

**WISCONSIN EDUCATIONAL
COMMUNICATIONS BOARD**

Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2017 and 2016

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Educational Communications Board
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Wisconsin Educational Communications Board, an agency of the State of Wisconsin, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Wisconsin Educational Communications Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc. and the Friends of Wisconsin Public Television, Inc., which represent 26 percent, 25 percent and 71 percent, respectively, of the assets, net position and revenues of the Wisconsin Public Broadcasting Foundation, Inc. and 19 percent, 18 percent, and 48 percent respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, Inc. and the Friends of Wisconsin Public Television, Inc., is based solely on the report of the other auditors. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Wisconsin Educational Communications Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Wisconsin Educational Communications Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Wisconsin Educational Communications Board, as of June 30, 2017 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Wisconsin Educational Communications Board and do not purport to, and do not present fairly the financial position of the State of Wisconsin.

Other Matters

The financial statements of the Wisconsin Educational Communications Board as of June 30, 2016, were audited by other auditors whose report dated January 31, 2017, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 and other auditors 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
January 12, 2018

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and For the Years Ended June 30, 2017, 2016 and 2015

The Management's Discussion and Analysis (MD&A) section is prepared by the Wisconsin Educational Communications Board's (ECB's) executive staff and is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement Number 34. The MD&A provides the reader with general information on the financial activities of ECB and the Wisconsin Public Broadcasting Foundation, Inc. (WPBF).

ECB is an agency of the State of Wisconsin that delivers educational, noncommercial and public safety media to the citizens of Wisconsin. ECB operates 4 public television networks consisting of 5 digital stations, as well as 3 public radio networks (WERN-FM and its affiliated Music Network stations, WHAD-FM and its affiliated Ideas Network stations, and a network of 24 hours per day classical music HD radio stations) consisting of 17 FM stations and 1 AM station (11 of the FM sites and the AM site are currently broadcasting a digital radio signal in addition to analog). ECB also operates 3 FM translators, 6 TV translators, and a network of 28 weather service broadcast sites. Additionally, ECB holds multiple Educational Broadband Service licenses.

Following this section are financial statements and notes pertaining to ECB. The Statements of Net Position provide information on the assets, deferred outflows, liabilities, and deferred inflows of ECB, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether ECB's financial position is improving or deteriorating. The Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows provide information on income, expenses, and cash activities. The Notes to the Financial Statements provide additional information that is essential to promoting a full understanding of the data provided in the financial statements.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and For the Years Ended June 30, 2017, 2016 and 2015

Condensed financial information for ECB as of and for the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, is as follows:

	ECB Condensed Financial Information				
	<u>June 30, 2017</u>	<u>Change from Prior Year</u>	<u>June 30, 2016</u>	<u>Change from Prior Year</u>	<u>June 30, 2015</u>
Capital and Intangible Assets	\$ 9,056,428	(12)%	\$ 10,303,090	(13)%	\$ 11,783,328
Other Assets	<u>28,837,289</u>	<u>14%</u>	<u>25,211,158</u>	<u>5%</u>	<u>24,112,596</u>
Total Assets	<u>37,893,717</u>		<u>35,514,248</u>		<u>35,895,924</u>
Deferred Outflows	<u>1,455,483</u>	<u>(25)%</u>	<u>1,942,827</u>	<u>300%</u>	<u>486,017</u>
Current Liabilities	1,750,907	(27)%	2,405,192	(17)%	2,913,581
Noncurrent Liabilities	<u>545,906</u>	<u>(26)%</u>	<u>733,919</u>	<u>58%</u>	<u>463,193</u>
Total Liabilities	<u>2,296,813</u>		<u>3,139,111</u>		<u>3,376,774</u>
Deferred Inflows	<u>689,829</u>	<u>(8)%</u>	<u>750,615</u>	N/A	-
Net Investment in Capital Assets	9,019,579	(12)%	10,254,961	(13)%	11,727,417
Restricted by Grants or Donors	267,695	(19)%	333,232	4%	319,657
Restricted – WRS Pension Balance ¹	-	0%	-	(100)%	1,038,209
Unrestricted	<u>27,075,284</u>	<u>18%</u>	<u>22,979,156</u>	<u>15%</u>	<u>19,919,984</u>
Total Net Position ¹	<u>\$ 36,362,558</u>		<u>\$ 33,567,349</u>		<u>\$ 33,005,167</u>
	<u>FY 2017</u>	<u>Change from Prior Year</u>	<u>FY2016</u>	<u>Change from Prior Year</u>	<u>FY 2015</u>
Operating Revenues	\$ 17,567,641	6%	\$ 16,523,962	5%	\$ 15,739,912
Operating Expenses	<u>22,802,301</u>	<u>2%</u>	<u>22,375,069</u>	<u>2%</u>	<u>22,013,958</u>
Net Operating Loss	(5,234,660)		(5,851,107)		(6,274,046)
Nonoperating Revenues (Expenses)	7,110,730	35%	5,258,793	(20)%	6,600,556
Capital Contributions and Transfers	<u>919,136</u>	<u>(20)%</u>	<u>1,154,496</u>	<u>225%</u>	<u>354,989</u>
Changes in Net Position	<u>\$ 2,795,206</u>		<u>\$ 562,182</u>		<u>\$ 681,499</u>

¹ FY 2016 Restricted Net Position - WRS Pension balance was reclassified from the prior year report.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and For the Years Ended June 30, 2017, 2016 and 2015

State of Wisconsin General Fund Revenues, which are a significant source of funding for ECB's education services, safety services, delivery operations, and the associated administration, are reported as Nonoperating Revenues under governmental accounting standards. The result of this accounting treatment is a reported net operating loss. This loss is offset by Nonoperating Revenues and Capital Contributions.

ECB's Capital Assets of \$9.1 million as of June 30, 2017, are presented at historical cost less depreciation. Capital Assets, which include Intangible Assets, decreased 12 percent in FY 2017 and 13 percent in FY 2016 because capital asset additions were outpaced by depreciation in both years.

Other Assets increased by 14 percent in FY 2017 primarily because of an increase in investment earnings, and 5 percent in FY 2016 because additional investments were made from bequests received. Cash balances increased in both years because of increased Operating Revenues.

The 27 percent decrease in FY 2017 and 17 percent decrease in FY 2016 of Current Liabilities occurred because of the timing of vendor invoices. In particular, payments to affiliates occurred before year-end in FY 2017, resulting in a significant decrease in the Due to Affiliates balance in both fiscal years. A larger portion of these payments were made just after year-end for FY 2015, which caused a higher Due to Affiliates balance in FY 2015. Noncurrent Liabilities decreased 26 percent and increased 58 percent in FY 2016, because of changes in the Net Pension Liability. In FY 2015, ECB had a Net Pension Asset, which changed to a Net Pension Liability in FY 2016. The Net Pension Liability decreased in FY 2017.

Deferred Outflows decreased 25 percent in FY 2017 and increased 300 percent in FY 2016, related to payments ECB makes to the Wisconsin Retirement System (WRS) for employee pensions. These amounts represent ECB's share of the overall WRS balances. These balances are determined by actuaries hired by the Wisconsin Department of Employee Trust Funds. Deferred Inflows were added to ECB's balance sheet in FY 2016 and decreased 8 percent in FY 2017. These balances are also related to WRS payments and Net Position related to pensions. The Restricted Net Position related to WRS Pension Balance is \$0 in FY 2016 and FY 2017 because ECB reported a Net Pension Liability in those years. The Restricted Net Position related to WRS Pension Balance in FY 2015 was related to ECB's Net Pension Asset.

Operating Revenues increased 6 percent in FY 2017 and 5 percent in FY 2016 because of increased Contributed Support, Underwriting Grants and Major Gifts in both years. Operating Expenses rose by 2 percent in FY 2017 because of increased Radio programming and production expenses. Operating Expenses rose by 2 percent in FY 2016 because of increased capital project costs.

Nonoperating Revenues consist of investment earnings and losses, both realized and unrealized, gains or losses on disposal of assets, and financial support from the State of Wisconsin General Fund. Nonoperating Revenues and Expenses increased 35 percent in FY 2017 because of increased Investment Income. Changes in Investment Income make up \$1.80 million of the \$1.85 million change in Nonoperating Revenues and Expenses. This was a result of having more funds to invest and general market conditions. Nonoperating Revenues and Expenses decreased 20 percent in FY 2016 because of decreased State General Fund Revenue, a result of budget legislation, 2015 Wisconsin Act 55. Investment Income was also lower than usual in FY 2016 because of market conditions.

Capital Contributions decreased by 20 percent in FY 2017 because there were fewer capital projects being completed after the marked increase in FY 2016. Capital contributions increased by 225 percent in FY 2016, returning to typical levels after a sharp decrease of 67 percent in FY 2015. There were fewer active projects in FY 2015 as a result of 2015 Wisconsin Act 55. The capital activity in both FY 2017 and FY 2016 was primarily related to completing projects that had begun prior to the 2015 Wisconsin Act 55 budget legislation.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and For the Years Ended June 30, 2017, 2016 and 2015

The net results of all operations for the year are summarized in the line titled Changes in Net Position.

This financial report is designed to provide a general overview of ECB's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to gene.purcell@ecb.org or to ECB in care of the Executive Director, 3319 West Beltline Highway, Madison, WI 53713-4296.

