2,530,045

The composition of assets, deferred outflows, liabilities, and deferred inflows is displayed below as of June 30, 2020.



Management's Discussion and Analysis

June 30, 2020

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			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2020</i>	<i>June 30, 2019</i>	<i>June 30, 2018</i>
Operating revenues	2,003,232	2,604,130	1,802,463
Operating expenses	(8,868,441)	(8,390,459)	(7,835,619)
Total operating loss	(6,865,209)	(5,786,329)	(6,033,156)
Net Nonoperating revenues	8,158,981	6,065,761	7,084,668
Income before other revenues	1,293,772	279,432	1,051,512
Capital grant	816,520	638,001	-
Increase in net position	2,110,292	917,432	1,051,512
Net position, beginning of year	3,447,478	2,530,045	1,945,048
Prior period adjustments	-	-	(466,515)
Net position, beginning of year, as restated	3,447,478	2,530,045	1,478,533
Net position, end of year	5,557,770	3,447,477	2,530,045

Revenues

Operating revenues at WTIU-TV for the June 30, 2020 fiscal year decreased by 23.1% from the previous year, primarily due to completion and winding down of work done for Community Access TV Services, coupled with a reduction in services performed for Indiana University auxiliaries.

Operating revenues at WTIU-TV for the June 30, 2019 fiscal year increased by 44.5% from the previous year, primarily due an increase in technical services performed for other university schools and auxiliaries as well as outside entities.

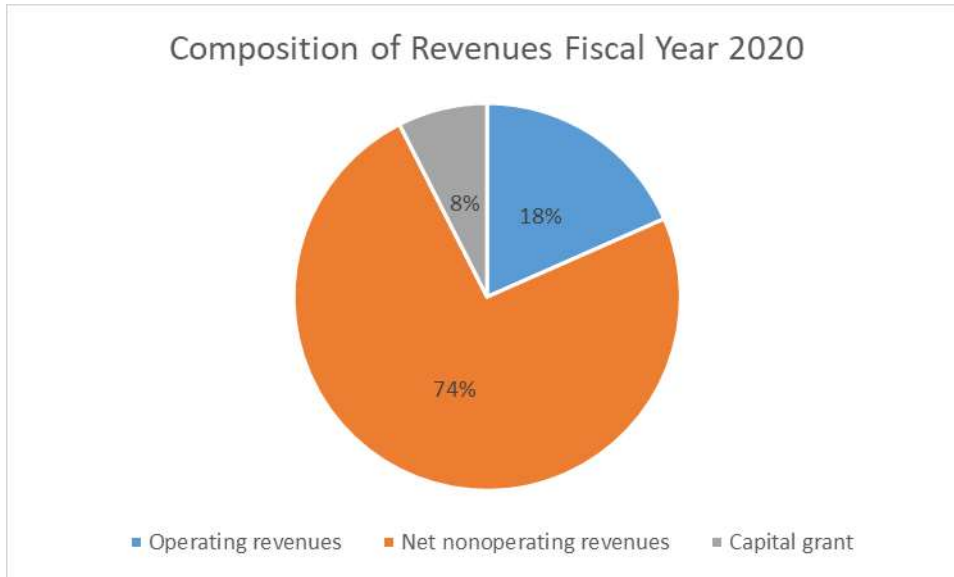
Net non-operating revenues for the June 30, 2020 fiscal year increased 34.5%, primarily due to an increase in CPB and corporate and foundation contributions.

Net non-operating revenues for the June 30, 2019 fiscal year decreased 14.4%. Corporate and foundation contributions decreased due to a reduction in the need for funds from the IU Foundation as compared to 2018, when funding was needed to cover construction costs. This decrease was partially offset by capital grant revenue for the FCC repacking reimbursement.

In summary, total revenues of the Station in fiscal year 2020 increased by \$1,670,841, an increase of 18.0%. Total revenue of the Station in fiscal year 2019 increased by \$421,761 an increase of 4.7%.

June 30, 2020

The composition of fiscal year 2020 revenues are displayed in the following graph:



Expenses

Operating expenses were \$8,868,441 for the 2020 fiscal year. This was an increase over the previous fiscal year of \$477,982 or 5.7%. Changes in the major categories of expenses were:

For all functional areas:

- Professional and support staff received an average 1.5% salary increase. The professional staff fringe benefit rate increased from 38.09% to 39.31%. The support staff fringe benefit rate increased from 38.60% to 39.99%.

For specific functional areas:

- Programming & Production decrease of \$88,118 or 1.6% - The university's demand for production services declined on all campuses as commencement ceremonies and other events were cancelled or curtailed due to COVID-19 restrictions. Related station expenses for shop, equipment rental and travel decreased as a result.
- Broadcasting increase of \$543,649 or 38.1% - A transmitter line fire and the resulting uninsured portion of replacement costs, along with television spectrum repack work, contributed to increased costs.
- Public information and promotion decrease of \$128,413 or 19.1% - The promotion budget was trimmed due to the unbudgeted expenses related to the transmitter line fire. A reduction in community events due to COVID-19 also contributed to the decrease.
- Management and general increase of \$24,777 or 4.9% - The increase is commensurate with the overall increase in operating expenses.
- Fundraising, membership development, and underwriting solicitation costs increase of \$126,088 or 37.6%. - The increase is commensurate with the increase in contributions.

