

**WISCONSIN EDUCATIONAL
COMMUNICATIONS BOARD**

Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2018 and 2017

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 years ended June 30, 2018 and 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 audits. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc. and the Friends of Wisconsin Public Television, Inc., which represent 28 percent, 27 percent and 73 percent, respectively, of the assets, net position and revenues of the Wisconsin Public Broadcasting Foundation, Inc. and 21 percent, 20 percent, and 50 percent respectively, of the assets, net position, and revenues of the business-type activities as of and for the year ended June 30, 2018. 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 as of and for the year ended June 30, 2017. 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 audits 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, 2018 and 2017 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I.A., 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.

As discussed in Note I.B., the Wisconsin Educational Communications Board adopted the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matter

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 9, 2019

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and For the Years Ended June 30, 2018, 2017 and 2016

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 a statewide public television network, consisting of 5 digital stations and 6 TV translators, each with 4 programming streams. ECB also operates a statewide public radio network with three programming streams (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, 1 AM station, and 4 FM translators. 11 of the FM sites are currently broadcasting a digital radio signal in addition to analog. Additionally, ECB operates a network of 28 National Weather Service broadcast sites, and 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, 2018, 2017 and 2016

Condensed financial information for ECB as of and for the fiscal years ended June 30, 2018, June 30, 2017, and June 30, 2016, is as follows:

	June 30, 2018	Change from Prior Year	June 30, 2017	Change from Prior Year	June 30, 2016
Capital and Intangible Assets	\$ 9,310,228	3%	\$ 9,056,428	(12)%	\$ 10,303,090
Other Assets	<u>33,120,448</u>	<u>15%</u>	<u>28,837,289</u>	<u>14%</u>	<u>25,211,158</u>
Total Assets	<u>42,430,676</u>		<u>37,893,717</u>		<u>35,514,248</u>
Deferred Outflows	<u>1,573,406</u>	<u>8%</u>	<u>1,455,483</u>	<u>(25)%</u>	<u>1,942,827</u>
Current Liabilities	2,029,985	16%	1,750,907	(27)%	2,405,192
Noncurrent Liabilities	<u>340,267</u>	<u>(38)%</u>	<u>545,906</u>	<u>(26)%</u>	<u>733,919</u>
Total Liabilities	<u>2,370,252</u>		<u>2,296,813</u>		<u>3,139,111</u>
Deferred Inflows	<u>2,026,026</u>	<u>194%</u>	<u>689,829</u>	<u>(8)%</u>	<u>750,615</u>
Net Investment in Capital Assets	9,285,238	3%	9,019,579	(12)%	10,254,961
Restricted by Grants or Donors	438,587	64%	267,695	(19)%	333,232
Restricted – WRS Pension Balance	542,942	100%	-	0%	-
Unrestricted	<u>29,341,037</u>	<u>8%</u>	<u>27,075,284</u>	<u>18%</u>	<u>22,979,156</u>
Total Net Position	<u>\$ 39,607,804</u>		<u>\$ 36,362,558</u>		<u>\$ 33,567,349</u>
	FY 2018	Change from Prior Year	FY 2017	Change from Prior Year	FY 2016
Operating Revenues	\$ 18,389,325	5%	\$ 17,567,641	6%	\$ 16,523,962
Operating Expenses	<u>23,484,873</u>	<u>3%</u>	<u>22,802,301</u>	<u>2%</u>	<u>22,375,069</u>
Net Operating Loss	<u>(5,095,548)</u>		<u>(5,234,660)</u>		<u>(5,851,107)</u>
Nonoperating Revenues (Expenses)	6,313,452	(11)%	7,110,730	35%	5,258,793
Capital Contributions and Transfers	<u>2,027,342</u>	<u>121%</u>	<u>919,136</u>	<u>(20)%</u>	<u>1,154,496</u>
Changes in Net Position	<u>\$ 3,245,246</u>		<u>\$ 2,795,206</u>		<u>\$ 562,182</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and For the Years Ended June 30, 2018, 2017 and 2016

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 \$9.3 million as of June 30, 2018 and \$9.1 million as of June 30, 2017, are presented at historical cost less depreciation. Capital Assets, which include Intangible Assets, increased by 3 percent in FY 2018, because ECB added over \$2.0 million in new capital assets related to the repack of two of its TV stations. The repack required new transmitters, transmission line and antennas at two of its full power stations. In addition, four of ECB's TV translators were displaced by the repack, and new equipment was needed at those sites. The additions were \$200,000 higher than the depreciation and disposals of capital assets combined. Capital assets decreased 12 percent in FY 2017 because capital asset additions were outpaced by depreciation.

Other Assets increased by 15 percent or 4.3 million, because of increased cash and investment balances and an increase in net pension assets. The increase in cash and investments was caused by \$1.0 million in investment returns, \$1.2 million in bequests, \$900,000 increase in contributions, and \$800,000 change in cash position because of changes in accruals. The Net Pension Asset increased by over \$540,000. Other assets increased 14 percent in FY 2017 primarily because of \$1.8 million in investment earnings, and \$300,000 in bequests received.