General information relating to the Educational Communications Board can be found at its website, www.ecb.org.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

STATEMENT OF NET POSITION

As of June 30, 2017

	<u>Operating Fund</u>	<u>Wisconsin Public Broadcasting Foundation, Inc.</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 96,191	\$ 10,673,590	\$ 10,769,781
Investments	-	248,099	248,099
Pledges receivable	-	505,604	505,604
Interfund receivable	4,695	(4,695)	-
Affiliates receivable	73,739	-	73,739
Other receivables	832,930	13,305	846,235
Prepaid expenses	35,503	131,217	166,720
Inventory	-	5,333	5,333
Total Current Assets	<u>1,043,058</u>	<u>11,572,453</u>	<u>12,615,511</u>
Noncurrent Assets			
Investments	-	16,221,778	16,221,778
Land	158,743	-	158,743
Buildings, net of accumulated depreciation	2,455,837	-	2,455,837
Equipment, net of accumulated depreciation	5,957,338	-	5,957,338
Intangible assets	484,510	-	484,510
Total Noncurrent Assets	<u>9,056,428</u>	<u>16,221,778</u>	<u>25,278,206</u>
Total Assets	<u>10,099,486</u>	<u>27,794,231</u>	<u>37,893,717</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>1,455,483</u>	-	<u>1,455,483</u>
LIABILITIES			
Current Liabilities			
Accounts payable	148,277	111,180	259,457
Due to affiliates	56,143	713,377	769,520
Wages payable	200,097	-	200,097
Compensated absences payable	118,582	-	118,582
Capital debt interest expense payable	151,376	-	151,376
Unearned revenue	5,007	235,009	240,016
Bonds payable	11,859	-	11,859
Total Current Liabilities	<u>691,341</u>	<u>1,059,566</u>	<u>1,750,907</u>
Noncurrent Liabilities			
Compensated absences payable	353,923	-	353,923
Bonds payable	24,990	-	24,990
Net pension liability	166,993	-	166,993
Total Noncurrent Liabilities	<u>545,906</u>	<u>-</u>	<u>545,906</u>
Total Liabilities	<u>1,237,247</u>	<u>1,059,566</u>	<u>2,296,813</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	<u>689,829</u>	-	<u>689,829</u>
Total Deferred Inflows of Resources	<u>689,829</u>	<u>-</u>	<u>689,829</u>
NET POSITION			
Net investment in capital assets	9,019,579	-	9,019,579
Restricted by grants or donors	-	72,876	72,876
Restricted - nonexpendable	-	194,819	194,819
Unrestricted	608,314	26,466,970	27,075,284
TOTAL NET POSITION	<u>\$ 9,627,893</u>	<u>\$ 26,734,665</u>	<u>\$ 36,362,558</u>

See accompanying notes to financial statements.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

STATEMENT OF NET POSITION As of June 30, 2016

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
ASSETS			
Current Assets			
Cash and equivalents	\$ -	\$ 9,602,306	\$ 9,602,306
Investments	-	247,645	247,645
Intangible assets	185,290	-	185,290
Pledges receivable	-	135,853	135,853
Interfund receivable	2,000,000	(2,000,000)	-
Affiliates receivable	331,914	-	331,914
Other receivables	551,984	22,676	574,660
Prepaid expenses	27,914	92,321	120,235
Inventory	-	1,336	1,336
Total Current Assets	<u>3,097,102</u>	<u>8,102,137</u>	<u>11,199,239</u>
Noncurrent Assets			
Investments	-	14,197,209	14,197,209
Land	158,743	-	158,743
Buildings, net of accumulated depreciation	2,606,205	-	2,606,205
Equipment, net of accumulated depreciation	6,878,279	-	6,878,279
Intangible assets	474,573	-	474,573
Total Noncurrent Assets	<u>10,117,800</u>	<u>14,197,209</u>	<u>24,315,009</u>
Total Assets	<u>13,214,902</u>	<u>22,299,346</u>	<u>35,514,248</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	1,942,827	-	1,942,827
LIABILITIES			
Current Liabilities			
Accounts payable	572,820	108,830	681,650
Due to affiliates	426,654	642,271	1,068,925
Wages payable	295,389	-	295,389
Capital debt interest expense payable	153,602	-	153,602
Unearned revenue	10,014	184,333	194,347
Bonds payable	11,279	-	11,279
Total Current Liabilities	<u>1,469,758</u>	<u>935,434</u>	<u>2,405,192</u>
Noncurrent Liabilities			
Compensated absences payable	337,408	-	337,408
Bonds payable	36,850	-	36,850
Unearned revenue	5,007	-	5,007
Net pension liability	354,654	-	354,654
Total Noncurrent Liabilities	<u>733,919</u>	<u>-</u>	<u>733,919</u>
Total Liabilities	<u>2,203,677</u>	<u>935,434</u>	<u>3,139,111</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	750,615	-	750,615
Total Deferred Inflows of Resources	<u>750,615</u>	<u>-</u>	<u>750,615</u>
NET POSITION			
Net investment in capital assets	10,254,961	-	10,254,961
Restricted by grants or donors	98,855	77,482	176,337
Restricted - nonexpendable	-	156,895	156,895
Unrestricted	1,849,621	21,129,535	22,979,156
TOTAL NET POSITION	<u>\$ 12,203,437</u>	<u>\$ 21,363,912</u>	<u>\$ 33,567,349</u>

See accompanying notes to financial statements.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
OPERATING REVENUES			
Contributed support	\$ -	\$ 8,443,944	\$ 8,443,944
Corporation for Public Broadcasting grants	-	1,939,527	1,939,527
Underwriting grants	-	1,672,960	1,672,960
Major gifts	-	2,745,009	2,745,009
Contributed in-kind support	293,151	-	293,151
Other income	1,625,828	847,222	2,473,050
Total Operating Revenues	<u>1,918,979</u>	<u>15,648,662</u>	<u>17,567,641</u>
OPERATING EXPENSES			
Program services			
Programming and production	8,766,928	663,052	9,429,980
Broadcasting	8,561,093	-	8,561,093
Program information	129,179	315,664	444,843
Total Program Services Expenses	<u>17,457,200</u>	<u>978,716</u>	<u>18,435,916</u>
Supporting services			
Management and general	1,263,206	308,033	1,571,239
Fundraising and membership development	26,250	2,597,956	2,624,206
Underwriting	170,865	75	170,940
Total Supporting Services Expenses	<u>1,460,321</u>	<u>2,906,064</u>	<u>4,366,385</u>
Total Operating Expenses	<u>18,917,521</u>	<u>3,884,780</u>	<u>22,802,301</u>
Operating Income (Loss)	<u>(16,998,542)</u>	<u>11,763,882</u>	<u>(5,234,660)</u>
NONOPERATING REVENUES (EXPENSES)			
State general fund revenue for operations	6,582,071	-	6,582,071
Loss on disposal of capital assets	(392,597)	-	(392,597)
Capital debt interest expense	(760,203)	-	(760,203)
Investment income	-	1,766,962	1,766,962
Required lapse to the State general fund	(85,500)	-	(85,500)
Total Nonoperating Revenues (Expenses)	<u>5,343,771</u>	<u>1,766,962</u>	<u>7,110,733</u>
Income (Loss) Before Contributions and Transfers	<u>(11,654,771)</u>	<u>13,530,844</u>	<u>1,876,073</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	919,136	-	919,136
Interfund transfer	8,160,091	(8,160,091)	-
Total Contributions and Transfers	<u>9,079,227</u>	<u>(8,160,091)</u>	<u>919,136</u>
Change in Net Position	<u>(2,575,544)</u>	<u>5,370,753</u>	<u>2,795,209</u>
NET POSITION - Beginning of Year	<u>12,203,437</u>	<u>21,363,912</u>	<u>33,567,349</u>
NET POSITION - END OF YEAR	<u>\$ 9,627,893</u>	<u>\$ 26,734,665</u>	<u>\$ 36,362,558</u>

See accompanying notes to financial statements.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
OPERATING REVENUES			
Contributed support	\$ -	\$ 7,930,148	\$ 7,930,148
Corporation for Public Broadcasting grants	-	1,995,145	1,995,145
Underwriting grants	-	1,647,692	1,647,692
Major gifts	-	2,321,499	2,321,499
Contributed in-kind support	339,789	14,756	354,545
Other income	<u>1,537,967</u>	<u>736,966</u>	<u>2,274,933</u>
Total Operating Revenues	<u>1,877,756</u>	<u>14,646,206</u>	<u>16,523,962</u>
OPERATING EXPENSES			
Program services			
Programming and production	8,402,014	511,825	8,913,839
Broadcasting	8,872,163	20,469	8,892,632
Program information	<u>95,782</u>	<u>207,523</u>	<u>303,305</u>
Total Program Services Expenses	<u>17,369,959</u>	<u>739,817</u>	<u>18,109,776</u>
Supporting services			
Management and general	1,415,649	239,502	1,655,151
Fundraising and membership development	56,767	2,385,522	2,442,289
Underwriting	<u>167,853</u>	<u>-</u>	<u>167,853</u>
Total Supporting Services Expenses	<u>1,640,269</u>	<u>2,625,024</u>	<u>4,265,293</u>
Total Operating Expenses	<u>19,010,228</u>	<u>3,364,841</u>	<u>22,375,069</u>
Operating Income (Loss)	<u>(17,132,472)</u>	<u>11,281,365</u>	<u>(5,851,107)</u>
NONOPERATING REVENUES (EXPENSES)			
State general fund revenue for operations	6,232,238	-	6,232,238
Loss on disposal of capital assets	(98,634)	-	(98,634)
Capital debt interest expense	(769,280)	-	(769,280)
State insurance funds	15,400	-	15,400
Investment income	-	(35,431)	(35,431)
Required lapse to the State general fund	<u>(85,500)</u>	<u>-</u>	<u>(85,500)</u>
Total Nonoperating Revenues (Expenses)	<u>5,294,224</u>	<u>(35,431)</u>	<u>5,258,793</u>
Income (Loss) Before Contributions and Transfers	<u>(11,838,248)</u>	<u>11,245,934</u>	<u>(592,314)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	1,154,496	-	1,154,496
Interfund transfer	<u>9,600,000</u>	<u>(9,600,000)</u>	<u>-</u>
Total Contributions and Transfers	<u>10,754,496</u>	<u>(9,600,000)</u>	<u>1,154,496</u>
Change in Net Position	(1,083,752)	1,645,934	562,182
NET POSITION - Beginning of Year	<u>13,287,189</u>	<u>19,717,978</u>	<u>33,005,167</u>
NET POSITION - END OF YEAR	<u>\$ 12,203,437</u>	<u>\$ 21,363,912</u>	<u>\$ 33,567,349</u>

