

WBST-FM Radio
Management Discussion Analysis
For the Year Ended June 30, 2014

This discussion and analysis of the station's financial statements provides an overview of WBST 92.1 FM. WBST operates under the name of Indiana Public Radio (IPR) because it better describes the current operation, which includes WBSB 89.5 FM, Anderson; WBSW 90.9 FM, Marion; WBSJ 91.7 FM, Portland; and WBSH 91.1 FM, Hagerstown/New Castle. This report reflects Indiana Public Radio's financial activities for the years ending June 30, 2013 and 2014. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. The discussion and analysis are designed to provide an objective analysis of the station's financial activities based on currently known facts, decisions, and conditions. The completeness and fairness of the financial statements, notes to the financial statements, and this discussion are the responsibility of IPR's management.

Using this Report

This financial report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements focus on the financial condition of the station, the results of operations, and cash flows of the station as a whole.

The three basic financial statements are the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. The statements utilize an operating and non-operating basis of reporting whereby revenues that are charges for services and goods, including non-capital grants, are recorded as operating revenues. Essentially, all other types of revenue, including investment income, are non-operating or other revenue.

This annual financial report includes the report of independent auditors, the management's discussion and analysis, the basic financial statements referred to above, and notes to the financial statements.

Financial Highlights

The following are some of the overall financial highlights from the past year:

- Funding from Ball State University increased – primarily as the result of indirect administrative cost increases
- Grant revenue increased slightly
- Membership and subscription revenue saw a slight decline

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

In order to assess the overall health of Indiana Public Radio, economic factors need to be considered at all levels including national (Corporation for Public Broadcasting), state (Ball State University and Indiana Public Broadcasting Stations), and local (membership and business underwriting). The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report in summary fashion the financial position of IPR, focusing on the station's net assets and whether they increased or decreased during the year.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The only exceptions are gifts and grants, which are generally recorded only when received. All of the current year's revenues and expenses are taken into account, regardless of when cash was received or paid.

The following is a summary of the major components of the net assets and operating results of IPR for the year ended June 30, 2013:

Net Assets			
June 30, 2014 and 2013			
		2014	2013
Assets:			
Current Assets		\$61,307	\$85,394
Noncurrent Assets		<u>\$140,434</u>	<u>\$146,867</u>
	Total Assets	<u>\$201,741</u>	<u>\$232,261</u>
 Liabilities:			
Current Liabilities		<u>\$6,395</u>	<u>\$5,009</u>
	Total Liabilities	<u>\$6,395</u>	<u>\$5,009</u>
 Net Assets:			
Invested in Capital Assets, Net of Related Debt		\$140,434	\$146,867
Unrestricted		<u>\$54,912</u>	<u>\$ 80,385</u>
	Total Net Assets	<u>\$201,741</u>	<u>\$232,261</u>

Changes in Net Assets
For the Years Ended June
30, 2014 and 2013

	2014	2013
Operating Revenues		
Grants and Contracts	\$ 126,780	\$ 125,225
State Grants & Support	42,360	26,338
Contributed Support	966,926	862,470
Memberships and subscriptions	224,004	231,475
Business/industry underwriting	125,871	62,968
Other operating	<u>58,698</u>	<u>29,636</u>
Total Operating Revenues	\$ <u>1,544,639</u>	\$ <u>1,338,112</u>
Operating expenses		
Programming Production	\$ 673,175	\$ 542,628
Promotion	63,395	136,995
Management/General	383,657	324,042
Development	270,237	295,527
Engineering	179,651	157,735
Depreciation	<u>6,432</u>	<u>17,398</u>
Total Operating Expenses:	\$ <u>1,576,547</u>	\$ <u>1,474,323</u>
Operating Income (Loss)	\$ <u>(31,908)</u>	\$ <u>(136,211)</u>