The 16 percent increase in FY 2018 of Current Liabilities occurred because of the timing of vendor invoices, and because of a \$60,000 payment received before the end of the fiscal year, related to revenue that will be earned in FY 2019. This \$60,000 balance was included in the FY 2018 deferred revenues. The 27 percent decrease in FY 2017 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. Noncurrent Liabilities decreased by 38 percent in FY 2018 and 26 percent in FY 2017, because of decreases in the Net Pension Liability. These decreases amounted to \$167,000 and \$190,000 in FY 2018 and 2017, respectively. In addition, the long-term compensated absences balance decreased in FY 2018 by \$26,000.

Deferred Outflows increased by 8 percent in FY 2018 and decreased 25 percent in FY 2017, 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, and are influenced by market conditions affecting investment performance. Deferred Inflows increased by 194 percent in FY 2018 and decreased 8 percent in FY 2017. These balances are also related to WRS payments and market conditions each year. ECB anticipates that these amounts will vary year-to-year going forward. Restricted Net Position related to WRS Pension Balance was \$0 in FY 2017 because ECB reported a Net Pension Liability that year. However, because ECB reported a Net Pension Asset in FY 2018, the Restricted Net Position related to WRS Pension Balance was equal to ECB's Net Pension Asset.

Operating Revenues increased 5 percent in FY 2018 and 6 percent in FY 2017 because of increased Contributed Support and Major Gifts in both years. In particular, Contributed Support increased by \$400,000 and Major Gifts increased by \$450,000 in FY 2018. Operating Expenses rose by 3 percent in FY 2018 because of a \$900,000 increase in programming and production expenses during the year. This increase was offset slightly by a \$300,000 decrease in broadcasting expense recognized because of the increased capitalization of assets in FY 2018. Operating expenses increased 2 percent in FY 2017 because of increased Radio programming and production expenses.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and For the Years Ended June 30, 2018, 2017 and 2016

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 decreased 11 percent in FY 2018, because of decreased Investment Income. While strong market conditions resulted in nearly \$1.1 million in investment revenue in FY 2018, this amount is approximately \$700,000 less than the investment income earned in FY 2017, which caused a 35 percent increase in FY 2017 Nonoperating Revenues and Expenses. Changes in Investment Income make up \$1.80 million of the \$1.85 million change in FY 2017 Nonoperating Revenues and Expenses. This was a result of having more funds to invest and general market conditions.

Capital Contributions increased 121 percent in FY 2018 because of the repacked TV stations. The FCC reimbursed nearly \$1.4 million in expenses related to the repack as of the end of FY 2018, and ECB also received \$130,000 from an agreement for early repack. Capital Contributions decreased by 20 percent in FY 2017 because of fewer capital projects being completed after a busy project year in FY 2016.

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 marta.bechtol@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, 2018

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
ASSETS			
Current Assets			
Cash and equivalents	\$ 1,033,850	\$ 11,458,984	\$ 12,492,834
Investments	-	255,991	255,991
Pledges receivable	-	137,680	137,680
Interfund receivable	1,190	(1,190)	-
Affiliates receivable	68,345	-	68,345
Other receivables	335,031	23,842	358,873
Prepaid expenses	77,397	178,104	255,501
Inventory	-	2,323	2,323
Total Current Assets	<u>1,515,813</u>	<u>12,055,734</u>	<u>13,571,547</u>
Noncurrent Assets			
Investments	-	18,753,336	18,753,336
Noncurrent receivables	-	252,623	252,623
Land	158,743	-	158,743
Buildings, net of accumulated depreciation	2,066,738	-	2,066,738
Equipment, net of accumulated depreciation	6,724,422	-	6,724,422
Intangible assets	360,325	-	360,325
Net pension asset	542,942	-	542,942
Total Noncurrent Assets	<u>9,853,170</u>	<u>19,005,959</u>	<u>28,859,129</u>
Total Assets	<u>11,368,983</u>	<u>31,061,693</u>	<u>42,430,676</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>1,573,406</u>	-	<u>1,573,406</u>
LIABILITIES			
Current Liabilities			
Accounts payable	299,123	132,561	431,684
Due to affiliates	76,120	744,327	820,447
Wages payable	219,751	-	219,751
Compensated absences payable	120,215	-	120,215
Capital debt interest expense payable	142,620	-	142,620
Unearned revenue	62,940	219,943	282,883
Bonds payable	12,385	-	12,385
Total Current Liabilities	<u>933,154</u>	<u>1,096,831</u>	<u>2,029,985</u>
Noncurrent Liabilities			
Compensated absences payable	327,662	-	327,662
Bonds payable	12,605	-	12,605
Total Noncurrent Liabilities	<u>340,267</u>	<u>-</u>	<u>340,267</u>
Total Liabilities	<u>1,273,421</u>	<u>1,096,831</u>	<u>2,370,252</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	1,650,005	-	1,650,005
Beneficial interest in trust	-	376,021	376,021
Total Deferred Inflows of Resources	<u>1,650,005</u>	<u>376,021</u>	<u>2,026,026</u>
NET POSITION			
Net investment in capital assets	9,285,238	-	9,285,238
Restricted by grants or donors	72,925	69,773	142,698
Restricted - nonexpendable	-	295,889	295,889
Restricted - pension	542,942	-	542,942
Unrestricted	117,858	29,223,179	29,341,037
TOTAL NET POSITION	<u>\$ 10,018,963</u>	<u>\$ 29,588,841</u>	<u>\$ 39,607,804</u>

See accompanying notes to financial statements.