Operating expenses were \$8,390,459 for the 2019 fiscal year. This was an increase over the previous fiscal year of \$554,840 or 7.1%. Changes in the major categories of expenses were:

Management's Discussion and Analysis

June 30, 2020

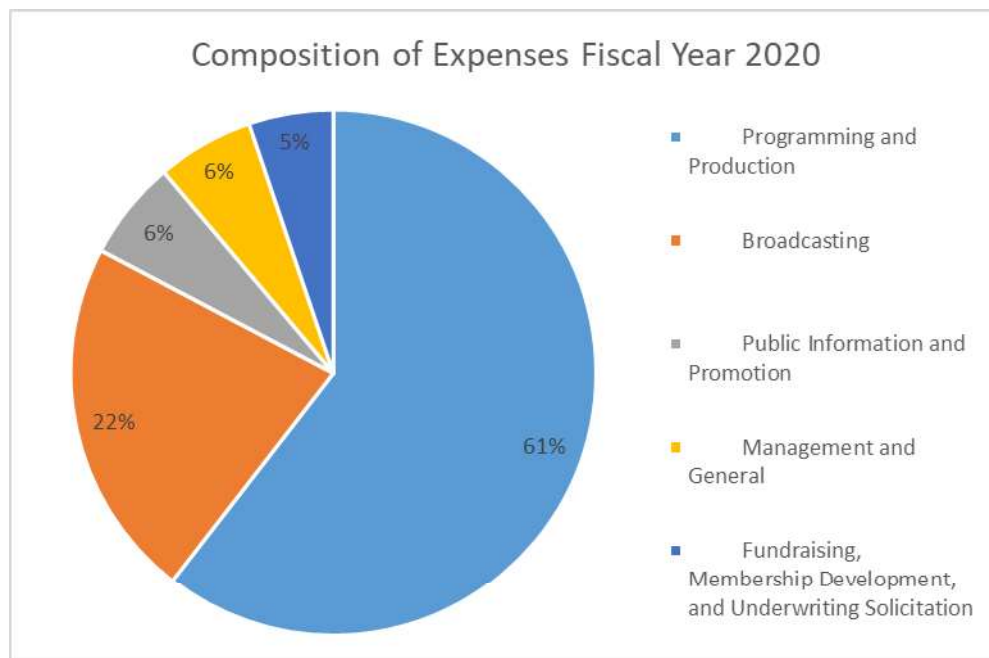
For all functional areas:

- Professional and support staff received an average 3% salary increase. The professional staff fringe benefit rate decreased from 40.23% to 38.09%. The support staff fringe benefit rate decreased from 38.99% to 38.60%.

For specific functional areas:

- Programming & Production increase of \$448,256 or 9% – natural fluctuation in grant activity.
- Broadcasting increase of \$308,847 or 27% – television spectrum repack work, along with work on the TV master control.
- Management and general decrease of \$78,290 or 13% – in part the result of staffing reallocations between the radio and television functions.
- Fundraising, membership development, and underwriting solicitation costs decrease of \$232,312 or 41% – a result of staffing priorities.

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



Net Position

The net increase in net position was \$2,110,292 in 2020. The operating loss increased \$1,078,880 or 18.6% from the previous fiscal year and the net non-operating revenues decreased by \$2,271,738 or 33.9%. The ending net position was \$5,557,770 compared to ending net position in 2019 of \$3,447,478. This was a 61.2% increase in net position.

The net increase in net position was \$917,433 in 2019. The operating loss decreased \$246,827 or 4.1% from the previous fiscal year and the net non-operating revenues decreased by \$1,018,907 or 14.4%. The ending net position was \$3,447,478 compared to ending net position in 2018 of \$2,530,045. This was a 36.3% increase in net position.

Management's Discussion and Analysis

June 30, 2020

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:

Comparative Statement of Cash Flows			
	Fiscal Year Ended		
	June 30, 2020	June 30, 2019	June 30, 2018
Net cash provided (used) by:			
Operating activities	\$ (5,419,340)	\$ (4,309,479)	\$ (5,155,048)
Noncapital financing activities	7,853,098	5,233,730	6,560,896
Capital and related financing activities	(1,379,874)	(1,645,682)	(1,587,102)
Net increase (decrease) in cash and cash equivalents	1,053,884	(721,431)	(181,254)
Beginning cash and cash equivalents	417,924	1,139,355	1,320,609
Ending cash and cash equivalents	\$ 1,471,808	\$ 417,924	\$ 1,139,355

From fiscal year 2019 to 2020, cash used by operating activities increased by \$1,109,861. This increase is primarily the result of the reduction in sales and services performed for other university schools and auxiliaries, as well as outside entities, along with an increase in payments to vendors. From fiscal year 2018 to 2019, cash used by operating activities decreased by \$845,569. This decrease is the result of an increase in sales and services performed for other university schools and auxiliaries as well as outside entities.

From fiscal year 2019 to 2020, cash flows provided by noncapital financing activities increased by \$2,619,368, reflecting increases in amounts received for capital grants and contributions. From fiscal year 2018 to 2019, cash flows provided by noncapital financing activities decreased by \$1,327,166, reflecting decreases primarily due to reduction in funds requested from the IU Foundation.

From fiscal year 2019 to 2020, cash used by capital and related financing activities was \$1,379,874 a decrease of \$265,808, primarily due a reduction in capitalized costs related to sales and services activities. From fiscal year 2018 to 2019, cash used by capital and related financing activities was \$1,645,682 an increase of \$58,580, primarily due to transmitter construction costs related to repacking of the television spectrum.

In summary, there was a net increase of \$1,053,884 and a decrease of \$721,431 in cash and cash equivalents in 2020 and 2019, respectively.

Capital Assets

At June 30, 2020, June 30, 2019, and June 30, 2018, the Station had \$4,528,405, \$3,685,375, and \$2,416,307, respectively, invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ended June 30, 2020, June 30, 2019, and June 30, 2018, totaled \$536,843, \$375,678, and \$226,064, respectively.

Management's Discussion and Analysis

June 30, 2020

Details of these assets are shown below:

Capital Assets			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2020</i>	<i>June 30, 2019</i>	<i>June 30, 2018</i>
Transmission, antenna and tower	\$ 2,388,229	\$ 1,260,444	\$ 619,740
Studio and other broadcast equipment	2,007,512	2,287,616	1,657,695
Furniture and Fixtures	132,664	137,315	138,872
	\$ 4,528,405	\$ 3,685,375	\$ 2,416,307

Economic Outlook

WTIU has been impacted by COVID-19. Prior to the pandemic spread to Indiana, the station was enjoying consistent continued business patronage. Following the pandemic reaching Indiana, business partnerships have been volatile, resulting in the station anticipating (and budgeting for) less corporate development revenue in fiscal year 2021. Despite the incredible challenges posed by the pandemic, WTIU member giving has remained strong. The station has had to creatively navigate the pandemic, including altering traditional fundraising campaign models and execution.