See accompanying notes to financial statements.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributed support	\$ -	\$ 12,542,838	\$ 12,542,838
Receipts from other income	1,730,184	2,796,120	4,526,304
Payments to suppliers	(13,873,555)	(3,854,213)	(17,727,768)
Payments to employees	(3,503,514)	-	(3,503,514)
Net Cash Flows From Operating Activities	<u>(15,646,885)</u>	<u>11,484,745</u>	<u>(4,162,140)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from state government	6,444,930	-	6,444,930
Transfers to the State general fund	(85,500)	-	(85,500)
Interfund transfers	10,155,396	(10,155,396)	-
Net Cash Flows From Noncapital Financing Activities	<u>16,514,826</u>	<u>(10,155,396)</u>	<u>6,359,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases, sales, and maturities of investments	-	(631,195)	(631,195)
Interest and dividends	-	373,130	373,130
Net Cash Flows From Investing Activities	<u>-</u>	<u>(258,065)</u>	<u>(258,065)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	977,751	-	977,751
Purchases of capital assets	(975,793)	-	(975,793)
Principal paid on capital debt	(11,279)	-	(11,279)
Interest paid on capital debt	(762,429)	-	(762,429)
Net Cash Flows From Capital and Related Financing Activities	<u>(771,750)</u>	<u>-</u>	<u>(771,750)</u>
Net Change in Cash and Cash Equivalents	96,191	1,071,284	1,167,475
CASH AND CASH EQUIVALENTS - Beginning of year	<u>-</u>	<u>9,602,306</u>	<u>9,602,306</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 96,191</u>	<u>\$ 10,673,590</u>	<u>\$ 10,769,781</u>

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (16,998,542)	\$ 11,763,882	\$ (5,234,660)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation and amortization expense	1,775,876	-	1,775,876
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources			
Receivables, net	114,370	(360,380)	(246,010)
Inventories	-	(3,997)	(3,997)
Prepaid expenses	(7,589)	(38,896)	(46,485)
Deferred revenue	(10,014)	50,676	40,662
Accounts and other payables	(520,986)	73,460	(447,526)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (15,646,885)</u>	<u>\$ 11,484,745</u>	<u>\$ (4,162,140)</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

None.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributed support	\$ -	\$ 11,830,287	\$ 11,830,287
Receipts from other income	1,285,392	2,761,998	4,047,390
Payments to suppliers	(12,647,825)	(3,320,053)	(15,967,878)
Payments to employees	(4,125,863)	-	(4,125,863)
Net Cash Flows From Operating Activities	<u>(15,488,296)</u>	<u>11,272,232</u>	<u>(4,216,064)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from state government	6,134,240	-	6,134,240
Transfers to the State general fund	(85,500)	-	(85,500)
Interfund transfers	<u>7,600,000</u>	<u>(7,600,000)</u>	-
Net Cash Flows From Noncapital Financing Activities	<u>13,648,740</u>	<u>(7,600,000)</u>	<u>6,048,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases, sales, and maturities of investments	-	(1,230,656)	(1,230,656)
Interest and dividends	-	381,834	381,834
Net Cash Flows From Investing Activities	<u>-</u>	<u>(848,822)</u>	<u>(848,822)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	1,134,944	-	1,134,944
Purchases of capital assets	(874,013)	-	(874,013)
Principal paid on capital debt	(7,782)	-	(7,782)
Interest paid on capital debt	<u>(781,949)</u>	<u>-</u>	<u>(781,949)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(528,800)</u>	<u>-</u>	<u>(528,800)</u>
Net Change in Cash and Cash Equivalents	(2,368,356)	2,823,410	455,054
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,368,356</u>	<u>6,778,896</u>	<u>9,147,252</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 9,602,306</u>	<u>\$ 9,602,306</u>

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (17,132,472)	\$ 11,281,365	\$ (5,851,107)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation and amortization expense	2,258,006	-	2,258,006
Change in Assets, Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources			
Receivables, net	(163,412)	(56,690)	(220,102)
Inventories	-	3,094	3,094
Prepaid expenses	(27,914)	(4,856)	(32,770)
Deferred revenue	(89,681)	17,525	(72,156)
Accounts and other payables	(332,823)	31,794	(301,029)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (15,488,296)	\$ 11,272,232	\$ (4,216,064)

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

None.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

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WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Wisconsin Educational Communications Board (ECB) is an agency of the State of Wisconsin that delivers educational, noncommercial and public safety media to the citizens of Wisconsin. ECB operates 4 public television networks, with 5 digital stations, as well as 3 public radio networks (WERN-FM and its affiliated Music Network stations, WHAD-FM and its affiliated Ideas Network stations, and a network of 24 hours per day classical music HD radio stations) consisting of 17 FM stations and 1 AM station (11 of the FM sites and the AM site are currently broadcasting a digital radio signal in addition to analog). ECB also operates 3 FM translators, 6 TV translators, and a network of 28 National Weather Service broadcast sites. Additionally, ECB holds multiple Educational Broadband Service licenses.

The Wisconsin Public Broadcasting Foundation, Inc. (WPBF) is a statutorily defined not-for-profit corporation (s. 39.12, Wis. Stats.) wholly owned by ECB that solicits funds in the name of, and with the express approval of ECB and provides financial support to ECB. WPBF is managed by a statutorily defined five-member board of trustees consisting of the Executive Director of ECB and four members of the ECB Board. Because the State has fiscal accountability for and can influence WPBF operations through legislation, WPBF is considered a blended component unit of the State of Wisconsin. WPBF's financial statements are presented as a separate fund in ECB's financial statements.

ECB's allocated shares of the assets, liabilities, revenues, and expenses of the Friends of Wisconsin Public Television, Inc. (Friends) and the Wisconsin Public Radio Association, Inc. (WPRA) are included in the WPBF fund. Friends is a not-for-profit corporation that receives contributed funds for Wisconsin Public Television and provides support to the ECB television network and to WHA-TV, a University of Wisconsin (UW) Board of Regents licensed station. WPRA is a not-for-profit corporation that receives contributed funds for Wisconsin Public Radio and provides support to the ECB radio networks and to UW Board of Regents licensed radio stations affiliated with Wisconsin Public Radio. See Note 16 for further information regarding Friends and WPRA.

B. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles general accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB allows governmental entities that previously used the American Institute of Certified Public Accountants not-for-profit model to use enterprise fund accounting and financial reporting. Enterprise fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Significant inter-organization accounts and transactions have been eliminated.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. BASIS OF PRESENTATION (cont.)

Revenues from government-mandated or voluntary nonexchange transactions, such as contributions and grants, are recognized when all applicable eligibility requirements are met. Eligibility requirements are established by the provider of the funds and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. Restrictions that specify the purpose for which resources are required to be used are not considered eligibility requirements and do not affect when a nonexchange revenue is recognized.

Contributions, gifts, and grants that do not have eligibility requirements are reported as revenue when ECB is entitled to the funds. Revenue is recognized for pledged Friends or WPRA contributions that are expected to be collected within one year at their net realizable value. Contributions, gifts, and grants with eligibility requirements, such as expenditure-driven grants, are recognized when the eligibility requirements are met. Noncash contributions and donated services are recognized as revenues in the period of receipt. Noncash expenses are shown in the functional categories of operating expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

Operating revenues and expenses are directly related to programming, production, development, and delivery of noncommercial telecommunications services. Nonoperating revenues and expenses, such as investment income, are indirectly associated with programming, production, development, and delivery of noncommercial telecommunications services.

Certain significant revenue streams, such as State of Wisconsin General Fund revenue, are reported as nonoperating revenue, as defined by GASB Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This reporting model results in operating deficits on the Statement of Revenues, Expenses, and Changes in Net Position.

Expenses are categorized in functional categories. Expenses that relate to more than one category are allocated to their respective categories, using estimates if necessary. When an expense is incurred for purposes in which both restricted and unrestricted net position is available, restricted resources are applied first.

C. ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in ECB's operating fund include cash balances deposited with the State and shares in the State Investment Fund, a short-term investment pool of state and local funds. Cash and cash equivalents in the WPBF fund include cash deposits with financial institutions and ECB's share of Friends and WPRA cash and cash equivalents.

E. VALUATION OF INVESTMENTS

Investments are carried at fair value based on quoted market prices. State Investment Fund shares are valued at fair value.

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the WPBF has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Common Stocks, corporate bonds, and U.S. government securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (NAV) of shares held by the WPBF at year-end.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. VALUATION OF INVESTMENTS (cont.)

Purchases and sales of investments are recorded on a trade-date basis. Donated investments are valued as of the donation date. Interest income is recorded on the accrual basis. Realized gains and losses and unrealized appreciation and depreciation of assets are reported in the statement of activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the WPBF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. All investments of the WPBF are valued at Level 1.

F. CAPITAL ASSETS

Buildings and improvements, equipment, and land classified as permanent property are recorded at cost or, for donated property, at the estimated fair value at the date of receipt. Assets are capitalized if their acquisition value is in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 6 years for computer equipment to 20 years for buildings and towers. Land is not depreciated. Expenses for repairs and maintenance are charged to operating expenses as incurred.

G. INTANGIBLE ASSETS

Intangible assets include costs incurred for program rights. As program rights expire and the rights are amortized, the costs incurred will be expensed and included in operating expenses. ECB's rights to use two apertures on a tower operated by another state agency are also included in intangible assets and will be amortized over the life of the tower.

H. COMPENSATED ABSENCES FOR EMPLOYEES

Unused earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The liability and the expense for compensated absences are based on current rates of pay. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System is also accrued with a resulting liability. The compensated absences liability is classified as either a current or a noncurrent liability based upon an estimate determined by management. The noncurrent liability portion of the compensated absences liability generally is not paid out until the employee's retirement.

I. PENSIONS

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. NET POSITION

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 establishes standards for reporting deferred outflows and inflows of resources and net position. Under GASB 63, ECB classifies net position in the financial statements as follows:

- > Net Investment in Capital Assets – includes ECB's capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement of those assets.
- > Restricted Net Position – includes those assets that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- > Unrestricted Net Position – includes unrestricted liquid assets.

ECB applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows and inflows. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and thus, will not be recognized as an outflow of resources (expenses) until then. ECB reports deferred outflows, and inflows of resources related to the net position liability. More detailed information can be found in Note 7.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash balances in ECB's operating fund are deposited with the State and invested in the State Investment Fund, a short-term investment pool of state and local funds managed by the State of Wisconsin Investment Board, with oversight by its Board of Trustees and in accordance with Wisconsin Statutes (Wis. Stats). The State Investment Fund is not registered with the Securities and Exchange Commission.

The types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), (bd), and (dg), Wis. Stats., and include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and bankers acceptances. The Investment Board's trustees may specifically approve other prudent investments.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

WPBF manages its cash and investment activities separate from the cash and investment activities of the State Investment Fund. WPBF cash balances are held in demand deposit accounts at one financial institution. WPBF investments include publicly traded stocks, equity mutual funds, fixed-income mutual funds, and money market holdings and are managed by private trust companies. Friends cash balances are held in deposit and money market accounts at multiple financial institutions. Friends investments include equity mutual funds and fixed-income mutual funds. WPRA cash balances include deposits, certificates of deposit, and money market accounts at one financial institution. WPRA investments include equity mutual funds and fixed-income mutual funds.

As of June 30, 2017 and June 30, 2016, ECB's deposits were \$10,769,781 and \$9,602,306, respectively.

Fair value of ECB's investment balances as of June 30, 2017 were as follows:

Description	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 691,91	\$ 691,91	\$	\$ -
Mutual Funds:				
Fixed income	6,416,363	6,416,363	-	-
Domestic equities	4,092,536	4,092,536	-	-
International equities	1,967,551	1,967,551	-	-
Equities	<u>3,301,512</u>	<u>3,301,512</u>	-	-
Totals	<u>\$ 16,469,87</u>	<u>\$ 16,469,87</u>	<u>\$</u>	<u>\$ -</u>

Fair value of ECB's investment balances as of June 30, 2016 were as follows:

Description	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 1,082,69	\$ 1,082,69	\$	\$
Mutual Funds:				
Fixed income	5,990,339	5,990,339	-	-
Domestic equities	3,101,252	3,101,252	-	-
International equities	1,347,403	1,347,403	-	-
Equities	<u>2,923,161</u>	<u>2,923,161</u>	-	-
Totals	<u>\$ 14,444,85</u>	<u>\$ 14,444,85</u>	<u>\$</u>	<u>\$</u>

ECB's shares of the State Investment Fund were \$96,191 as of June 30, 2017 and \$0 as of June 30, 2016 and are reported as cash and cash equivalents on the Statement of Net Position, but are subject to the investment risk note disclosures.

ECB's deposits and investments are exposed to various risks. Policies regarding these risks are described below. ECB's deposits and investments referred to below include State Investment Fund shares reflected in the ECB Operating Fund's cash and cash equivalents balance, investments held by WPBF, and WPBF's allocated share of deposits and investments held by Friends and WPRA.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, deposits may not be returned. As of June 30, 2017, \$8,858,026 of ECB's bank balance of \$10,009,403 and, as of June 30, 2016, \$8,399,834 of ECB's bank balance of \$9,392,121 were not covered by the Federal Deposit Insurance Corporation (FDIC) and were exposed to custodial credit risk. WPBF and Friends do not have a policy specifically for custodial credit risk. WPRA's investment guidelines require that its deposits not exceed the FDIC covered limit in bank accounts or certificates of deposits of any single issuer.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to a fixed-income investment will not fulfill its obligations. WPBF's investment guidelines prohibit security transactions that involve a counterparty rated below A by a nationally recognized statistical rating organization. WPRA's investment guidelines require an average of at least an AA by Moody's or at least an AA by Standard & Poor's. Friends' investment policy requires that investments have a minimum quality rating of investment grade. The State Investment Fund's investment guidelines establish specific maximum exposure limits by security types based on the minimum credit ratings as issued by nationally recognized statistical rating organizations. As of June 30, 2017 and 2016, all of WPBF, WPRA, and Friends fixed-income mutual funds and the State Investment Fund were all unrated.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WPBF's investment guidelines require that fixed-income investments maintain a weighted average maturity of less than ten years. WPRA's investment guidelines require that the fixed-income investments contain a duration within 20 percent of the effective duration of the benchmark index under normal conditions. Friends does not have an investment policy specifically for interest rate risk.

As of June 30, 2017, the fixed-income investments for ECB had the following average maturities:

	Market Value	Average Maturity (years)
Vanguard Total International Bond Index Fund	\$ 188,862	9.2
BlackRock Strategic Opportunities Institutional	141,420	9.1
Vanguard Total Bond Index Fund	221,712	8.3
Dodge and Cox Income Fund	2,156,395	7.8
Baird Core Plus Bond Fund	137,821	7.6
Vanguard Intermediate-Term Investment Grade Fund	133,084	6.1
PIMCO High Yield Fund Institutional Class	229,807	5.3
Baird Intermediate Bond Institutional Class	487,434	4.6
Templeton Global Bond Fund	349,977	3.8
Vanguard Short-Term Investment Grade Fund – Admiral Shares	2,369,851	3.4
Total Fixed-Income Investments	\$ 6,416,363	

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

As of June 30, 2016, the fixed-income investments for ECB had the following average maturities:

	<u>Market Value</u>	<u>Average Maturity (years)</u>
Vanguard Total International Bond Index Fund	\$ 56,663	9.5
Vanguard Total Bond Index Fund	198,615	8.3
Dodge and Cox Income Fund	2,172,392	7.8
Baird Core Plus Bond Fund	324,430	7.2
Vanguard Intermediate-Term Investment Grade Fund	122,401	6.4
Metropolitan West Total Return Bond Fund	170,230	6.4
PIMCO High Yield Fund Institutional Class	217,806	5.3
Vanguard Short-Term Investment Grade Fund – Admiral Shares	2,397,157	3.3
Templeton Global Bond Fund	<u>330,645</u>	3.1
 Total Fixed-Income Investments	 <u>\$ 5,990,339</u>	

The State Investment Fund investment guidelines mandate that the weighted average maturity for the entire portfolio not exceed one year.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. ECB had exposure to foreign currency risk in its investments in international equity securities and mutual funds and in international fixed-income mutual funds, totaling \$2,547,335 and \$2,009,703 as of June 30, 2017 and 2016, respectively. WPBF's investment guidelines require that international equity mutual funds held by WPBF will not constitute more than 20 percent of the equity portion of the investment portfolio. WPRA's investment guidelines require that international equity investments held by WPRA will not constitute more than 20 percent of the equity portion of the investment portfolio. Friends does not have an investment policy specifically for foreign currency risk.

NOTE 3 – TRANSFERS

WPBF transfers funds monthly to ECB's operating fund based upon funding requirements. The transfers are reflected as interfund transfers on the Statements of Revenues, Expenses, and Changes in Net Position and totaled \$8,160,091 and \$9,600,000 for the years ended June 30, 2017 and 2016, respectively. The timing of those transfers and the expenses may result in an interfund payable and a receivable at year-end, which are reflected on the Statements of Net Position.