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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
OPERATING REVENUES			
Contributed support	\$ -	\$ 8,860,991	\$ 8,860,991
Corporation for Public Broadcasting grants	-	1,904,284	1,904,284
Underwriting grants	-	1,636,890	1,636,890
Major gifts	-	3,228,592	3,228,592
Contributed in-kind support	306,866	-	306,866
Other income	1,619,142	832,560	2,451,702
Total Operating Revenues	<u>1,926,008</u>	<u>16,463,317</u>	<u>18,389,325</u>
OPERATING EXPENSES			
Program services			
Programming and production	9,020,860	1,319,200	10,340,060
Broadcasting	8,202,170	-	8,202,170
Program information	150,937	377,369	528,306
Total Program Services Expenses	<u>17,373,967</u>	<u>1,696,569</u>	<u>19,070,536</u>
Supporting services			
Management and general	1,313,257	316,484	1,629,741
Fundraising and membership development	-	2,610,584	2,610,584
Underwriting	173,885	127	174,012
Total Supporting Services Expenses	<u>1,487,142</u>	<u>2,927,195</u>	<u>4,414,337</u>
Total Operating Expenses	<u>18,861,109</u>	<u>4,623,764</u>	<u>23,484,873</u>
Operating Income (Loss)	<u>(16,935,101)</u>	<u>11,839,553</u>	<u>(5,095,548)</u>
NONOPERATING REVENUES (EXPENSES)			
State general fund revenue for operations	6,298,478	-	6,298,478
Loss on disposal of capital assets	(323,440)	-	(323,440)
Capital debt interest expense	(728,108)	-	(728,108)
Investment income	-	1,066,522	1,066,522
Total Nonoperating Revenues (Expenses)	<u>5,246,930</u>	<u>1,066,522</u>	<u>6,313,452</u>
Income (Loss) Before Contributions and Transfers	<u>(11,688,171)</u>	<u>12,906,075</u>	<u>1,217,904</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	2,027,342	-	2,027,342
Interfund transfer	10,051,899	(10,051,899)	-
Total Contributions and Transfers	<u>12,079,241</u>	<u>(10,051,899)</u>	<u>2,027,342</u>
Change in Net Position	391,070	2,854,176	3,245,246
NET POSITION - Beginning of Year	<u>9,627,893</u>	<u>26,734,665</u>	<u>36,362,558</u>
NET POSITION - END OF YEAR	<u>\$ 10,018,963</u>	<u>\$ 29,588,841</u>	<u>\$ 39,607,804</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	(2,575,544)	5,370,753	2,795,209
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 CASH FLOWS
For the Year Ended June 30, 2018

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributed support	\$ -	\$ 13,841,774	\$ 13,841,774
Receipts from other income	1,866,652	2,711,241	4,577,893
Payments to suppliers	(13,046,435)	(4,615,310)	(17,661,745)
Payments to employees	(3,697,238)	-	(3,697,238)
Net Cash Flows From Operating Activities	<u>(14,877,021)</u>	<u>11,937,705</u>	<u>(2,939,316)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from state government	6,621,943	-	6,621,943
Interfund transfers	10,055,404	(10,055,404)	-
Net Cash Flows From Noncapital Financing Activities	<u>16,677,347</u>	<u>(10,055,404)</u>	<u>6,621,943</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases, sales, and maturities of investments	-	(1,560,714)	(1,560,714)
Interest and dividends	-	463,807	463,807
Net Cash Flows From Investing Activities	<u>-</u>	<u>(1,096,907)</u>	<u>(1,096,907)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	2,017,593	-	2,017,593
Purchases of capital assets	(2,131,537)	-	(2,131,537)
Principal paid on capital debt	(11,859)	-	(11,859)
Interest paid on capital debt	(736,864)	-	(736,864)
Net Cash Flows From Capital and Related Financing Activities	<u>(862,667)</u>	<u>-</u>	<u>(862,667)</u>
Net Change in Cash and Cash Equivalents	937,659	785,394	1,723,053
CASH AND CASH EQUIVALENTS - Beginning of year	<u>96,191</u>	<u>10,673,590</u>	<u>10,769,781</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,033,850</u>	<u>\$ 11,458,984</u>	<u>\$ 12,492,834</u>

	Operating Fund	Wisconsin Public Broadcasting Foundation, Inc.	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (16,935,101)	\$ 11,839,553	\$ (5,095,548)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation and amortization expense	1,554,297	-	1,554,297
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources			
Receivables, net	189,577	104,764	294,341
Inventories	-	3,010	3,010
Prepaid expenses	(41,894)	(46,887)	(88,781)
Deferred revenue	57,933	(15,066)	42,867
Accounts and other payables	298,167	52,331	350,498
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (14,877,021)</u>	<u>\$ 11,937,705</u>	<u>\$ (2,939,316)</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

None.