WTIU has ensured its programming is available on all available platforms, including: over-the-air broadcast, cable, satellite, on demand (PBS Passport), Discs, and now YouTubeTV (OTT app). The near future will also see PBS add live web streaming of the primary WTIU 30.1 signal. WTIU capital expenditures have included a side mount tower antenna, replacing a failed WTIU tower transmitter/antenna line, as well as installing a new AirLink backup SLT (studio to transmitter) transmission link for added redundancy of the WTIU broadcast signal. Future capital expenditures will include replacing aged equipment in the primary control room, studio, and postproduction suites. As well, the current land lease agreement where the WFIU/WTIU transmission tower resides expires in 2026. The stations will need to reach a new long-term lease agreement, purchase the land, or construct an entirely new transmitter tower elsewhere.

WTIU's fiscal year 2021 budget incorporates reductions and/or anticipated reductions in funding from each of Indiana University, Indiana Department of Education, Membership, Corporate Development, and Educational & Production Services unit (sales and services).

Continued investment will be needed to ensure the station's popular content – both national and locally produced – is maintained and continues. The local/regional news operation continues to deepen and strengthen its value to WTIU's community service. It will continue to be a growth area for both stations.

BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of WTIU-TV. The financial statements and notes are presented as intended by WTIU-TV.

Statement of Net Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 1,471,808	\$ 417,924
Receivables:		
Grants receivable	514,391	638,001
Other receivables	46,202	5,115
Prepaid expenses and other assets	24,752	19,020
Total current assets	2,057,153	1,080,060
Noncurrent assets - Capital assets - Net (Note 4)	4,528,405	3,685,375
Total assets	6,585,558	4,765,435
Deferred Outflows of Resources		
Deferred pension costs (Note 7)	37,081	64,619
Deferred OPEB costs (Note 7)	120,030	138,680
Total deferred outflows of resources	157,111	203,299
Liabilities		
Current liabilities:		
Accounts payable	69,319	90,426
Other liabilities	-	181,494
Compensated absences (Note 6)	170,611	243,140
Total current liabilities	239,930	515,060
Noncurrent liabilities:		
Compensated absences (Note 6)	193,742	151,484
Net pension liability (Note 7)	191,303	240,700
Net OPEB liability (Note 7)	402,284	535,648
Total noncurrent liabilities	787,329	927,832
Total liabilities	1,027,259	1,442,892
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 7)	36,107	51,624
Deferred OPEB cost reductions (Note 7)	121,533	26,740
Total deferred inflows of resources	157,640	78,364
Net Position		
Net investment in capital assets	4,528,405	3,685,375
Restricted - Expendable station activities	1,291	54,550
Unrestricted	1,028,074	(292,447)
Total net position	<u>\$ 5,557,770</u>	<u>\$ 3,447,478</u>

Statement of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenue		
Facility sales and services	\$ 1,976,627	\$ 2,588,640
Other grants	15,080	6,375
Event income	4,432	970
Royalty income	7,093	8,145
Total operating revenue	2,003,232	2,604,130
Operating Expenses		
Program Services - Programming and production	5,365,680	5,453,798
Program Services - Broadcasting	1,970,027	1,426,378
Program Services - Public information and promotion	542,823	671,237
Supporting Services - Management and general	528,205	503,428
Supporting Services - Fundraising, membership development, and underwriting solicitation	461,706	335,618
Total operating expenses	8,868,441	8,390,459
Operating Loss	(6,865,209)	(5,786,329)
Nonoperating Revenue (Expense)		
General fund support from Indiana University - Bloomington campus	2,593,520	2,678,689
Donated facilities and administrative support from Indiana University	1,070,281	928,163
Appropriation from State of Indiana	389,509	472,279
CPB contributions	1,398,465	1,004,110
Individual contributions	279,608	223,057
Corporate/foundation contributions	2,389,961	739,433
In-kind support - other	37,637	20,967
Loss on disposal of capital asset	-	(937)
Total nonoperating revenue (expense)	8,158,981	6,065,761
Income - Before other revenues	1,293,772	279,432
Capital Grants and Gifts	816,520	638,001
Change in Net Position	2,110,292	917,433
Net Position - Beginning of year	3,447,478	2,530,045
Net Position - End of year	\$ 5,557,770	\$ 3,447,478

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Other grants	\$ 15,080	\$ 6,375
Facility sales and services	1,935,540	2,585,234
Payments to employees	(3,962,698)	(4,085,149)
Payments to vendors	(3,418,788)	(2,825,054)
Other receipts	11,526	9,115
Net cash and cash equivalents used in operating activities	(5,419,340)	(4,309,479)
Cash Flows from Noncapital Financing Activities		
General fund support from Indiana University - Bloomington campus	2,593,520	2,678,689
Appropriation from State of Indiana	389,509	472,279
Contributions	3,929,939	2,082,762
Capital grants and gifts	940,130	-
Net cash and cash equivalents provided by noncapital financing activities	7,853,098	5,233,730
Cash Flows Used in Financing Activities - Purchase of capital assets	(1,379,874)	(1,645,682)
Net Increase (Decrease) in Cash and Cash Equivalents	1,053,884	(721,431)
Cash and Cash Equivalents - Beginning of year	417,924	1,139,355
Cash and Cash Equivalents - End of year	\$ 1,471,808	\$ 417,924
Cash and Cash Equivalents - Cash and investments	\$ 1,471,808	\$ 417,924
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating income (loss)	\$ (6,865,209)	\$ (5,786,329)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation and amortization	536,843	375,678
Donated facilities and administrative support from Indiana University	1,070,281	928,163
In-kind - Other	37,636	20,967
Corporate/Foundation In-kind	13,294	8,639
Changes in assets and liabilities:		
Other receivables	(41,087)	(3,406)
Prepaid expense and other assets	(5,732)	250,134
Accounts payable	(21,107)	(89,299)
Other liabilities	(56,693)	-
Compensated absences	(30,270)	(6,027)
Net pension liability and related deferrals	(37,376)	4,296
Other postemployment liability and related deferrals	(19,920)	(12,295)
Total adjustments	1,445,869	1,476,850
Net cash and cash equivalents used in operating activities	\$ (5,419,340)	\$ (4,309,479)

June 30, 2020 and 2019

Note 1 - Nature of Business

WTIU-TV (the "Station") is a public television station operated by the Radio and Television Services Department of Indiana University (the University) on behalf of the Trustees of the 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.