ECB lapsed \$85,500 each year for the years ended June 30, 2017 and 2016 to the State General Fund as part of a reduction of spending authority as required by 2013 Wisconsin Act 20 and 2015 Wisconsin Act 55. This transfer is reflected as a lapsing payment to State General Fund on the Statements of Revenues, Expenses, and Changes in Net Position.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 4 – CAPITAL ASSETS

Capital asset balances and activity for the years ended June 30, 2017 and 2016 are as follows:

	Beginning Balance	Additions	Reductions	Adjustments *	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 158,743	\$ -	\$ -	\$ -	\$ 158,743
Capital assets being depreciated/amortized					
Building and improvements	8,842,761	67,162	-	1,126,160	10,036,083
Equipment	22,405,184	723,886	(881,312)	(1,126,160)	21,121,598
Intangible assets	1,311,014	28,072	(323,663)	-	1,015,423
Total Capital Assets at Historical Cost	32,558,959	819,120	(1,204,975)	-	32,173,104
Less: Accumulated depreciation/amortization for					
Buildings and improvements	(6,236,556)	(328,480)	-	(1,015,210)	(7,580,246)
Equipment	(15,526,905)	(1,242,196)	589,631	1,015,210	(15,164,260)
Intangible assets	(649,374)	(205,202)	323,663	-	(530,913)
Total Accumulated Depreciation/Amortization	(22,412,835)	(1,775,878)	913,294	-	(23,275,419)
Total Capital Assets Being Depreciated/Amortized, Net	10,146,124	(956,758)	(291,681)	-	8,897,685
Total Capital Assets, Net	\$ 10,304,867	\$ (956,758)	\$ (291,681)	\$ -	\$ 9,056,428

Depreciation/Amortization expense of \$1,570,676 was charged to Broadcasting expense and \$205,202 was charged to Programming and Production expense on the Statement of Activities in fiscal year 2017.

* The adjustments column reflects re-categorizations of items previously reported as equipment to buildings and improvements due to the implementation of the state-wide ERP and being able to identify certain capital as being affixed to a structure.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 4 – CAPITAL ASSETS (cont.)

	2016			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated				
Land	\$ 158,743	\$ -	\$ -	\$ 158,743
Capital assets being depreciated				
Building and improvements	8,539,837	302,924	-	8,842,761
Equipment	22,329,493	479,030	(403,339)	22,405,184
Total Capital Assets at Historical Cost	30,869,330	781,954	(403,339)	31,247,945
Less: Accumulated depreciation for				
Buildings and improvements	(5,604,097)	(632,459)	-	(6,236,556)
Equipment	(14,539,872)	(1,291,738)	304,705	(15,526,905)
Total Accumulated Depreciation	(20,143,969)	(1,924,197)	304,705	(21,763,461)
Total Capital Assets Being Depreciated, Net	10,725,361	(1,142,243)	(98,634)	9,484,484
Total Capital Assets, Net	<u>\$ 10,884,104</u>	<u>\$ (1,142,243)</u>	<u>\$ (98,634)</u>	<u>\$ 9,643,227</u>

Depreciation expense of \$1,924,197 was charged to Broadcasting Expense on the Statement of Activities in fiscal year 2016. In fiscal year 2016, Intangible Assets were separated from the Capital Assets, and are discussed in Note 5. Amortization expense is included in Programming and Production Expense.

Federal grant funds received from the National Telecommunications and Information Administration (NTIA) to purchase equipment contain a priority lien. The lien extends for a period of ten years after the grant is closed, during which time the federal government retains priority reversionary interest in the equipment. ECB was awarded five NTIA capital equipment grants between fiscal year 2007 and fiscal year 2013. The book value of equipment purchased with NTIA funds is \$580,578 and \$698,637 as of June 30, 2017 and 2016, respectively.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 5 – INTANGIBLE ASSETS

Because of the complexity of the compiled program rights information, the amount of intangible assets cannot be easily split between historical cost and accumulated amortization. Therefore, intangible assets relating to program rights are presented net of accumulated amortization. The amortization of costs for program rights is shown in the decrease column in the table below. Beginning in fiscal year 2017, historical cost and accumulated amortization information was more easily split. Therefore, information on intangible assets for fiscal year 2017 is included in Note 4.

June 30, 2016	Beginning Balance	Increases	Decreases	Ending Balance
Intangible assets	\$ 889,224	\$ 92,059	\$ (321,420)	\$ 659,863

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Compensated absences	\$ 337,408	\$ 33,309	\$ (16,794)	\$ 353,923
Bonds payable	36,850	-	(11,860)	24,990
Unearned revenue	5,007	-	(5,007)	-
Net pension liability	354,654	-	(187,661)	166,993
Total Noncurrent Liabilities	\$ 733,919	\$ 33,309	\$ (221,322)	\$ 545,906

Noncurrent liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Compensated absences	\$ 400,043	\$ 37,284	\$ (99,919)	\$ 337,408
Bonds payable	48,129	-	(11,279)	36,850
Unearned revenue	15,021	-	(10,014)	5,007
Net pension liability (asset)	(552,192)	906,846	-	354,654
Total Noncurrent Liabilities	\$ (88,999)	\$ 944,130	\$ (121,212)	\$ 733,919

The noncurrent liabilities from compensated absences are generally funded with operating subsidies received from the State of Wisconsin, whereas the bonds payable are funded with program revenue (Note 11). Compensated absences and bonds payable expected to be paid within one year are reflected in the current liabilities on the Statements of Net Position.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wis. Stats. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

VESTING

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

BENEFITS PROVIDED

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings are the average of the participant's three highest years' earnings. Creditable services is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

WRS also provides death and disability benefits for employees.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

POSTRETIREMENT ADJUSTMENTS

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

The Core and Variable annuity adjustments granted during recent years are as follows:

Years	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	-
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)

CONTRIBUTIONS

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wis. Stats. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$169,180 in contributions from the employer.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

CONTRIBUTIONS (cont.)

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.6%	6.6%
Protective with Social Security	6.6	9.4
Protective without Social Security	6.6	13.2

PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES

At June 30, 2017 and 2016, ECB reported a liability of \$166,993 and \$354,654, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. ECB's proportion of the net pension liability was based on its share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the proportion was 0.02026025%, which was a decrease of 0.00156487% from its proportion measured as of December 31, 2015.

For the years ended June 30, 2017 and 2016, ECB recognized pension expense of \$439,010 and \$400,651, respectively.

At June 30, 2017, ECB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,674	\$ (525,178)
Changes in assumptions	174,598	-
Net difference between projected and actual earnings on pension plan investments	995,888	(164,651)
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,018	-
Employer contributions subsequent to the measurement date	189,305	-
Total	\$ 1,455,483	\$ (689,829)

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES (cont.)

\$189,305 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Years Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 439,592	\$ (208,834)
2018	439,592	(208,833)
2019	368,112	(208,833)
2020	18,371	(63,329)
2021	511	-

At June 30, 2016, ECB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,800	\$ (746,363)
Changes in assumptions	248,131	-
Net difference between projected and actual earnings on pension plan investments	1,457,908	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,131	-
Employer contributions subsequent to the measurement date	168,857	(4,252)
Total	\$ 1,942,827	\$ (750,615)

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES (cont.)

\$168,857 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Years Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 461,306	\$ (181,650)
2017	461,306	(181,650)
2018	461,305	(181,650)
2019	382,113	(181,650)
2020	7,939	(24,015)

ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Postretirement Adjustments*	2.1%

* No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012-2014. The total pension liability for December 31, 2016 is based upon a rollforward of the liability calculated from the December 31, 2015 actuarial valuation.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

LONG-TERM EXPECTED RETURN ON PLAN ASSETS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
 Total Core Fund	 110	 120	 7.4	 4.5
 <u>Variable Fund Asset Class</u>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
 Total Variable Fund	 100	 100	 7.9	 5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%. Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (cont.)

SINGLE DISCOUNT RATE

A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. 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 ECB'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE

The following presents ECB's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what ECB's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
ECB's proportionate share of the net pension liability (asset)	<u>\$ 2,196,898</u>	<u>\$ 166,993</u>	<u>\$ (1,396,126)</u>

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payables to the pension plan at June 30, 2017 and 2016 were \$15,417 and \$7,796, respectively. This represents contributions earned as of June 30, 2017 and 2016, but for which payment was not remitted to the pension plan until subsequent to year-end.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 8 – GREEN BAY TOWER LEASE

In 2002, the Department of Administration authorized ECB to enter into a long-term contract with Young Broadcasting of Green Bay, Inc., with a contract period of 20 years. ECB executed a multi-year lease of a tower, transmission line, antenna, channel combiner, air conditioner, and transmitter building. The lease agreement required a rent prepayment in the amount of \$743,000, which was paid in September 2002 and was funded by the State of Wisconsin State Capital Improvement Fund. The lease is being accounted for as a capital lease and the leased building and equipment are being depreciated over the 20-year term of the lease. The balances of the buildings and equipment, net of accumulated depreciation, are included in the Statements of Net Position and total \$175,357 and \$210,428 as of June 30, 2017 and 2016, respectively.

In addition to the rent prepayment, ECB is required to make an annual rent payment in lieu of taxes. The contract requires an initial payment of \$10,000 and a scheduled rent increase each lease year by 3 percent compounded until the end of the lease term. ECB paid \$15,126 and \$14,685 during fiscal years 2017 and 2016, respectively.