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

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

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WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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 a statewide public television network, consisting of 5 digital stations and 6 TV translators, each with 4 programming streams. ECB also operates a statewide public radio network with three programming streams (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, 1 AM station, and 4 FM translators. 11 of the FM sites are currently broadcasting a digital radio signal in addition to analog. Additionally, ECB operates a network of 28 National Weather Service broadcast sites, and 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, deferred inflows, 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 III.C 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.

In March 2016, the GASB issued Statement 81 – *Irrevocable Split-Interest Agreements*. It requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize revenue when the resources become applicable to the reporting period. This standard was implemented July 1, 2017.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE I – 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 WPRO contributions that are expected to be collected within one year at their net realizable value. Contributions expected to be collected in subsequent years are recorded at the present value of their net realizable value using risk-free interest rates applicable to the years in which the contributions are to be received. 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.

D. ASSETS, LIABILITIES, NET POSITION, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

1. 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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

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

D. ASSETS, LIABILITIES, NET POSITION, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (cont.)

1. Deposits and Investments (cont.)

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, and direct obligations of federal land banks, federal home loan banks, central bank for cooperatives and banks for cooperatives or unincorporated cooperative associations, international bank for reconstruction and development, the international finance corporation, inter-American development bank, African development bank and Asian development bank, in each case maturing within one year or less from the date of investment; commercial paper maturing within one year or less from the date of investment and rated prime by the national credit office, if the issuing corporation has one or more long-term senior debt issues outstanding, each of which has one of the 3 highest ratings issued by Moody's investors service or Standard & Poor's corporation; certificates of deposit maturing within one year or less from the date of investment, issued by banks, credit unions, savings banks or savings and loan associations located in the United States and having capital and surplus of at least \$50,000,000. The Investment Board's trustees may specifically approve other prudent investments.

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 accounts and certificates of deposit at multiple financial institutions. Friends investments include money market accounts, 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.

2. 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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

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

D. ASSETS, LIABILITIES, NET POSITION, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (cont.)

2. Valuation of Investments (cont.)

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.

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 Revenues, Expenses, and Changes in Net Position.

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.

See Note II.A. for further information.

3. Receivables

Receivables primarily represent amounts due from various governmental departments and organizations for services performed by ECB, as well as financial support from donors. The ECB considers receivables to be fully collectible. Accordingly, no allowance for doubtful receivables is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

4. Prepaid and Inventory Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid items are recorded using the consumption method of accounting. Inventory is valued at cost using the first-in/first-out (FIFO) method. Costs are recorded as expenditures at the time individual inventory items are consumed.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

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

D. ASSETS, LIABILITIES, NET POSITION, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (cont.)

5. 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.

6. 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.

7. Compensated Absences

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.

8. Long-Term Obligations

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.

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.

In addition to general obligations financed by general purpose revenue, two 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 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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

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

D. ASSETS, LIABILITIES, NET POSITION, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (cont.)

9. Endowments

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.

10. 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.

Payments from the Federal Communications Commission (FCC) – The amounts provided to cover costs related to the FCC mandated spectrum auction and subsequent TV channel repack.

11. Contributed In-Kind Support

Contributed in-kind support primarily includes donated general operational services. 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.

12. 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. More detailed information can be found in Note III.A.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

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

D. ASSETS, LIABILITIES, NET POSITION, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (cont.)

13. Net Position

Equity is classified as net position and displayed in three components:

- > 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.

14. 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 pension liability (asset). More detailed information can be found in Note III.A. ECB also reports deferred inflows of resources from a beneficial interest in trust related to an irrevocable split-interest agreement.

NOTE II – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

As of June 30, 2018 and June 30, 2017, ECB's deposits were \$12,492,834 and \$10,769,781, respectively.

Fair value of ECB's investment balances as of June 30, 2018 were as follows:

Description	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 739,057	\$ 739,057	\$ -	\$ -
Mutual Funds:				
Fixed income	7,299,062	7,299,062	-	-
Domestic equities	5,026,842	5,026,842	-	-
International equities	2,013,812	2,013,812	-	-
Equities	3,554,533	3,554,533	-	-
Beneficial Interest in Trust	376,021	-	-	376,021
Totals	<u>\$ 19,009,327</u>	<u>\$ 18,633,306</u>	<u>\$ -</u>	<u>\$ 376,021</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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	\$ 691,915	\$ 691,915	\$ -	\$ -
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>\$ 16,469,877</u>	<u>\$ 16,469,877</u>	<u>\$ -</u>	<u>\$ -</u>

ECB's shares of the State Investment Fund were \$1,033,850 as of June 30, 2018 and \$96,191 as of June 30, 2017 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.