Note 2 - Significant Accounting Policies***Related Organization***

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 receives both general contributions and membership contributions on behalf of the Station, and provided support totaling \$2,333,187 and \$625,857 to the Station during fiscal years 2020 and 2019, respectively.

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. Intrafund transactions within the Station have been eliminated 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.

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.

Grants Receivable and Other Receivables

Grants receivable are amounts due from external granting entities. Other Receivables consist primarily of amounts due from customers. Management reviews customer accounts to determine the need for an allowance for uncollectible accounts. Management has determined no allowance is necessary for June 30, 2020 and 2019.

Prepaid Expenses

Prepaid expenses consist primarily of contract payments that were paid for in the current period.

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)***Capital Assets***

The capitalization threshold for capital assets is \$5,000 or greater and a useful life in excess of one year. Capital assets are recorded at cost at the date of purchase or acquisition value at the date of contribution in the case of gifts. Donated capital assets from the University are recorded by the Station at net book value of the University. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

	Depreciable Life - Years
Transmission, antenna and tower	5-15
Studio and other broadcast equipment	3-10
Building components	40

Deferred Outflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services.

Accounts Payable and Accrued Expenses

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

Compensated Absences

Liabilities for compensated absences are recorded for vacation leave based on actual earned amounts for eligible employees who qualify for termination payments. Liabilities for sick leave are recorded for employees who are eligible for and have earned termination payments for accumulated sick days upon termination or retirement.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services.

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 (CPB), IU Foundation contributions, University appropriations and state appropriations. The CPB grants have been classified as contribution (non-exchange) revenue.

Revenue Recognition***Unrestricted***

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

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)*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 received, and reclassified to unrestricted net position when the Station has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet spent are reported as restricted net position.

General Fund Support

The Station receives support from the University's Bloomington campus in the form of an annual general fund allocation to the Station, which may be used for capital or noncapital expenditures. This category also includes any additional allocations from the Bloomington Provost and expenditures made by other departments for the direct benefit of the Station.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization. CSG's are reported on the statement of Revenue, Expenses, and Changes in Net Position in CPB contributions.

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.

Net Position

Net position is the residual of all other elements presented in the statement of net position and is classified into three major categories:

- Net investment in capital assets consists of the University's investment in capital assets, such as equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation.
- Restricted net position consists of amounts subject to externally imposed restrictions by third parties governing usage and must be spent according to the restrictions.
- 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 restricted resources first.

Income Taxes

The Station, operating as a department of the University, 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 years 2020 and 2019.

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)***Adoption of New Accounting Pronouncements***

Effective for fiscal year ended June 30, 2020, the Station adopted GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

Note 3 - Deposits and Investments

WTIU-TV maintains no directly held bank accounts. Rather, the Station's funds are held and managed by the University. The University has an Investment Policy Statement. The investment policy ultimately determines the credit risk for the Station. The Station's "demand deposits" were held at Indiana University in the amount of \$1,471,808 and \$417,924 for the years ended June 30, 2020 and 2019, respectively.

The Station's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

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.

Statutory Authorization for Investments

The University Board of Trustees has acknowledged responsibility as a fiduciary body for the invested assets of the University. Indiana Code 30-4-3-3 requires the trustees to "exercise the judgment and care required by Indiana Code 30-4-3.5," the Indiana Uniform Prudent Investor Act. That Act requires the trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution." The trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the University's investment policy. The trustees have delegated the day-to-day responsibilities of overseeing the investment program to the Office of the Treasurer. As of June 30, 2020 and 2019, the Station did not hold any investments.

June 30, 2020 and 2019

Note 4 - Capital Assets

Capital asset include both purchased and donated assets. There were no donated capital assets during fiscal year 2020 and 2019. Capital asset activity for the years ended June 30, 2020 and 2019, were as follows:

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets being depreciated:				
Building components	\$ 151,638	\$ -	\$ -	\$ 151,638
Transmission, antenna, and tower	4,563,661	1,328,488	(1,750,966)	4,141,183
Studio and other broadcast equipment	6,169,671	51,385	(263,758)	5,957,298
Subtotal	10,884,970	1,379,873	(2,014,724)	10,250,119
Accumulated depreciation:				
Building components	14,323	4,651	-	18,974
Transmission, antenna, and tower	3,303,217	200,703	(1,750,966)	1,752,954
Studio and other broadcast equipment	3,882,055	331,489	(263,758)	3,949,786
Subtotal	7,199,595	536,843	(2,014,724)	5,721,714
Net capital assets	<u>\$ 3,685,375</u>	<u>\$ 843,030</u>	<u>\$ -</u>	<u>\$ 4,528,405</u>
	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets being depreciated:				
Building components	\$ 148,393	\$ 3,245	\$ -	\$ 151,638
Transmission, antenna, and tower	3,832,145	731,516	-	4,563,661
Studio and other broadcast equipment	5,555,061	910,920	(296,310)	6,169,671
Subtotal	9,535,599	1,645,681	(296,310)	10,884,970
Accumulated depreciation:				
Building components	9,521	4,802	-	14,323
Transmission, antenna, and tower	3,212,405	90,812	-	3,303,217
Studio and other broadcast equipment	3,897,366	280,064	(295,375)	3,882,055
Subtotal	7,119,292	375,678	(295,375)	7,199,595
Net capital assets	<u>\$ 2,416,307</u>	<u>\$ 1,270,003</u>	<u>\$ (935)</u>	<u>\$ 3,685,375</u>

June 30, 2020 and 2019

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

	2020	2019
Business type activities:		
Programming and production	\$ 331,489	\$ 214,136
Broadcasting	200,703	157,785
Management and general	4,651	3,757
Total business type activities	<u>\$ 536,843</u>	<u>\$ 375,678</u>

For capital assets partially financed with U. S. Department of Commerce NTIA/PTFP grants, the Federal Government requires a ten-year lien establishing it as the priority secured creditor. This is to enforce its reversionary interest in the capital 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 Number	Original Cost	Lien Through
High Definition Conversion - Production	18-02-N09157	\$ 132,383	06/2021
(Remote) Production, HD Cam Upgrade	18-02-N10060	387,718	06/2022

Note 5 - Indiana University Donated Facilities and Administrative Support

Administrative support from the 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 the University is estimated at \$461,446 and \$521,912 for fiscal years ending June 30, 2020 and 2019, respectively, and is computed using operating expenses as the base.