The following is a schedule of future minimum obligations under this lease as of June 30, 2017:

Fiscal Year Ended June 30	Total
2018	\$ 15,580
2019	16,047
2020	16,528
2021	17,024
2022	<u>17,535</u>
Total	<u>\$ 82,714</u>

NOTE 9 – OPERATING LEASES

The Department of Administration enters into several operating leases on behalf of ECB. ECB makes the payments on these leases directly to the lessors. During fiscal years 2017 and 2016, ECB paid \$521,178 and \$685,563, respectively, in rent payments for building and tower space, which is included in operating expenses on the Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 10 – OPERATING LEASES AS LESSOR

During fiscal year 2011, ECB entered into a 30-year lease agreement to lease out excess capacity on Educational Broadband Service (EBS) licenses it holds, and during fiscal year 2013, ECB entered into a second 30-year lease agreement to lease out additional excess EBS capacity. The lease agreements require monthly lease payments to increase 3 percent annually over the term of the lease. Monthly lease payments recognized during fiscal years 2017 and 2016 were \$508,392 and \$495,811, respectively, which are included in operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 10 – OPERATING LEASES AS LESSOR (cont.)

The following is a schedule of future minimum expected receipts under this lease as of June 30, 2017:

<u>Fiscal Year Ended June 30</u>	<u>Total</u>
2018	\$ 523,113
2019	538,803
2020	554,963
2021	571,615
2022	588,764
2023-2027	3,219,625
2028-2032	3,665,012
2033-2037	4,396,315
2038-2042	3,961,313
2043	<u>80,453</u>
Total	<u>\$ 18,099,976</u>

In addition, ECB received prepaid fees in the first year of each lease, which are being recognized over the first five years of the leases. If either lease agreement is terminated during its first five years because ECB does not fulfill its responsibilities under the lease, all or a portion of the prepaid fee will be refunded to the lessee. The portion of the prepaid fee earned during fiscal years 2017 and 2016 was \$10,014 and \$89,681, respectively, which is included in operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position. The remainder of the prepaid fee is included as unearned revenue, with the portion to be earned within one year classified as a current liability and the remaining amount to be earned beyond one year classified as a noncurrent liability on the Statements of Net Position.

NOTE 11 – GENERAL OBLIGATION BONDS AND NOTES

ECB has used proceeds received from a number of State of Wisconsin general obligation bonds and general obligation commercial paper notes to finance the acquisition, construction, development, enlargement, or improvement of capital assets. The proceeds are included as capital contributions in the year the assets are purchased.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 11 – GENERAL OBLIGATION BONDS AND NOTES (cont.)

The general obligation bonds repaid by the State's general purpose revenue are not considered debt of ECB because their repayment is from general purpose revenue. Therefore, the debt financed through general purpose revenue appropriations is reported in the State of Wisconsin's Comprehensive Annual Financial Report (CAFR) rather than ECB's financial statements. The indebtedness carried by the State of Wisconsin on behalf of ECB to be repaid by general purpose revenue as of June 30, 2017 and June 30, 2016 is \$13,713,936 and \$15,491,870, respectively, in general obligation bonds, which includes general obligation refunding bonds, and \$1,529,854 and \$1,961,926, respectively, in commercial paper notes. ECB reports interest expense related to these obligations in nonoperating expenses on the Statements of Revenues, Expenses, and Changes in Net Position as it is incurred. Total interest expense of \$760,203 and \$769,280 and the associated capital support received from the State is included in nonoperating section of the Statements of Revenues, Expenses, and Changes in Net Position.

In addition to general obligations financed by general purpose revenue, five general obligation bond issues are financed through program revenues, as mandated by s. 20.255(1)(j), Wis. Stats. Because the repayment of this indebtedness is financed through ECB's program revenues, it represents debt of ECB and, accordingly, is presented as a liability in the financial statements. The amounts provided through program revenue for indebtedness during fiscal years 2017 and 2016 are \$13,541 and \$10,513, respectively, which consisted of principal payments of \$11,207 and \$7,782, respectively, and interest payments of \$2,334 and \$2,731, respectively. The principal payments are recorded as reductions of the current bonds payable, while the interest payments are included in the nonoperating expenses on the Statements of Revenues, Expenses, and Changes in Net Position.

As of June 30, 2017, debt service requirements for principal and interest in future years for program revenue-funded bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 11,860	\$ 1,778	\$ 13,638
2019	12,385	1,205	13,590
2020	11,786	603	12,389
2021	<u>818</u>	<u>29</u>	<u>847</u>
Total	<u>\$ 36,849</u>	<u>\$ 3,615</u>	<u>\$ 40,464</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 12 – ENDOWMENT

WPBF, WPRA, and Friends have received endowment gifts that require the preservation of the fair value of the original gifts as of the gift date. WPBF's share of the gifts is shown as restricted nonexpendable net position to comply with provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Management of WPBF has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. All earnings on the principal amount can be used for general operations. WPBF does not have a formalized spending policy.

QUASI-ENDOWMENT

The management of WPBF established an endowment for the ECB television network during fiscal year 1993 and an endowment for the ECB radio networks during fiscal year 2005 to support the operations of the television and radio networks, as determined necessary by ECB staff, with oversight by the WPBF board. Values as of June 30, 2017 and 2016 are \$2,186,884 and \$2,052,119, respectively, for the ECB television network's endowment and \$925,533 and \$866,748, respectively, for the ECB radio networks' endowment. These balances are included in the investments and cash and cash equivalents accounts on the Statements of Net Position. Assets in the endowments follow the investment policies disclosed in Notes 1 and 2.

Endowment activity for the years ended June 30, 2017 and 2016 is as follows (the unrestricted portion does not include Quasi-endowment funds that are held by WPRA and Friends as the breakdown attributable to WPBF is not easily determinable):

	Unrestricted	Permanently Restricted	Total
Balance, June 30, 2015	\$ 2,544,235	\$ 156,895	\$ 2,701,130
Interest and Dividends – FY 2016	56,208	-	56,208
Realized and Unrealized gains (losses) - FY 2016	(90,501)	-	(90,501)
Contributions - FY 2016	388,494	-	388,494
Investment Fees - FY 2016	(14,866)	-	(14,866)
Balance, June 30, 2016	2,883,570	156,895	3,040,465
Interest and Dividends - FY2017	56,425	-	56,425
Realized and Unrealized gains (losses) - FY 2017	371,484	4,005	375,489
Contributions - FY 2017	8,405	-	8,405
Investment Fees - FY 2017	(16,051)	(1,089)	(17,140)
Distributions - FY 2017	(190,000)	-	(190,000)
Balance June 30, 2017	\$ 3,113,833	\$ 159,811	\$ 3,273,644

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 13 – CAPITAL CONTRIBUTIONS

ECB's capital contributions can come from various sources, including:

State of Wisconsin Capital Improvement Fund Appropriation -The amounts provided from the State of Wisconsin Capital Improvement Fund to finance ECB projects approved by the State Building Commission are recorded as revenue in the period disbursements are made.

Grants - Grant funds received from the Corporation for Public Broadcasting and the Public Broadcasting Service are recorded as support when received.

Donated Capital Assets - The fair value of donated capital assets is recorded as revenue in the period of acquisition.

NOTE 14 – CONTRIBUTED IN-KIND SUPPORT

Contributed in-kind support primarily includes donated general operational services, and donated promotions materials, which are traded for underwriting credit. In-kind support is reported both as revenues and as expenses and, therefore, has no effect on net position. All donated materials and services are recorded at the fee typically charged by the donor for the same type of service.

In addition, ECB trades tower space with other state and local government entities at no cost depending on space availability and technological considerations. ECB does not recognize contributed in-kind support for the use of the tower space because the value is not easily measurable.

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the provisions established by GASB, state and local government employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; note disclosures; and if applicable, required supplementary information.

ECB employees are included in the State of Wisconsin's Health Insurance Program, a cost-sharing, multiple-employer, defined benefit plan not held in a trust. The plan is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State, created under Chapter 40 of Wisconsin Statutes. The Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss. 15.165(2) and 40.03(6) of Wisconsin Statutes. Under this plan, retired employees of the State contribute the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare, when eligible), is treated as an OPEB.

The financial statements of ECB do not include OPEB expenses or the related liabilities other than those actually paid, which are allocated to various functional expenses on the statements of revenues, expenses and changes in net position, because the OPEB has been determined by management to be the responsibility of the State of Wisconsin and not ECB.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 16 – RELATED ENTITIES

WHA TELEVISION AND WISCONSIN PUBLIC RADIO—UNIVERSITY OF WISCONSIN BOARD OF REGENTS STATIONS

WHA Television, WHA Radio, and some other Wisconsin Public Radio stations are public telecommunications entities licensed by the Federal Communications Commission to the University of Wisconsin Board of Regents stations (UW Board of Regents) and operated by UW-Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW Board of Regents developed partnerships called Wisconsin Public Television and Wisconsin Public Radio to manage and operate their licenses. The partnerships are maintained through affiliation agreements outlining structural principles and functions, administrative staff allocations, stations (of both Wisconsin Public Radio and Wisconsin Public Television), and financial commitments of the partners. The directors of Wisconsin Public Television and Wisconsin Public Radio are jointly appointed by ECB and the UW Board of Regents. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from affiliated parties are separately disclosed on the Balance Sheets. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

FRIENDS OF WISCONSIN PUBLIC TELEVISION, INC.