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, 2018, \$12,036,703 of ECB's bank balance of \$13,494,379 and, as of June 30, 2017, \$8,858,026 of ECB's bank balance of \$10,009,403, 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, 2018 and 2017, all of WPBF, WPRA, and Friends fixed-income mutual funds and the State Investment Fund were all unrated.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2018, ECB's investments had the following average maturities:

Investment Type	Fair Value	Average Maturity (in Years)		
		Less than 3	3-5	5-10
Fixed income investments	\$ 7,299,062	\$ 147,582	\$ 3,726,585	\$ 3,424,895

As of June 30, 2017, ECB's investments had the following average maturities:

Investment Type	Fair Value	Average Maturity (in Years)		
		Less than 3	3-5	5-10
Fixed income investments	\$ 6,416,363	\$ -	\$ 3,207,262	\$ 3,209,101

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 \$2,703,331 and \$2,547,335 as of June 30, 2018 and 2017, 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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

B. CAPITAL ASSETS

Capital asset balances and activity for the years ended June 30, 2018 and 2017 are as follows:

	2018			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital assets not being depreciated/amortized				
Land	\$ 158,743	\$ -	\$ -	\$ 158,743
Capital assets being depreciated/amortized				
Building and improvements	10,036,083	-	(259,322)	9,776,761
Equipment	21,121,598	2,107,115	(1,879,424)	21,349,289
Intangible assets	1,015,423	24,422	(571,720)	468,125
Total Capital Assets at Historical Cost	<u>32,173,104</u>	<u>2,131,537</u>	<u>(2,710,466)</u>	<u>31,594,175</u>
Less: Accumulated depreciation/amortization for				
Buildings and improvements	(7,580,246)	(301,228)	171,451	(7,710,023)
Equipment	(15,164,260)	(1,104,462)	1,643,855	(14,624,867)
Intangible assets	(530,913)	(148,607)	571,720	(107,800)
Total Accumulated Depreciation/ Amortization	<u>(23,275,419)</u>	<u>(1,554,297)</u>	<u>2,387,026</u>	<u>(22,442,690)</u>
Total Capital Assets Being Depreciated/ Amortized, Net	<u>8,897,685</u>	<u>577,240</u>	<u>(323,440)</u>	<u>9,151,485</u>
Total Capital Assets, Net	<u>\$ 9,056,428</u>	<u>\$ 577,240</u>	<u>\$ (323,440)</u>	<u>\$ 9,310,228</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

B. CAPITAL ASSETS (cont.)

Depreciation/Amortization expense of \$1,405,690 was charged to Broadcasting expense and \$148,607 was charged to Programming and Production expense on the Statement of Activities in fiscal year 2018.

	2017				Ending Balance
	Beginning Balance	Additions	Reductions	Adjustments*	
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	<u>32,558,959</u>	<u>819,120</u>	<u>(1,204,975)</u>	<u>-</u>	<u>32,173,104</u>
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	<u>(22,412,835)</u>	<u>(1,775,878)</u>	<u>913,294</u>	<u>-</u>	<u>(23,275,419)</u>
Total Capital Assets Being Depreciated/ Amortized, Net	<u>10,146,124</u>	<u>(956,758)</u>	<u>(291,681)</u>	<u>-</u>	<u>8,897,685</u>
Total Capital Assets, Net	<u>\$ 10,304,867</u>	<u>\$ (956,758)</u>	<u>\$ (291,681)</u>	<u>\$ -</u>	<u>\$ 9,056,428</u>

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, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

B. CAPITAL ASSETS (cont.)

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 three NTIA capital equipment grants between fiscal year 2009 and fiscal year 2013. The book value of equipment purchased with NTIA funds is \$513,644 and \$580,578 as of June 30, 2018 and 2017, respectively.

C. LONG-TERM OBLIGATIONS

The indebtedness carried by the State of Wisconsin on behalf of ECB to be repaid by general purpose revenue as of June 30, 2018 and June 30, 2017 is \$14,721,352 and \$13,713,936, respectively, in general obligation bonds, which includes general obligation refunding bonds, and \$1,206,979 and \$1,529,854, 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 \$728,108 and \$760,203 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.

The amounts provided through program revenue for indebtedness during fiscal years 2018 and 2017 are \$13,637 and \$13,541, respectively, which consisted of principal payments of \$11,859 and \$11,207, respectively, and interest payments of \$1,778 and \$2,334, respectively. As of June 30, 2018, 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>
2019	\$ 12,385	\$ 1,222	\$ 13,607
2020	11,786	615	12,401
2021	<u>819</u>	<u>35</u>	<u>854</u>
Totals	<u>\$ 24,990</u>	<u>\$ 1,872</u>	<u>\$ 26,862</u>

Long-term obligation activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated absences	\$ 353,923	\$ 36,606	\$ (62,867)	\$ 327,662
Bonds payable	24,990	-	(12,385)	12,605
Net pension liability	<u>166,993</u>	<u>-</u>	<u>(166,993)</u>	<u>-</u>
Totals	<u>\$ 545,906</u>	<u>\$ 36,606</u>	<u>\$ (242,245)</u>	<u>\$ 340,267</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. LONG-TERM OBLIGATIONS (cont.)

Long-term obligation 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
Net pension liability	<u>354,654</u>	<u>-</u>	<u>(187,661)</u>	<u>166,993</u>
 Totals	 <u>\$ 728,912</u>	 <u>\$ 33,309</u>	 <u>\$ (216,315)</u>	 <u>\$ 545,906</u>

The long-term obligation activity from compensated absences is generally funded with operating subsidies received from the State of Wisconsin, whereas the bonds payable are funded with program revenue. Compensated absences and bonds payable expected to be paid within one year are reflected in the current liabilities on the Statements of Net Position.

