

WBST-FM Radio
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015 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 decreased – primarily as the result of decreased indirect administrative costs provided by the University due a reduction in overhead allocation/building usage costs due to the restructuring at WBST.
- Grant revenue increased slightly.
- Membership and subscription and underwriting revenue saw an increase due to restructuring of commission and bonus structure.

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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 years ended June 30, 2015 and 2014:

Statement of Net Assets
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current Assets	\$ 75,976	\$ 61,307
Noncurrent Assets	12,619	19,051
Total Assets	\$ 88,595	\$ 80,358
Liabilities:		
Current Liabilities	\$ 153	\$ 6,395
Total Liabilities	\$ 153	\$ 6,395
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 12,619	\$ 19,051
Unrestricted	75,823	54,912
Total Net Assets	\$ 88,442	\$ 73,963

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Changes in Net Assets
For the Years Ended
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Grants and Contracts	\$ 128,237	\$ 126,780
State Grants and Support	45,476	42,360
Contributed Support	940,484	978,926
Memberships and Subscriptions	242,876	224,004
Business/Industry Underwriting	163,021	125,871
Other Operating Revenues	30,048	46,698
	<u>1,550,142</u>	<u>1,544,639</u>
Operating Expenses		
Programming and Production	706,261	673,175
Engineering	125,165	179,651
Public Information and Promotion	7,516	63,395
Management and General	363,250	383,655
Fundraising, Membership Development, and Underwriting	327,039	270,237
Depreciation	6,432	6,432
	<u>1,535,663</u>	<u>1,576,545</u>
	<u>Operating Income (Loss)</u>	<u>Operating Income (Loss)</u>
	<u>\$ 14,479</u>	<u>\$ (31,906)</u>

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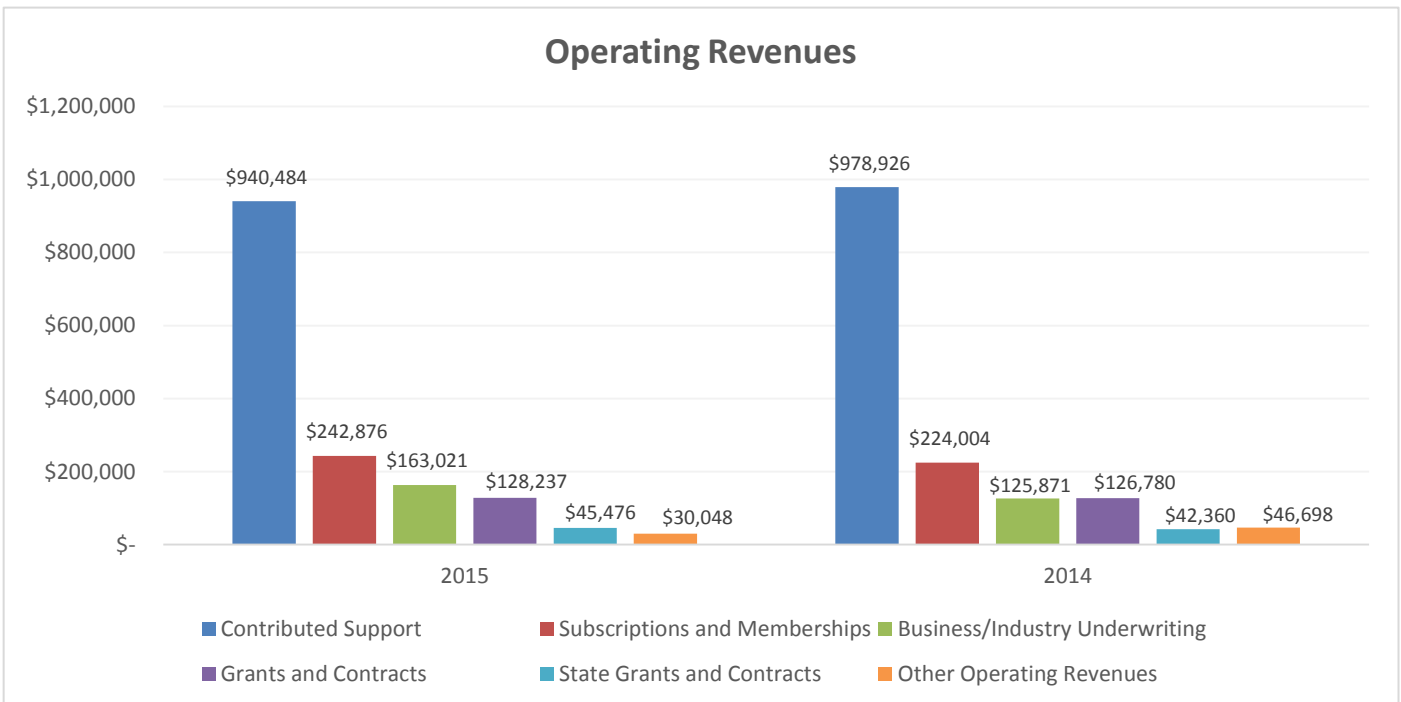
Operating Revenues

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 impact operating revenues:

- Grants and contracts, from both CPB and the state of Indiana government, remained consistent.
- Contributed support decreased primarily due to the decreased cost of administrative services provided by the University as a direct result of a realignment of approximately 2 administrative positions at the radio and television stations. This realignment combined like positions between the two stations resulting in a cost savings realized at both stations; reducing the amount of administrative services provided by the University.
- Memberships and subscriptions increased approximately 8% from prior year due to the realignment of the underwriting staff and implemented new bonus structure.