Physical plant support from the University is estimated at \$466,352 and \$406,251 for fiscal years ending June 30, 2020 and 2019, respectively. This represents the Station's pro rata share of allowable physical plant costs not allocated by the University based on gross square feet.

The value of the University donated facilities is calculated on the Annual Value Computations for Buildings and Tower Facilities form provided by the Corporation for Public Broadcasting. For the renovated Radio and TV Building for fiscal years ending June 30, 2020 and 2019, the totals for the Station were \$134,914 and \$144,401, respectively. For the new roof and satellite dish mount on the Radio and TV Building for fiscal years ending June 30, 2020 and 2019 the totals for the Station were \$7,569 and \$6,637 respectively. No value is claimed for the Transmitter Building because its remaining useful life is zero.

Note 6 - Compensated Absences

Compensated activity for the years ended June 30, 2020 and 2019 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 394,624	\$ 29,856	\$ (60,127)	\$ 364,353	\$ 170,611
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 400,651	\$ 86,570	\$ (92,597)	\$ 394,624	\$ 243,140

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits

The Station's appointed employees are covered by the same retirement plans as other employees of the University. Complete details of these plans can be found in the Indiana University Annual Financial Report, which can be found on the Indiana University website: https://vpcfo.iu.edu/_assets/doc/fy2020.pdf

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. The Station does not have any funding obligation once an employee retires.

Non-exempt staff retirement plan expenses for the years ended June 30, 2020 and 2019 were \$68,345 and \$79,169, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2020 and 2019 were \$230,844 and \$255,511, respectively.

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 900 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.

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.

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)***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 cost-sharing, multiple-employer defined benefit plan based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. There are two tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the My Choice: Retirement Savings Plan for Public Employees (My Choice), formerly known as Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). The university participates in the PERF Hybrid Plan. The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension. The second portion of the PERF Hybrid Plan benefit structure is the defined contribution component, known as Public Employees' Hybrid Members Defined Contribution Account. Both components are funded by employer contributions. Support staff and temporary employees who normally work at least 50% FTE appointment hired prior to July 1, 2013, participate in the PERF Hybrid Plan. There were 2,210 and 2,493 active university employees covered by this retirement plan as of June 30, 2020 and 2019, respectively. Per IC 5-10 .2-4-4, key elements of the pension formula include years of PERF creditable service multiplied by average annual compensation multiplied by 1 .1%, resulting in an annual lifetime benefit . Cost of living adjustments for members in pay status are not guaranteed by statute, but may be granted by the Indiana General Assembly on an ad hoc basis. Refunds of employee contributions are included in total benefit payments. Participants must have at least ten years of PERF creditable service to have a vested right to the defined pension benefit. The defined contribution account consists of contributions set by state statute at 3 .0% of compensation plus the earnings credited to members' accounts. Participants are 100% vested from inception in the defined contribution account. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The financial report and corresponding fiduciary net position is prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. INPRS investments are measured at fair value within the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application. The INPRS Comprehensive Annual Financial Report for 2019 may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-844-464-6777, or by reviewing the Annual Report online at: www.in.gov/inprs/annualreports.htm

Required and actual contributions made by the Station totaled \$35,593 and \$51,930 for fiscal years ended June 30, 2020 and 2019, respectively. This represented an 11.2% university pension benefit contribution for fiscal years ended June 30, 2020 and 2019, and a 3.0% university contribution for the annuity savings account provisions each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the Station's reported allocation of the University's share of the net pension liability was \$191,303 and \$240,700, respectively. The net pension liability was based on the University's measurement date of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, which used update procedures to roll forward the estimated liability to June 30, 2019. The Station's proportion of the net pension liability was based on wages reported by the Station relative to the collective wages of the University reported to the plan. At June 30, 2020 and 2019, the Station's proportion was 0.293 and 0.351 percent, respectively. The Station's pension expense as of June 30, 2020 and 2019, was \$3,264 and \$28,702, respectively.

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)

At June 30, 2020 and 2019, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,066	\$ -	\$ 3,148	\$ 16
Changes in assumptions	43	20,797	573	38,648
Net difference between projected and actual earnings on pension plan investments	-	9,042	7,129	-
Changes in proportion and differences between the Station's contributions and proportionate share of contributions	2,791	6,268	14,392	12,960
The Station's contributions to the plan subsequent to the measurement date	29,181	-	39,377	-
Total	<u>\$ 37,081</u>	<u>\$ 36,107</u>	<u>\$ 64,619</u>	<u>\$ 51,624</u>

Deferred outflows of resources in the amount of \$29,181 and \$39,377 related to pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2020	\$ (8,534)
2021	(15,131)
2022	(3,841)
2023	(701)
2024	-
Thereafter	-
Total	<u>\$ (28,207)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)**Actuarial Assumptions**

The total pension liability as of June 30, 2019, and June 30, 2018, based on the results of actuarial valuation dates of June 30, 2018, and June 30, 2017, and rolled forward, respectively, were determined using the following actuarial assumptions, which were applied to all periods included in the measurement:

	2019	2018
Cost of living	FY 2020-2021 - 13th check FY 2022-2033 - 0.4% FY 2034-2038 - 0.5% FY 2039 and on - 0.6%	FY 2019-2020 - 13th check FY 2021-2032 - 0.4% FY 2033-2037 - 0.5% FY 2038 and on - 0.6%
Inflation	2.25%, average	2.25%, average
Future salary increases	2.50% to 4.25%	2.50% - 4.25%
Investment rate of return	6.75%, net of pension plan investment expense	6.75%, net of pension plan investment expense
Mortality rates	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables and Disability Mortality Tables for disabled members	Based on RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables and Disability Mortality Tables for disabled members

The actuarial assumptions used in the valuations of June 30, 2019, were adopted by the Indiana Public Retirement System Board pursuant to the experience studies which reflected the period from July 1, 2010 through June 30, 2014. Member census data as of June 30, 2018, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	2019		2018	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Public equity	22.00 %	4.90 %	22.00 %	4.40 %
Private equity	14.00	7.00	14.00	5.40
Fixed-income - ex-inflation linked	20.00	2.50	20.00	2.20
Fixed-income inflation linked	7.00	1.30	7.00	0.80
Commodities	8.00	2.00	8.00	2.30
Real estate	7.00	6.70	7.00	6.50
Absolute return	10.00	2.90	10.00	2.70
Risk parity	12.00	5.30	12.00	5.20
Total	100.00 %		100.00%	

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)***Discount Rate***

The discount rate used to measure the total pension liability was 6.75% for PERF at June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Station's Proportionate Share of the PERF Net Pension Liability

The following table presents the university's proportionate share of the PERF net pension liability using the discount rate of 6.75% for both years, as well as what the university's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2020		
	1 Percent Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percent Increase (7.75%)
Net pension liability of the Station	\$ 307,236	\$ 191,303	\$ 94,607
	2019		
	1 Percent Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percent Increase (7.75%)
Net pension liability of the Station	\$ 378,901	\$ 240,700	\$ 125,456

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued INPRS financial report.

Other Postemployment Benefits

The university provides postemployment benefits for certain 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

The Plan is a single-employer defined benefit plan administered by the university. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: covered by the IU Retirement Plan 15% level on or before July 14, 1988, and has 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 and is closed to new entrants.

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)

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 an early retirement incentive plan, approved by executive management in fiscal year 2014, which includes five years of annual contributions to a health reimbursement account

Funding Policy

The contribution requirements of plan members and the university are established and may be amended by the trustees. The university contribution to the 18/20 Plan and retiree life insurance is based on pay-as-you-go financing requirements. Plan members do not make contributions. The medical plans are self-funded and each plan's premiums are updated annually based on actual claims. Retirees receiving medical benefits paid \$806,000 and \$814,000 in premiums in the fiscal years ended June 30, 2020 and June 30, 2019, respectively. The university does not maintain a separate legal trust to house assets used to fund postemployment benefits.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020 and 2019, the Station reported \$402,284 and \$535,648 for its total OPEB liability, respectively. At June 30, 2020 and 2019, the Station reported \$44,480 and \$60,816 for its total OPEB expense, respectively. The total OPEB liability was measured as of June 30, 2020, and was determined with results from July 1, 2019, actuarially projected on a "no gain / no loss" basis to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019, are based on an actuarial valuation date of July 1, 2018, with no adjustments. At June 30, 2020 and 2019 the Station's proportion was 0.18 and 0.21 percent, respectively, a change of (16.422)% and 5.182%%, respectively.

Changes in the total reported liability for postemployment benefits obligations and total OPEB expense for the year ended June 30, 2020, are summarized as follows:

	18/20 Plan	Retiree Health Insurance	Retiree Life Insurance	Total
Total OPEB liability, beginning of year	\$ 224,807	\$ 228,272	\$ 82,569	\$ 535,648
Service cost	4,286	15,351	1,962	21,599
Interest	5,870	7,111	2,442	15,423
Changes in assumptions	3,535	6,760	9,105	19,400
Differences between expected and actual experience	(4,266)	(38,787)	724	(42,329)
Change in proportionate share	(37,242)	(37,816)	(13,678)	(88,736)
Benefit payments	(49,666)	(6,477)	(2,578)	(58,721)
Total OPEB liability, end of year	<u>\$ 147,324</u>	<u>\$ 174,414</u>	<u>\$ 80,546</u>	<u>\$ 402,284</u>

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)

Changes in the total reported liability for postemployment benefits obligations and total OPEB expense for the year ended June 30, 2019, are summarized as follows:

	18/20 Plan	Retiree Health Insurance	Retiree Life Insurance	Total
Total OPEB liability, beginning of year	\$ 257,826	\$ 206,926	\$ 72,334	\$ 537,086
Service cost	4,647	17,727	2,049	24,423
Interest	9,616	8,926	2,966	21,508
Changes in assumptions	1,374	6,852	4,489	12,715
Differences between expected and actual experience	(6,738)	(13,306)	-	(20,044)
Change in proportionate share	13,360	10,723	3,748	27,831
Benefit payments	(55,278)	(9,576)	(3,017)	(67,871)
Total OPEB liability, end of year	<u>\$ 224,807</u>	<u>\$ 228,272</u>	<u>\$ 82,569</u>	<u>\$ 535,648</u>

The discount rate changed from 3.51% as of July 1, 2019, to 2.66% as of June 30, 2020. The health care trend rates have been reset to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. The university has not had a recent experience study. The actuarial assumptions for non-18/20 Plans have not been updated since the 2006 valuation.