D. LEASES

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. As of June 30, 2017, the balance of the buildings and equipment, net of accumulated depreciation, included in the Statements of Net Position was \$175,357. In December of 2017, the Department of Administration entered into two lease agreements on behalf of ECB with Gray Television Group, Inc. These new leases entirely replace the lease described above. The capital portion of the lease is no longer applicable. A loss on disposal of capital assets of \$140,285 related to this capital lease was recognized in the Statement of Revenues, Expenses and Changes in Net Position. Both the prior and new leases require monthly payments and an annual payment in lieu of taxes. In fiscal year 2017, ECB paid \$15,126 as a payment in lieu of taxes. The new contract requires an annual payment of the lesser of 50 percent of the annual property tax assessment or a payment of \$15,000 compounded by a scheduled rent increase each lease year of 3 percent.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. LEASES (cont.)

Green Bay Tower Lease (cont.)

The following is a schedule of the compounded payments in lieu of taxes under this lease as of June 30, 2018:

<u>Fiscal Year Ended June 30</u>	<u>Total</u>
2019	\$ 15,450
2020	15,913
2021	16,391
2022	<u>16,883</u>
Total	<u>\$ 64,637</u>

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 2018 and 2017, ECB paid \$673,892 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.

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 2018 and 2017 were \$526,007 and \$508,392, 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, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. LEASES (cont.)

Operating Leases as Lessor (cont.)

The following is a schedule of future minimum expected receipts under this lease as of June 30, 2018:

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>
2019	\$ 538,803
2020	554,963
2021	571,615
2022	588,764
2023	606,426
2024-2028	3,316,228
2029-2033	3,844,475
2034-2038	4,458,648
2039-2043	<u>3,096,941</u>
Total	<u>\$ 17,576,863</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 2018 and 2017 was \$5,007 and \$10,014, respectively, which is included in operating revenues on the Statements of Revenues, Expenses, and Changes in Net Position. As of June 30, 2018, the entire prepaid fee has been recognized, and no additional unearned revenue related to this lease is included in the Statement of Net Position.

E. ENDOWMENTS

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.

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 Note I.D.2.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. ENDOWMENTS (cont.)

Quasi-Endowment (cont.)

Values as of June 30, 2018 and 2017 are \$2,551,296 and \$2,186,884, respectively, for the ECB television network's endowment and \$881,739 and \$925,533, respectively, for the ECB radio networks' endowment.

Endowment activity for the years ended June 30, 2018 and 2017 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, 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
Interest and Dividends - FY2018	64,069	8,994	73,063
Realized and Unrealized gains (losses) - FY 2018	168,228	4,012	172,240
Contributions - FY 2018	364,964	97,092	462,056
Investment Fees - FY 2018	(17,159)	(1,551)	(18,710)
Distributions - FY 2018	(260,900)	(7,477)	(268,377)
 Balance, June 30, 2018	 <u>\$ 3,433,035</u>	 <u>\$ 260,881</u>	 <u>\$ 3,693,916</u>

F. 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 \$10,051,899 and \$8,160,091 for the years ended June 30, 2018 and 2017, 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 for the year ended June 30, 2017 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. No such lapse occurred for the year ended June 30, 2018.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

G. NET INVESTMENT IN CAPITAL ASSETS

ECB's net investment in capital assets reported on the Statement of Net Position at June 30, 2018 is comprised of the following:

Land	\$	158,743
Buildings, net of accumulated depreciation		2,066,738
Equipment, net of accumulated depreciation		6,724,422
Intangible assets		360,325
Less: Related long-term debt outstanding		<u>(24,990)</u>
Total Net Investment in Capital Assets	\$	<u>9,285,238</u>

ECB's net investment in capital assets reported on the Statement of Net Position at June 30, 2017 is comprised of the following:

Land	\$	158,743
Buildings, net of accumulated depreciation		2,455,837
Equipment, net of accumulated depreciation		5,957,338
Intangible assets		484,510
Less: Related long-term debt outstanding		<u>(36,849)</u>
Total Net Investment in Capital Assets	\$	<u>9,019,579</u>

NOTE III – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupations, 62 for elected officials and executive service plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

WRS also provides death and disability benefits for employees.

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	0
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)
2017	2.0	4.0

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 Employee 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 \$166,643 in contributions from the employer.

Contribution rates for the plan year reported as of June 30, 2018 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.8%	6.8%

During the reporting period ending June 30, 2017, the WRS recognized \$169,180 in contributions from the employer.

Contribution rates for the plan year reported as of June 30, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.6%	6.6%

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources. At June 30, 2018 and 2017, ECB reported a liability (asset) of \$(542,942) and \$166,993, respectively for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 (asset) was based on its share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the proportion was 0.01828632%, which was a decrease of 0.00197393% from its proportion measured as of December 31, 2016. 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, 2018 and 2017, ECB recognized pension expense of \$248,379 and \$439,010, respectively.