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



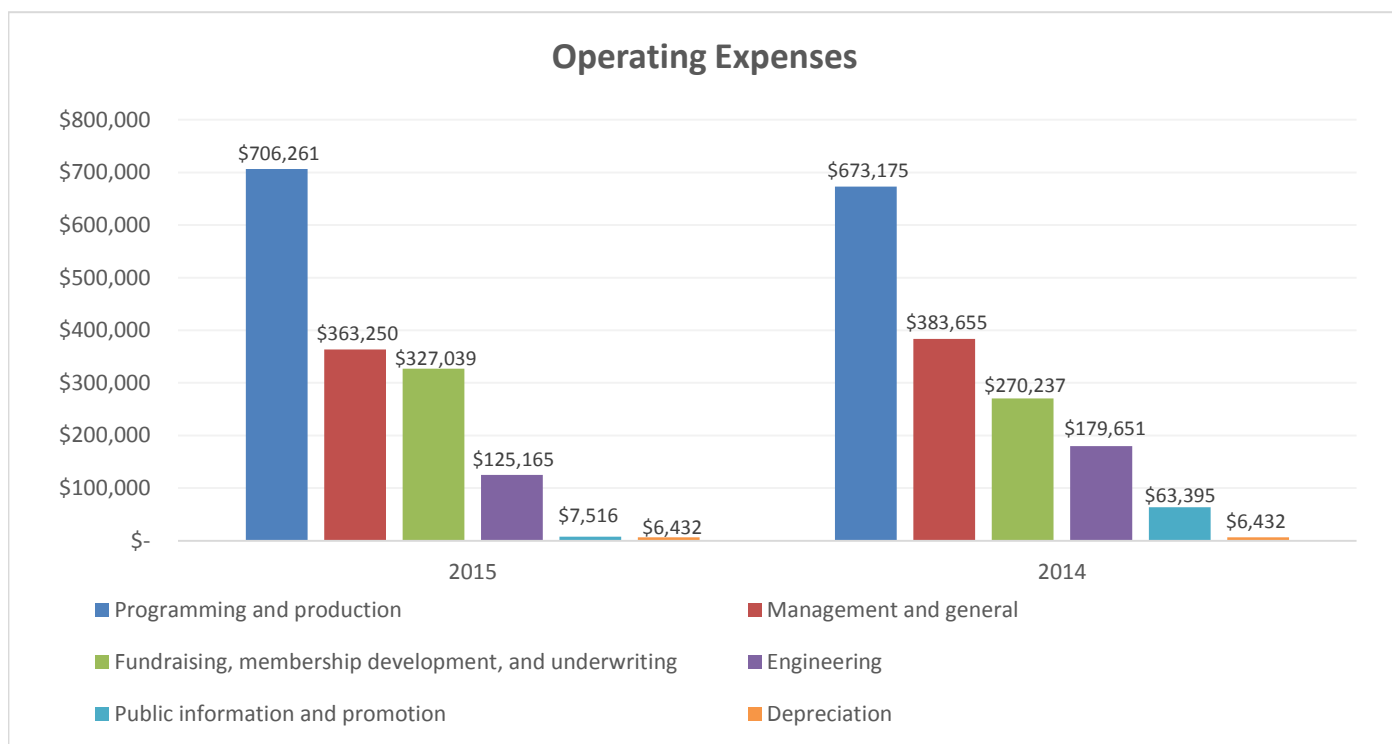
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Operating Expenses

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:

- Engineering expenses were significantly reduced due to the vacancy of the chief engineer position. This position was combined with the same position at the television station in the second quarter of fiscal year 2014.
- The significant drop in Public Information and Promotion from FY14 to FY15 was due to a reduction in promotion expenses for the fiscal year (39% decrease) and a shift in workload of a staff member from public information and promotion to membership and community engagement activities.
- The increase in fundraising, membership development, and underwriting was due to the hiring of a new full time coordinator of community engagement during the fiscal year.

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



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Non-operating Revenue and Expenses

Non-operating revenues increase net assets while 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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities	\$ 14,669	\$ (24,087)
Net Change in Cash and Cash Equivalents	<u>\$ 14,669</u>	<u>\$ (24,087)</u>
Cash and Cash Equivalents—Beginning of the Year	\$ 61,307	\$ 85,394
Cash and Cash Equivalents—End of the Year	<u><u>\$ 75,976</u></u>	<u><u>\$ 61,307</u></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.

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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 revenue, excluding contributed services received from Ball State University, saw moderate growth this year, an approximately 7.8% increase over the prior fiscal year, in light of current economic trends. Indiana job growth continued to be robust, but appeared to slow slightly from the previous year and fell short of expectations toward the end of this third quarter, according to Ball State University's Center for Business and Economic Research. We anticipate the same for 2016 and are concerned about keeping the increase revenue at present levels.
- 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 saw a modest growth of \$100 million through October 2015. This year we did see a slight increase in state appropriations to public media; however, we anticipate flat growth in state funding in the next year.
- Overall, management sees potential for underwriting and membership growth, along with added sponsorships with increased events 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.