At June 30, 2020 and 2019, the Station reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:				
18/20 Plan	\$ 3,954	\$ 925	\$ 1,203	\$ 1,294
Retiree health insurance	14,295	-	11,717	-
Retiree life insurance	10,775	1,064	3,927	1,487
Differences between expected and actual experience:				
18/20 Plan	-	12,191	-	11,827
Retiree health insurance	68,589	42,264	95,909	11,642
Retiree life insurance	714	-	114	-
Change in proportionate share (TV)	21,703	65,089	25,810	490
Total	<u>\$ 120,030</u>	<u>\$ 121,533</u>	<u>\$ 138,680</u>	<u>\$ 26,740</u>

These amounts will be recognized in OPEB expense for the years ending June 30 as follows:

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)

Years Ending	18/20 Plan	Retiree Health Insurance	Retiree Life Insurance	Change in Proportionate Share	Total
2021	\$ (1,512)	\$ 7,437	\$ 1,532	\$ (5,681)	\$ 1,776
2022	(1,512)	7,437	1,532	(5,681)	1,776
2023	(1,512)	7,437	1,532	(5,681)	1,776
2024	(1,512)	7,437	1,532	(5,681)	1,776
2025	(1,512)	7,437	1,532	(5,681)	1,776
Thereafter	(1,602)	3,435	2,763	(14,979)	(10,383)
Total	<u>\$ (9,162)</u>	<u>\$ 40,620</u>	<u>\$ 10,423</u>	<u>\$ (43,384)</u>	<u>\$ (1,503)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020, and June 30, 2019, based on the results of actuarial valuation dates of June 30, 2020, and June 30, 2019, with no adjustments to get to the June 30, 2020 and 2019 measurement date. Significant actuarial methods and assumptions used to calculate the Station's total OPEB liability were:

	2020	2019
Payroll growth (medical/life plan)	3.0%	3.0%
Payroll growth (18/20 plan)	2.5%	2.5%
Inflation	3.0%	3.0%
Health care cost trend rates	8.0% for fiscal year 2021 to 4.5% for fiscal year 2028 and later years Based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019	8.5% for fiscal year 2020 to 5.0% for fiscal year 2027 and later years Based on RPH-2017 Total Data Set Mortality Table fully generational using Scale MP-2017
Mortality rates	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Actuarial cost method		

Discount Rate

The discount rate used in valuing OPEB liabilities as of June 30, 2020, was 2.66% and 3.51% as of June 30, 2019. The discount rate must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer Go 20 index was used for both the 2020 and 2019 discount rates.

Sensitivity of Total OPEB Liability to the Discount Rate

The following table presents the June 30, 2020, total OPEB liability using the discount rate of 2.66%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2020		
	1 Percent Decrease (1.66%)	Current Discount Rate (2.66%)	1 Percent Increase (3.66%)
18/20 plan	\$ 149,460	\$ 147,323	\$ 145,117
Retiree health insurance	189,464	174,414	160,481
Retiree life insurance	96,483	80,546	68,182

The following table presents the June 30, 2019, total OPEB liability using the discount rate of 3.51%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30, 2020 and 2019

Note 7 - Retirement Plans and Postemployment Benefits (Continued)

	2019		
	1 Percent Decrease (2.51%)	Current Discount Rate (3.51%)	1 Percent Increase (4.51%)
18/20 plan	\$ 228,581	\$ 224,807	\$ 220,972
Retiree health insurance	248,450	228,272	209,770
Retiree life insurance	97,300	82,569	70,977

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the university's retiree health insurance OPEB liability for both years as well as what the retiree health insurance OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2020		
	1 Percent Decrease (7.00% decreasing to 3.50%)	Healthcare Trend Rate (8.00% decreasing to 4.50%)	1 Percent Increase (9.00% decreasing to 5.50%)
Retiree health insurance	\$ 154,204	\$ 174,414	\$ 198,408

	2019		
	1 Percent Decrease (7.50% decreasing to 4.00%)	Healthcare Trend Rate (8.50% decreasing to 5.00%)	1 Percent Increase (9.50% decreasing to 6.00%)
Retiree health insurance	\$ 200,628	\$ 228,272	\$ 261,246

The 18/20 and retiree life insurance plans are not included above as they do not have a health care component.

Note 8 - 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 \$500,000 for each claim and \$1,500,000 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.

June 30, 2020 and 2019

Note 8 - Risk Management (Continued)

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. The university records a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans. This liability is estimated to be no more than 12.5% of the paid self-funded claims during the fiscal year and totals \$28,024,000 and \$27,665,000 at June 30, 2020 and 2019, respectively for the university. In addition, a potential claims fluctuation liability of \$9,876,000 has been recorded at June 30, 2020 and 2019.

Changes in the balances of accrued insurance liabilities were as follows:

(dollar amounts presented in thousands)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2020	\$ 27,665	\$ 253,436	\$ (253,077)	\$ 28,024
2019	27,344	234,680	(234,359)	27,665
2018	25,150	235,388	(233,194)	27,344

Separate funds have been established to account for the liability of incurred but unpaid health care claims, as well as any unusual catastrophic claims fluctuation experience. All organizational units of the university are charged fees based on estimates of the amounts necessary to pay health care coverage costs, including premiums and claims.

The university also provides health care plans for graduate assistants, fellowship recipients, and medical residents. These plans are either fully insured or self-funded with a stop/loss provision. For these groups, the university has recorded a liability for incurred but unpaid claims for university-sponsored, self-funded health care plans in the amount of \$1,623,000 and \$1,536,000 at June 30, 2020 and 2019, respectively. These plans are funded by direct charges to the associated schools and/or departments.

Note 9 - FCC Broadcast Spectrum Program

In April 2017, the FCC announced the completion of a voluntary incentive auction to reallocate certain spectrum currently occupied by television broadcast stations to mobile wireless broadband services, along with a related "repacking" of the television spectrum for remaining television stations. The Station will not relinquish any spectrum rights as a result of the auction, and accordingly the Station will not receive any incentive auction proceeds. The legislation authorizing the incentive auction and repacking established a \$1.75 billion fund for reimbursement of costs incurred by stations required to change channels in the repacking. The FCC has notified the Station that it will be repacked, which requires the Station move to a different channel, without changing the Station's service areas and/or cause additional interference. The repacking process is scheduled to occur over a 39-month period, divided into ten phases. The Station has been assigned to phase six and a majority of the Station's capital expenditures in connection with the repack have occurred in 2020 and 2019 and have been submitted for reimbursement. FCC reimbursements were \$940,130 in 2020. No FCC reimbursements were submitted or received in fiscal years 2019 and 2018. The Station anticipates that all eligible costs, including equipment, incurred related to the repack will be reimbursed by the FCC.