Effective July 1, 2009, the Friends of WHA-TV, Inc., changed its name to Friends of Wisconsin Public Television, Inc., and assumed responsibility for the fund-raising efforts of both the former Friends of WHA-TV and the WPBF to support Wisconsin Public Television. Amended Articles of Incorporation to reflect the change in name and responsibilities were filed on July 15, 2009. The Friends solicits funds in the name of and with the approval of the licensees, ECB and the UW Board of Regents. Under the affiliation agreement, ECB and UW staff, along with the Friends Board of Directors, approve the Friends' budget. The licensees have access to the Friends' net resources and retain an ongoing, legal allocated interest in the Friends' net position. ECB's and the UW Board of Regents' allocated interests in the Friends are calculated in accordance with an affiliation agreement, which is renegotiated annually. The agreement generally provides each party with a 50 percent interest, although not all activity is allocated based on this interest.

The Friends issues separate financial statements, which are audited by other auditors. Copies of the Friends' separately issued financial statements may be obtained by contacting the Financial Manager of the Friends of Wisconsin Public Television, Inc., at 821 University Avenue, Madison, WI 53706.

WISCONSIN PUBLIC RADIO ASSOCIATION, INC.

WPRA is a publicly supported, not-for-profit corporation whose purpose is to administer various fund-raising and membership duties of Wisconsin Public Radio and to provide support to the ECB radio networks and radio stations licensed to the UW Board of Regents affiliated with Wisconsin Public Radio. WPRA solicits funds in the name of and with the approval of the licensees, ECB and the UW Board of Regents. Under the affiliation agreement, ECB and UW staff, along with the WPRA Board of Directors, approve the WPRA's budget. The licensees have access to the WPRA's net resources and retain an ongoing, legal allocated interest in the WPRA's net position. ECB's and the UW Board of Regents' allocated interests in WPRA are calculated in accordance with an affiliation agreement which currently provides ECB with 76 percent of WPRA net resources and the UW Board of Regents with 24 percent. This agreement is renegotiated annually. WPRA issues separate financial statements, which are audited by other auditors. Copies of WPRA's separately issued financial statements may be obtained by contacting the Financial Manager of the Wisconsin Public Radio Association, Inc., at 821 University Avenue, Madison, WI 53706.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 16 – RELATED ENTITIES (cont.)

ECB includes in the WPBF fund its allocated share of the Friends' and the WPRA's assets, liabilities, revenues, and expenses. The following provides a summary of amounts for WPBF and its related shares of the Friends and WPRA.

The Condensed Statement of Net Position as of June 30, 2017 is as follows:

	WPBF	Friends	WPRA	Total
Assets				
Current assets	\$ 8,460,729	\$ 1,459,058	\$ 1,652,666	\$ 11,572,453
Noncurrent assets	12,133,176	1,515,197	2,573,405	16,221,778
Total Assets	20,593,905	2,974,255	4,226,071	27,794,231
 Total Liabilities	 514,710	 435,066	 109,790	 1,059,566
 Net Position				
Restricted by grants or donors	-	51,513	21,363	72,876
Restricted nonexpendable	35,008	-	159,811	194,819
Unrestricted	20,044,187	2,487,676	3,935,107	26,466,970
Total Net Position	\$ 20,079,195	\$ 2,539,189	\$ 4,116,281	\$ 26,734,665

The Condensed Statement of Activities for the year ended June 30, 2017 is as follows:

	WPBF	Friends	WPRA	Total
Operating Revenues				
Contributions	\$ 11,609	\$ 4,211,059	\$ 6,966,285	\$ 11,188,953
Corporation for Public Broadcasting grants	1,939,527	-	-	1,939,527
Underwriting grants	1,672,960	-	-	1,672,960
Other income	-	663,613	183,609	847,222
Total Operating Revenues	3,624,096	4,874,672	7,149,894	15,648,662
Total Operating Expenses	145,154	2,755,304	984,322	3,884,780
Operating Income	3,478,942	2,119,368	6,165,572	11,763,882
Total Nonoperating Revenues	1,384,610	135,940	246,412	1,766,962
Income before transfers	4,863,552	2,255,308	6,411,984	13,530,844
Interfund transfers	(1,103,911)	(1,549,365)	(5,506,815)	(8,160,091)
Change in Net Position	3,759,641	705,943	905,169	5,370,753
Total Net Position (Beginning)	16,319,554	1,833,246	3,211,112	21,363,912
Total Net Position (Ending)	\$ 20,079,195	\$ 2,539,189	\$ 4,116,281	\$ 26,734,665

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 16 – RELATED ENTITIES (cont.)

The Condensed Statement of Cash Flows for the year ended June 30, 2017 is as follows:

	WPBF	Friends	WPRA	Total
Cash Flows from Operating Activities	\$ 3,454,104	\$ 2,273,916	\$ 5,756,725	\$ 11,484,745
Cash Flows from Noncapital Financing Activities	(3,226,645)	(1,500,000)	(5,428,751)	(10,155,396)
Cash Flows from Investing Activities	256,841	(235,906)	(279,000)	(258,065)
Net Increase in Cash and Equivalents	484,300	538,010	48,974	1,071,284
Beginning Cash and Equivalents	7,853,695	593,867	1,154,744	9,602,306
Ending Cash and Equivalents	\$ 8,337,995	\$ 1,131,877	\$ 1,203,718	\$ 10,673,590

The Condensed Statement of Net Position as of June 30, 2016 is as follows:

	WPBF	Friends	WPRA	Total
Assets				
Current assets	\$ 5,853,695	\$ 963,912	\$ 1,284,530	\$ 8,102,137
Noncurrent assets	11,005,411	1,143,805	2,047,993	14,197,209
Total Assets	16,859,106	2,107,717	3,332,523	22,299,346
Total Liabilities	539,552	274,471	121,411	935,434
Net Position				
Restricted by grants of donors	-	55,708	21,774	77,482
Restricted nonexpendable	35,008	-	121,887	156,895
Unrestricted	16,284,546	1,777,538	3,067,451	21,129,535
Total Net Position	\$ 16,319,554	\$ 1,833,246	\$ 3,211,112	\$ 21,363,912

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 16 – RELATED ENTITIES (cont.)

The Condensed Statement of Activities for the year ended June 30, 2016 is as follows:

	WPBF	Friends	WPRA	Total
Operating Revenues				
Contributions	\$ 404,858	\$ 3,678,129	\$ 6,183,416	\$ 10,266,403
Corporation for Public Broadcasting grants	1,995,145	-	-	1,995,145
Underwriting grants	1,647,692	-	-	1,647,692
Other income	-	605,086	131,880	736,966
Total Operating Revenues	4,047,695	4,283,215	6,315,296	14,646,206
 Total Operating Expenses	 115,492	 2,425,821	 823,528	 3,364,841
 Operating Income	 3,932,203	 1,857,394	 5,491,768	 11,281,365
 Total Nonoperating Revenues	 (97,176)	 27,189	 34,556	 (35,431)
 Income before transfers	 3,835,027	 1,884,583	 5,526,324	 11,245,934
Interfund transfers	(3,216,444)	(1,417,900)	(4,965,656)	(9,600,000)
 Change in Net Position	 618,583	 466,683	 560,668	 1,645,934
 Total Net Position (Beginning)	 15,700,971	 1,366,563	 2,650,444	 19,717,978
 Total Net Position (Ending)	 \$ 16,319,554	 \$ 1,833,246	 \$ 3,211,112	 \$ 21,363,912

The Condensed Statement of Cash Flows for the year ended June 30, 2016 is as follows:

	WPBF	Friends	WPRA	Total
Cash Flows from Operating Activities	\$ 3,981,016	\$ 1,806,836	\$ 5,484,380	\$ 11,272,232
Cash Flows from Noncapital Financing Activities	(1,216,444)	(1,417,900)	(4,965,656)	(7,600,000)
Cash Flows from Investing Activities	(313,131)	(457,804)	(77,887)	(848,822)
Net Increase in Cash and Equivalents	2,451,441	(68,868)	440,837	2,823,410
 Beginning Cash and Equivalents	 5,402,254	 662,735	 713,907	 6,778,896
 Ending Cash and Equivalents	 \$ 7,853,695	 \$ 593,867	 \$ 1,154,744	 \$ 9,602,306

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 16 – RELATED ENTITIES (cont.)

RIB MOUNTAIN COMMUNICATIONS

ECB entered into a joint ownership agreement on November 1, 2001, to erect, operate, and maintain a broadcast tower in Wausau, Wisconsin. The agreement is between ECB, WRIG, Inc., QNI, and Gray MidAmerica Television, Inc. The shares of ownership are 33 percent, 23 percent, 20 percent, and 24 percent, respectively. Each party contributes a share of the operating costs on an annual basis. An annual budget is prepared for the joint ownership to determine respective amounts of maintenance due from each party. ECB's share of activity for the joint ownership is incorporated into its financial statements.

NOTE 17 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > *Statement No 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- > *Statement No. 81, Irrevocable Split-Interest Agreements*
- > *Statement No. 83, Certain Asset Retirement Obligations*
- > *Statement No. 84, Fiduciary Activities*
- > *Statement No. 85, Omnibus 2017*
- > *Statement No. 86, Certain Debt Extinguishment Issues*
- > *Statement No. 87, Leases*

When they become effective, application of these standards may restate portions of these financial statements.