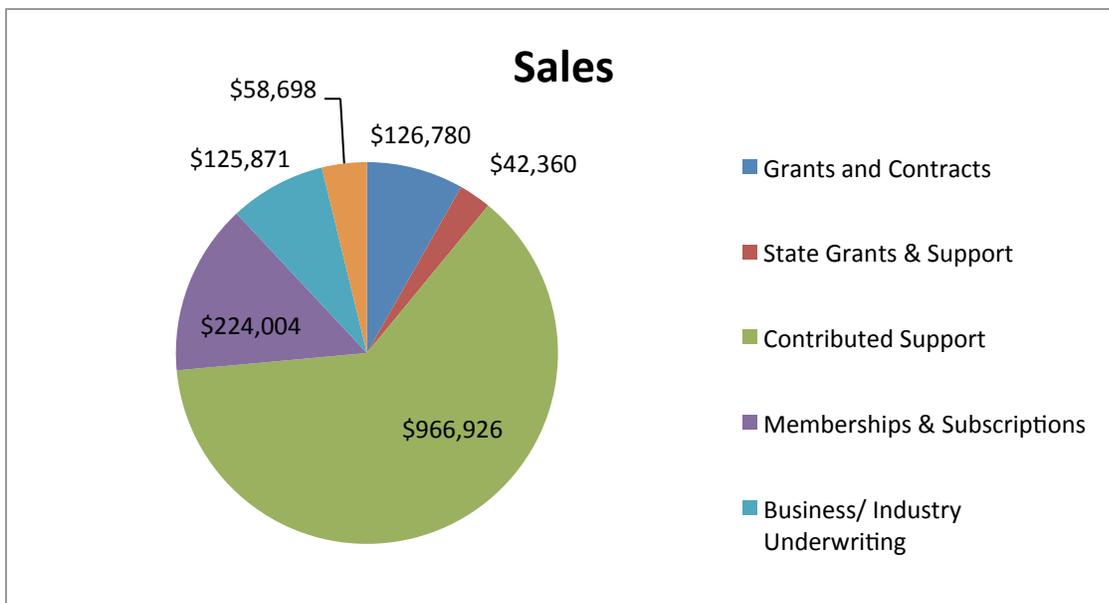
Operating Revenues

Operating revenues increase net assets and include all transactions that result in sales and/or receipts from goods and services such as memberships and underwriting. In addition, federal, state, and private grants are considered operating if they are not for capital purposes.

The following factors significantly impacted operating revenues:

- Grants and contracts, from both CPB and the state of Indiana government, increased slightly
- Contributed support grew primarily due to an increased cost of administrative services provided by the University
- Business and industry underwriting revenue increased from prior year. The fifty percent increase in Business/Industry Underwriting is partially due to our internal reporting and reclassification of this revenue in our university accounting system. We included revenue in other line items in previous years that we feel, after examining our revenue classifications, should most accurately be included in the Underwriting line item. We also had advertising revenue in FY13 that was significantly below the average amount when comparing to the previous 8 fiscal years. Advertising revenue in FY14 increased to a level more consistent with the amounts the station recognized in fiscal years 2007 through 2011.
- Memberships and subscriptions decreased slightly from prior year

The following is a graphic illustration of operating revenues by source:

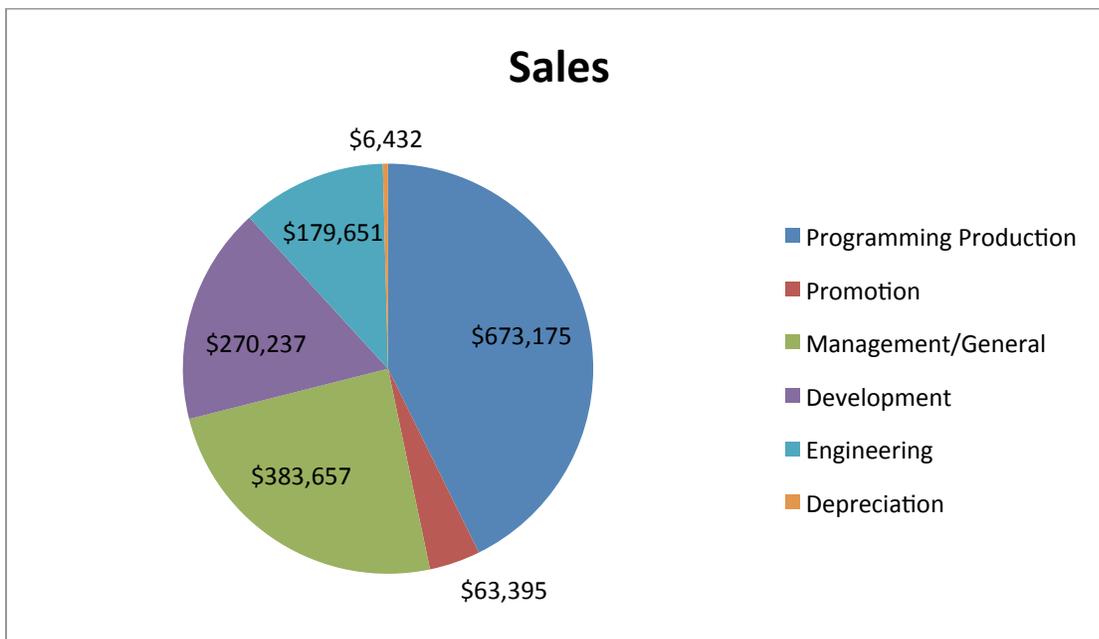


Operating Expenses

Operating expenses reduce net assets and comprise all the costs necessary to perform and conduct the programs and primary purposes of Indiana Public Radio. Operating expenses were impacted by the following factors:

- Programming / Production costs increased from prior year
 - Payroll expense for the IPR sales fund in FY13 was classified as a development expense in FY14 the payroll expense was reclassified to programming/production expense
- Promotion costs decreased in comparison to prior years
 - Marketing position which was funded 100% by the radio station is now split between IPR and WIPB-TV.
 - Travel expenses and payroll expenses charged to IPR Special Events in 2013 were classified as a promotion expense last year but are now reclassified as a development expense

The following is a graphic illustration of operating expenses by source:



Non-operating Revenues and Expenses

Non-operating revenues increase net assets, and non-operating expenses reduce net assets. Non-operating revenues and expenses are generated from transactions that are primarily non-exchange in nature, consisting mainly of state appropriations, interest expense, and investment income (interest and dividend income and realized and unrealized gains and losses).

The following factors significantly impacted non-operating revenues:

- Interest on our investments with our parent institution's foundation continued to be zeroed out for last year as the economic recovery languishes.

Other Revenues

Other revenues increase net assets, and consist of capital appropriations, gifts and grants, as well as items that are typically non-recurring, extraordinary, or unusual to Indiana Public Radio.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information about the cash receipts and cash payments of Indiana Public Radio during the period. Unlike the Statement of Revenues, Expenses and Changes in Net Assets, which reports revenues when they are earned and expenses when they are incurred, regardless of when cash is received or disbursed, the Statement of Cash Flows reports actual cash received and disbursed. The focus of the Statement of Cash Flows is on the increase or decrease in cash and cash equivalents. The Statement of Cash Flows helps the user assess IPR's:

1. Ability to generate future net cash flows.
2. Ability to meet obligations as they come due.
3. Need for external financing.

Cash Flows

For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Operating Activities	\$(24,087)	\$(103,601)
Net Increase in Cash and Cash Equivalents	\$(24,087)	\$(103,601)
Cash and Cash Equivalents – Beginning of Year	<u>\$85,394</u>	<u>\$188,955</u>
Cash and Cash Equivalents – End of Year	<u>\$61,307</u>	<u>\$85,394</u>

The major components of cash flows provided from operating activities are Ball State University, memberships and the Corporation for Public Broadcasting (CPB). The major components of cash flows used in operating activities are payments for employees (including benefits) and payments for national programming.

Economic Factors That Will Affect the Future

The economic position of IPR is closely tied to the University and the State of Indiana. The state is currently faced with financial difficulties that will likely have a negative impact on future funding for higher education and Indiana Public Radio's licensee, Ball State University. The following impacts are already known:

- The station's prospects for revenue growth have brightened somewhat. The state's labor force grew by 70,000 in 2014 and those gains should continue through 2015, according to Ball State University's Center for Business and Economic Research.
- The center's Indiana Economic Outlook 2015 Forecast calls for state GDP growth to exceed the national rate by more than 0.5 percent. Personal income is also expected to grow faster in Indiana than the nation, and an income gap between Hoosiers and the rest of the country is shrinking.
- Management remains cautious, however, because of the overall modest pace of growth and because of the continuing shift of jobs and income from industrial production to service employment.
- Additionally, the station is reliant on support from the state-funded university and from legislative appropriations. The state's tax revenue was flat in 2014 and projections for 2015 are down \$129 million because previous estimates were overly optimistic.
- In response, the state budget director said Indiana's public universities could see their budgets cut another 2 percent if tax collections continue lagging behind expectations. And state agencies were told to plan on withholding 3 percent of their budgets again in 2015.
- Overall, then, management sees potential for underwriting and membership growth in a rising economy, but continues to use fiscal restraint in hopes of building a prudent surplus in the event that other support softens.

While the issues are significant, Indiana Public Radio is committed to meeting the challenges and continuing to fulfill its information, education, and outreach mission