Required Supplementary Information

Required Supplementary Information

Schedule of the Station's Proportionate Share of the Net Pension Liability
Indiana Public Employee's Retirement Fund

	Last Four Plan Years			
	For the Plan Year Ended June 30			
	2019	2018	2017	2016
Station's proportion of the net pension liability (asset)	0.29320 %	0.35100 %	0.33100 %	0.33100 %
Station's proportionate share of the net pension liability (asset)	\$ 191,303	\$ 240,700	\$ 304,738	\$ 316,731
Station's covered payroll	\$ 297,165	\$ 437,674	\$ 425,348	\$ 461,771
Station's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	64.38 %	55.00 %	71.64 %	68.59 %
Plan fiduciary net position as a percentage of total pension liability	80.10 %	78.90 %	76.60 %	75.30 %

GASB Statement No. 68 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to 2017. Additional years will be included in future reports as data becomes available.

Required Supplementary Information
Schedule of Pension Contributions
Indiana Public Employee's Retirement Fund

Last Four Fiscal Years
Year Ended June 30

	2020	2019	2018	2017
Statutorily required contribution	\$ 31,025	\$ 51,930	\$ 44,127	\$ 48,674
Contributions in relation to the statutorily required contribution	31,025	51,930	44,127	48,674
Contribution Excess	\$ -	\$ -	\$ -	\$ -
Station's Covered Payroll	\$ 277,524	\$ 355,786	\$ 393,640	\$ 447,371
Contributions as a Percentage of Covered Payroll	11.18 %	14.60 %	11.21 %	10.88 %

GASB Statement No. 68 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to 2017. Additional years will be included in future reports as data becomes available.

Required Supplementary Information

Schedule of Changes in the Total OPEB Liability and Related Ratios - No Trust

	Last Three Plan Years								
	18/20 Plan			Retiree Health Insurance			Retiree Life Insurance		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Total OPEB Liability									
Service cost	\$ 4,286	\$ 4,647	\$ 6,884	\$ 15,351	\$ 17,727	\$ 6,222	\$ 1,962	\$ 2,049	\$ 2,190
Interest	5,870	9,616	10,338	7,111	8,926	2,988	2,442	2,966	2,602
Change in proportionate share (for TV)	(37,242)	13,360	-	(37,816)	10,723	-	(13,678)	3,748	-
Differences between expected and actual experience	(4,266)	(6,738)	(7,250)	(38,787)	(13,306)	117,236	724	-	138
Changes in assumptions	3,535	1,374	(1,580)	6,760	6,852	6,996	9,105	4,489	(1,818)
Benefit payments, including refunds	<u>(49,666)</u>	<u>(55,278)</u>	<u>(64,376)</u>	<u>(6,477)</u>	<u>(9,576)</u>	<u>(7,428)</u>	<u>(2,578)</u>	<u>(3,017)</u>	<u>(2,572)</u>
Net Change in Total OPEB Liability	(77,483)	(33,019)	(55,984)	(53,858)	21,346	126,014	(2,023)	10,235	540
Total OPEB Liability - Beginning of year	<u>224,807</u>	<u>257,826</u>	<u>313,810</u>	<u>228,272</u>	<u>206,926</u>	<u>80,912</u>	<u>82,569</u>	<u>72,334</u>	<u>71,794</u>
Total OPEB Liability - End of year	<u><u>\$ 147,324</u></u>	<u><u>\$ 224,807</u></u>	<u><u>\$ 257,826</u></u>	<u><u>\$ 174,414</u></u>	<u><u>\$ 228,272</u></u>	<u><u>\$ 206,926</u></u>	<u><u>\$ 80,546</u></u>	<u><u>\$ 82,569</u></u>	<u><u>\$ 72,334</u></u>
Covered Payroll	\$ 35,849	\$ 1,071,781	\$ 934,130	\$ 2,295,435	\$ 387,673	\$ 326,538	\$ 2,295,435	\$ 1,055,508	\$ 1,163,900
Total OPEB Liability as a Percentage of Covered Payroll	410.96 %	20.98 %	27.60 %	7.60 %	58.88 %	63.37 %	3.51 %	7.82 %	6.21 %

GASB Statement No. 75 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to 2018. Additional years will be included in future reports as data becomes available.

June 30, 2020, 2019, and 2018

Pension Information**Fiscal Year 2020***Changes of Benefit Terms: None**Changes in Assumptions: None***Fiscal Year 2019***Changes of Benefit Terms: None*

Changes in Assumptions: For the actuarial valuation as of June 30, 2018, the Cost-of-Living Adjustment (COLA) assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1.0% COLA beginning on January 1, 2020, INPRS assumes the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

Fiscal Year 2018*Changes of Benefit Terms: None*

Changes in Assumptions: For active and inactive vested members, the INPRS Board approved a \$400 salary load to be added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment. For disabled members, the mortality assumption is updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables.

Fiscal Year 2017, 2016, 2015*Changes of Benefit Terms: None**Changes in Assumptions: None***OPEB Information****Fiscal Year 2020**

Changes in Benefit Terms: There were no changes of benefit terms in 2020.

Changes in Assumptions: The discount rate decreased to 2.66% as of June 30, 2020. The health care trend rates have been reset to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. The mortality table has been updated from fully generational using Scale MP-2017 to headcount weighted, fully generational using Scale MP-2019.

Fiscal Year 2019

Changes in Benefit Terms: There were no changes of benefit terms in 2019.

Changes in Assumptions: The discount rate decreased to 3.51% as of June 30, 2019. The health care trend rates have been reset to an initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 5.0%.

Fiscal Year 2018

Changes of Benefit Terms: There were no changes of benefit terms for the plan year ended June 30, 2018; however, the medical plan available to retirees has been changed from the PPO \$900 Deductible plan (which is no longer offered) to the Anthem PPO HDHP plan.

Notes to Required Supplementary Information

June 30, 2020, 2019, and 2018

Changes in Assumptions: The discount rate was 3.87% as of June 30, 2018, and 3.58% as of July 1, 2017. The actuarial cost method was updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. The mortality table has been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The health care trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%.

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/>.