NOTE 18 – WERN, WHAD, AND WISCONSIN TELEVISION ALLOCATION

ECB has three networks that qualify for Community Service Grant assistance from the Corporation for Public Broadcasting, including WERN-FM and its affiliated Music Network stations, WHAD-FM and affiliated Ideas Network stations, and the Wisconsin Television Network stations. The stations are licensed to ECB, and the stations' financial activities are included as part of ECB's financial statements. The following tables summarize the portions of the Statements of Revenues, Expenses, and Changes in Net Position attributable to each network for fiscal years 2017 and 2016. Direct revenues and expenses are allocated based on actual amounts. The remaining revenues and expenses are allocated to the networks based on reasonable estimates.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 18 - WERN, WHAD, AND WISCONSIN TELEVISION ALLOCATION (cont.)

Fiscal Year 2017	WERN-FM and Affiliates	WHAD-FM and Affiliates	Wisconsin Television Network	ECB Total
Operating Revenues				
Contributed support Corporation for Public Broadcasting grants	\$ 2,191,861	\$ 2,659,428	\$ 3,592,655	\$ 8,443,944
Underwriting grants	374,347	441,950	1,123,230	1,939,527
Major gifts	809,066	674,830	189,064	1,672,960
Contributed in-kind support	957,677	1,161,521	625,811	2,745,009
Other income	293,151	-	-	293,151
Total Operating Revenues	<u>5,084,245</u>	<u>5,491,038</u>	<u>6,992,358</u>	<u>17,567,641</u>
Operating Expenses				
Program services:				
Programming and production	2,943,516	4,042,549	2,443,915	9,429,980
Broadcasting	1,223,165	1,764,406	5,573,522	8,561,093
Program information	90,637	75,599	278,607	444,843
Total Program Services	<u>4,257,318</u>	<u>5,882,554</u>	<u>8,296,044</u>	<u>18,435,916</u>
Support Services:				
Management and general	450,830	607,123	513,286	1,571,239
Fundraising and membership development	276,270	335,204	2,012,732	2,624,206
Underwriting	1,787	1,490	167,663	170,940
Total Support Services	<u>728,887</u>	<u>943,817</u>	<u>2,693,681</u>	<u>4,366,385</u>
Total Operating Expenses	<u>4,986,205</u>	<u>6,826,371</u>	<u>10,989,725</u>	<u>22,802,301</u>
Operating Income (Loss)	<u>98,040</u>	<u>(1,335,333)</u>	<u>(3,997,367)</u>	<u>(5,234,660)</u>
Nonoperating Revenues (Expenses)				
State general fund revenue	1,967,402	2,651,934	1,962,735	6,582,071
Loss on disposal of capital assets	(98,786)	(98,786)	(195,025)	(392,597)
Capital debt interest expense	(191,284)	(191,284)	(377,635)	(760,203)
Investment income	430,821	425,616	910,525	1,766,962
Transfer to state general fund	(21,375)	(21,375)	(42,750)	(85,500)
Total Nonoperating Revenues (Expenses)	<u>2,086,778</u>	<u>2,766,105</u>	<u>2,257,850</u>	<u>7,110,733</u>
Income (Loss) Before Capital Contributions and Transfers	2,184,818	1,430,772	(1,739,517)	1,876,073
Capital Contributions	<u>231,275</u>	<u>231,275</u>	<u>456,586</u>	<u>919,136</u>
Change in Net Position	<u>\$ 2,416,093</u>	<u>\$ 1,662,047</u>	<u>\$ (1,282,931)</u>	<u>\$ 2,795,209</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2017 and 2016

NOTE 18 - WERN, WHAD, AND WISCONSIN TELEVISION ALLOCATION (cont.)

Fiscal Year 2016	WERN-FM and Affiliates	WHAD-FM and Affiliates	Wisconsin Television Network	ECB Total
Operating Revenues				
Contributed support Corporation for Public Broadcasting grants	\$ 2,078,473	\$ 2,657,794	\$ 3,193,881	\$ 7,930,148
Underwriting grants	380,245	467,637	1,147,263	1,995,145
Major gifts	839,964	617,682	190,046	1,647,692
Contributed in-kind support	720,314	921,082	680,103	2,321,499
Other income	299,246	17,456	37,843	354,545
	<u>318,030</u>	<u>318,030</u>	<u>1,638,873</u>	<u>2,274,933</u>
Total Operating Revenues	<u>4,636,272</u>	<u>4,999,681</u>	<u>6,888,009</u>	<u>16,523,962</u>
Operating Expenses				
Program services:				
Programming and production	2,584,949	3,692,251	2,636,639	8,913,839
Broadcasting	1,100,132	2,139,570	5,652,930	8,892,632
Program information	<u>35,019</u>	<u>25,751</u>	<u>242,535</u>	<u>303,305</u>
Total Program Services	<u>3,720,100</u>	<u>5,857,572</u>	<u>8,532,104</u>	<u>18,109,776</u>
Support Services:				
Management and general	408,758	646,701	599,692	1,655,151
Fundraising and membership development	250,418	320,216	1,871,655	2,442,289
Underwriting	<u>-</u>	<u>-</u>	<u>167,853</u>	<u>167,853</u>
Total Support Services	<u>659,176</u>	<u>966,917</u>	<u>2,639,200</u>	<u>4,265,293</u>
Total Operating Expenses	<u>4,379,276</u>	<u>6,824,489</u>	<u>11,171,304</u>	<u>22,375,069</u>
Operating Income (Loss)	<u>256,996</u>	<u>(1,824,808)</u>	<u>(4,283,295)</u>	<u>(5,851,107)</u>
Nonoperating Revenues (Expenses)				
State general fund revenue	1,536,842	2,433,905	2,261,491	6,232,238
Loss on disposal of capital assets	(15,031)	(15,031)	(68,572)	(98,634)
Capital debt interest expense	3,850	3,850	7,700	15,400
Investment income	(118,702)	(118,702)	(531,876)	(769,280)
Transfer to state general fund	(3,824)	(3,720)	(27,887)	(35,431)
	<u>(21,375)</u>	<u>(21,375)</u>	<u>(42,750)</u>	<u>(85,500)</u>
Total Nonoperating Revenues (Expenses)	<u>1,381,760</u>	<u>2,278,927</u>	<u>1,598,106</u>	<u>5,258,793</u>
Income (Loss) Before Capital Contributions and Transfers	1,638,756	454,119	(2,685,189)	(592,314)
Capital Contributions	<u>175,931</u>	<u>175,931</u>	<u>802,634</u>	<u>1,154,496</u>
Change in Net Position	<u>\$ 1,814,687</u>	<u>\$ 630,050</u>	<u>\$ (1,882,555)</u>	<u>\$ 562,182</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2017 and 2016

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed for possible inclusion as a disclosure in the financial statements. Two such events are described below:

In December 2017, the Department of Administration entered into two lease agreements on behalf of ECB with Gray Television Group, Inc. These leases entirely replace the lease described in Note 9. The new leases require an annual payment in lieu of taxes and a monthly rent payment. The capital portion of the lease described in Note 9 will no longer be applicable. As a result, ECB will recognize a Loss on Disposal of Capital Assets of \$175,357 in its FY 2018 Statement of Activities.

In October 2017, ECB entered into agreements with T-Mobile USA, Inc. (T-Mobile) to expedite the repacking of ECB's television station in Green Bay. With the approval of the Federal Communications Commission, ECB will repack its Green Bay station by July 2018. In exchange for the earlier date, ECB will receive \$345,421. ECB received \$131,260 of this payment in November 2017, upon execution of the agreement. The remaining \$214,161 will be paid to ECB upon the successful repack of the station by July 1, 2018. In addition to the expedited repack of the Green Bay station, T-Mobile will be reimbursing ECB for some costs associated with its television translators being displaced by the FCC repack. To date, two of ECB's six television translators are in the process of being replaced as a result of being displaced. Reimbursed costs are estimated to be approximately \$50,000 per translator.

REQUIRED SUPPLEMENTARY INFORMATION

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM**

For the Year Ended June 30, 2017 and 2016

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/17	0.02026025%	\$ 166,993	\$ 2,563,329	6.51%	99.12%
6/30/16	0.02182512%	354,654	2,875,602	12.33%	98.20%
6/30/15	0.02248088%	(552,192)	3,063,769	-18.02%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM

For the Year Ended June 30, 2017 and 2016

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/17	\$ 169,180	\$ 169,180	\$ -	\$ 2,563,329	6.60%
6/30/16	199,964	199,964	-	2,875,602	6.95%
6/30/15	218,383	218,383	-	3,063,769	7.13%

See independent auditors' report and accompanying notes to the required supplementary information.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2017 and 2016

WISCONSIN RETIREMENT SYSTEM (WRS) PENSION

The amounts presented in relation to the schedule of employer's proportionate share of the net pension (asset)/liability and the schedule of employer contributions represents the specific data of ECB. The information was derived using a combination of the employer's contribution data along with data provided by the Wisconsin Retirement System in relation to ECB as a whole.

ECB is required to present the last ten fiscal years data; however the standards allow ECB to present as many years as are available until ten fiscal years are presented.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.