At June 30, 2018, 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	\$ 689,822	\$ (322,675)
Changes in assumptions	107,274	-
Net difference between projected and actual earnings on pension plan investments	581,106	(1,327,330)
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,968	-
Employer contributions subsequent to the measurement date	158,236	-
Totals	\$ 1,573,406	\$ (1,650,005)

\$158,236 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended June 30, 2019.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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
2019	\$ 564,064	\$ (492,455)
2020	499,440	(492,455)
2021	183,459	(361,127)
2022	166,876	(303,968)
2023	1,331	-

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	-
Totals	\$ 1,455,483	\$ (689,829)

\$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, 2018.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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
2018	\$ 439,592	\$ (208,834)
2019	439,592	(208,833)
2020	368,112	(208,833)
2021	18,371	(63,329)
2022	511	-

Actuarial Assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	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.

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 3.31%. 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. 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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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) at June 30, 2018 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>\$ 1,404,777</u>	<u>\$ (542,942)</u>	<u>\$ (2,023,270)</u>

The following presents ECB's proportionate share of the net pension liability (asset) at June 30, 2017 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, 2018 and 2017 were \$8,281 and \$15,417, respectively. This represents contributions earned as of June 30, 2018 and 2017, but for which payment was not remitted to the pension plan until subsequent to year-end.

B. 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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (cont.)

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.

C. 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-Madison. 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 Statements of Net Position. Differences may exist between amounts reported by ECB and WHA due to the delays related to processing payments at the state. 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.

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

C. RELATED ENTITIES (cont.)

Friends of Wisconsin Public Television, Inc. (cont.)

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.

ECB includes in the WPBF fund its allocated share of the Friends' and the WPRA's assets, liabilities, deferred inflows of resources, 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, 2018 is as follows:

	<u>WPBF</u>	<u>Friends</u>	<u>WPRA</u>	<u>Total</u>
Assets				
Current assets	\$ 9,322,453	\$ 1,263,878	\$ 1,469,403	\$ 12,055,734
Noncurrent assets	12,952,986	2,785,463	3,267,510	19,005,959
Total Assets	<u>22,275,439</u>	<u>4,049,341</u>	<u>4,736,913</u>	<u>31,061,693</u>
Total Liabilities	<u>608,315</u>	<u>404,089</u>	<u>84,427</u>	<u>1,096,831</u>
Deferred Inflows of Resources	<u>-</u>	<u>326,408</u>	<u>49,613</u>	<u>376,021</u>
Net Position				
Restricted by grants or donors	-	41,839	27,934	69,773
Restricted – nonexpendable	35,008	-	260,881	295,889
Unrestricted	<u>21,632,116</u>	<u>3,277,005</u>	<u>4,314,058</u>	<u>29,223,179</u>
Total Net Position	<u>\$ 21,667,124</u>	<u>\$ 3,318,844</u>	<u>\$ 4,602,873</u>	<u>\$ 29,588,841</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

C. RELATED ENTITIES (cont.)

Wisconsin Public Radio Association, Inc. (cont.)

The Condensed Statement of Activities for the year ended June 30, 2018 is as follows:

	<u>WPBF</u>	<u>Friends</u>	<u>WPRA</u>	<u>Total</u>
Operating Revenues				
Contributions	\$ 368,797	\$ 4,668,222	\$ 7,052,564	\$ 12,089,583
Corporation for Public Broadcasting grants	1,904,284	-	-	1,904,284
Underwriting grants	1,636,890	-	-	1,636,890
Other income	-	651,339	181,221	832,560
Total Operating Revenues	<u>3,909,971</u>	<u>5,319,561</u>	<u>7,233,785</u>	<u>16,463,317</u>
Total Operating Expenses	<u>290,601</u>	<u>3,041,201</u>	<u>1,291,962</u>	<u>4,623,764</u>
Operating Income	3,619,370	2,278,360	5,941,823	11,839,553
Total Nonoperating Revenues	<u>790,033</u>	<u>106,804</u>	<u>169,685</u>	<u>1,066,522</u>
Income before transfers	4,409,403	2,385,164	6,111,508	12,906,075
Interfund transfers	<u>(2,821,474)</u>	<u>(1,605,509)</u>	<u>(5,624,916)</u>	<u>(10,051,899)</u>
Change in Net Position	1,587,929	779,655	486,592	2,854,176
Total Net Position (Beginning)	<u>20,079,195</u>	<u>2,539,189</u>	<u>4,116,281</u>	<u>26,734,665</u>
Total Net Position (Ending)	<u>\$ 21,667,124</u>	<u>\$ 3,318,844</u>	<u>\$ 4,602,873</u>	<u>\$ 29,588,841</u>

The Condensed Statement of Cash Flows for the year ended June 30, 2018 is as follows:

	<u>WPBF</u>	<u>Friends</u>	<u>WPRA</u>	<u>Total</u>
Cash Flows from Operating Activities	\$ 3,712,975	\$ 2,197,497	\$ 6,027,233	\$ 11,937,705
Cash Flows from Noncapital Financing Activities	(2,847,429)	(1,601,990)	(5,605,985)	(10,055,404)
Cash Flows from Investing Activities	<u>(29,777)</u>	<u>(844,946)</u>	<u>(222,184)</u>	<u>(1,096,907)</u>
Net Change in Cash and Equivalents	835,769	(249,439)	199,064	785,394
Beginning Cash and Equivalents	<u>8,337,995</u>	<u>1,131,877</u>	<u>1,203,718</u>	<u>10,673,590</u>
Ending Cash and Equivalents	<u>\$ 9,173,764</u>	<u>\$ 882,438</u>	<u>\$ 1,402,782</u>	<u>\$ 11,458,984</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

C. RELATED ENTITIES (cont.)

Wisconsin Public Radio Association, Inc. (cont.)

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 Corporation for Public Broadcasting grants	\$ 11,609	\$ 4,211,059	\$ 6,966,285	\$ 11,188,953
Underwriting grants	1,939,527	-	-	1,939,527
Other income	1,672,960	-	-	1,672,960
Total Operating Revenues	-	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, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

C. RELATED ENTITIES (cont.)

Wisconsin Public Radio Association, Inc. (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

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.

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

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

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

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

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

E. 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 2018 and 2017. 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, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

E. WERN, WHAD, AND WISCONSIN TELEVISION ALLOCATION (cont.)

Fiscal Year 2018	WERN-FM and Affiliates	WHAD-FM and Affiliates	Wisconsin Television Network	ECB Total
Operating Revenues				
Contributed support	\$ 2,372,215	\$ 2,730,097	\$ 3,758,679	\$ 8,860,991
Corporation for Public Broadcasting grants	329,218	423,392	1,151,674	1,904,284
Underwriting grants	778,527	647,755	210,608	1,636,890
Major gifts	907,078	1,043,871	1,277,643	3,228,592
Contributed in-kind support	306,866	-	-	306,866
Other income	483,696	483,696	1,484,310	2,451,702
Total Operating Revenues	<u>5,177,600</u>	<u>5,328,811</u>	<u>7,882,914</u>	<u>18,389,325</u>
Operating Expenses				
Program Services:				
Programming and production	3,167,362	4,362,457	2,810,241	10,340,060
Broadcasting	927,342	1,089,530	6,185,298	8,202,170
Program information	125,740	104,619	297,947	528,306
Total Program Services	<u>4,220,444</u>	<u>5,556,606</u>	<u>9,293,486</u>	<u>19,070,536</u>
Support Services:				
Management and general	439,653	595,648	594,440	1,629,741
Fundraising and membership development	337,821	388,785	1,883,978	2,610,584
Underwriting	2,652	2,207	169,153	174,012
Total Support Services	<u>780,126</u>	<u>986,640</u>	<u>2,647,571</u>	<u>4,414,337</u>
Total Operating Expenses	<u>5,000,570</u>	<u>6,543,246</u>	<u>11,941,057</u>	<u>23,484,873</u>
Operating Income (Loss)	<u>177,030</u>	<u>(1,214,435)</u>	<u>(4,058,143)</u>	<u>(5,095,548)</u>
Nonoperating Revenues (Expenses)				
State general fund revenue	1,769,937	2,397,927	2,130,614	6,298,478
Loss on disposal of capital assets	(61,201)	(61,201)	(201,038)	(323,440)
Capital debt interest expense	(138,325)	(138,325)	(451,458)	(728,108)
Investment income	262,478	259,166	544,878	1,066,522
Total Nonoperating Revenues (Expenses)	<u>1,832,889</u>	<u>2,457,567</u>	<u>2,022,996</u>	<u>6,313,452</u>
Income (Loss) Before Capital Contributions and Transfers	<u>2,009,919</u>	<u>1,243,132</u>	<u>(2,035,147)</u>	<u>1,217,904</u>
Capital Contributions	<u>76,321</u>	<u>76,321</u>	<u>1,874,700</u>	<u>2,027,342</u>
Change in Net Position	<u>\$ 2,086,240</u>	<u>\$ 1,319,453</u>	<u>\$ (160,447)</u>	<u>\$ 3,245,246</u>

WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

E. 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	\$ 2,191,861	\$ 2,659,428	\$ 3,592,655	\$ 8,443,944
Corporation for Public Broadcasting grants	374,347	441,950	1,123,230	1,939,527
Underwriting grants	809,066	674,830	189,064	1,672,960
Major gifts	957,677	1,161,521	625,811	2,745,009
Contributed in-kind support	293,151	-	-	293,151
Other income	458,143	553,309	1,461,598	2,473,050
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, 2018 and 2017

NOTE III – OTHER INFORMATION (cont.)

F. 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. One such event is described below:

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. ECB successfully completed the repack of the Green Bay station on July 1, 2018, and subsequently received the remaining \$214,161 from the agreement with T-Mobile.

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, 2018 and 2017

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/18	0.01828632%	\$ (542,942)	\$ 2,450,637	-22.16%	102.93%
6/30/17	0.02026025%	166,993	2,461,885	6.51%	99.12%
6/30/16	0.02182512%	354,654	2,724,408	12.33%	98.20%
6/30/15	0.02248088%	(552,192)	3,132,672	-18.02%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM

For the Year Ended June 30, 2018 and 2017

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/18	\$ 206,995	\$ 206,995	\$ -	\$ 2,597,614	7.97%
6/30/17	195,462	195,462	-	2,461,885	7.94%
6/30/16	214,373	214,373	-	2,724,408	7.87%
6/30/15	251,657	251,657	-	3,132,672	8.03%

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, 2018 and 2017

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.