

WBGU-TV
(A Public Telecommunications Entity
Operated by Bowling Green State University)

Financial Report
with Supplemental Information
June 30, 2017

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Independent Auditor's Report

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

Report on the Financial Statements

We have audited the accompanying financial statements of WBGU-TV (WBGU or the "Station"), a public telecommunications department within Bowling Green State University, as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise WBGU-TV's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of WBGU-TV as of June 30, 2017 and 2016 and the respective changes in its net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

Emphasis of Matter

We draw attention to Note 1, which explains that the financial statements of WBGU-TV are intended to present the net position, the changes in net position, and cash flows of only that portion of the University's business-type activities that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the net position of Bowling Green State University as of June 30, 2017 and 2016, the changes in its net position, or the changes in its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension funding progress, and schedule of employer contributions 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017 on our consideration of WBGU-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WBGU-TV's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 25, 2017

WBGU-TV

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

This section of WBGU-TV's (WBGU or the "Station") annual financial report presents management's discussion and analysis of the financial performance of the Station during the fiscal years ended June 30, 2017, 2016, and 2015. This discussion is unaudited and provides an overview of the financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

Using the Annual Financial Statement

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In fiscal year 2013, WBGU-TV adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statements of net position include all assets and liabilities. Over time, an increase or decrease in net position (the difference between assets and liabilities) is one indicator of the improvement or erosion of WBGU-TV's overall financial health.

The statements of revenue, expenses, and changes in net position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. WBGU-TV's dependency on the operating subsidy from Bowling Green State University (the "University") typically results in operating deficits because the financial reporting model classifies this operating subsidy as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The statements of cash flows present information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities and helps measure the ability of the institution to meet financial obligations as they mature.

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Management's Discussion and Analysis (continued)

Noteworthy Financial Activity

- Revenue from contributions and memberships decreased from the prior year due to receipt of an estate gift in the prior year.
- Revenue from fees and services increased from the prior year to help offset the decrease in contributions and memberships.
- Support from the University decreased from the prior year.
- Operating expenses decreased from the prior year to counteract the decrease in revenues.

Condensed Statements of Net Position as of June 30, 2017, 2016, and 2015

	2017	2016	2015
Assets			
Current assets	\$ 2,710,024	\$ 2,848,583	\$ 2,732,290
Noncurrent assets:			
Capital assets	1,099,025	1,198,326	1,408,593
Other	1,636,250	1,557,927	1,615,742
Total noncurrent assets	2,735,275	2,756,253	3,024,335
Total assets	5,445,299	5,604,836	5,756,625
 Deferred outflows of resources	 247,618	 182,050	 48,060
 Liabilities			
Current liabilities	959,622	1,017,154	973,249
Noncurrent liabilities	795,405	658,838	529,947
Total liabilities	1,755,027	1,675,992	1,503,196
 Deferred inflows of resources	 16,022	 16,730	 6,695
 Net position			
Invested in capital assets	1,099,025	1,198,326	1,408,593
Unrestricted	1,186,593	1,337,911	1,270,458
Restricted for:			
Nonexpendable endowments	1,057,044	1,057,044	1,057,044
Expendable	579,206	500,883	558,699
Total net position	\$ 3,921,868	\$ 4,094,164	\$ 4,294,794

WBGU-TV

Management's Discussion and Analysis (continued)

Current assets consist of cash and cash equivalents, receivables, and unexpired program rights. Current assets totaled \$2,710,000 at June 30, 2017 as compared to \$2,849,000 at June 30, 2016 and \$2,732,000 at June 30, 2015.

Fiscal year 2017 compared to 2016

- Cash and cash equivalents decreased \$157,000 due primarily to a decrease in contributions and memberships.

Fiscal year 2016 compared to 2015

- Cash and cash equivalents increased \$140,000 due primarily to an increase in contributions and memberships.

Noncurrent assets include capital assets, net of accumulated depreciation, and endowment investments at fair value. Noncurrent assets totaled \$2,735,000 at June 30, 2017 as compared to \$2,756,000 at June 30, 2016 and \$3,024,000 at June 30, 2015.

Fiscal year 2017 compared to 2016

- Capital assets decreased by \$99,000 primarily due to depreciation of existing capital assets. Endowment investments increased by \$78,000 due to appreciation of investments as a result of favorable market conditions.

Fiscal year 2016 compared to 2015

- Capital assets decreased by \$210,000 due to depreciation of existing capital assets. Endowment investments decreased by \$58,000 due to depreciation of the investments as a result of unfavorable market conditions.

Total liabilities include accounts payable, accrued expenses, unearned revenue, compensated balances, and pension obligations. Total liabilities totaled \$1,755,000 at June 30, 2017 as compared to \$1,676,000 at June 30, 2016 and \$1,503,000 at June 30, 2015.

Fiscal year 2017 compared to 2016

- Pension obligations increased by \$158,000 as a result of the increase in the net pension liability directly related to GASB 68, *Accounting and Financial Reporting for Pensions*. Unearned revenue decreased by \$65,000 due to timing of grant payments and expenditures.

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Management's Discussion and Analysis (continued)

Fiscal year 2016 compared to 2015

- Pension obligations increased by \$144,000 as a result of the increase in the net pension liability directly related to GASB 68, *Accounting and Financial Reporting for Pensions*. WBGU reported a liability at June 30, 2015 for the first time of \$410,000 for its proportionate share of the net pension liability of OPERS due to the adoption of GASB 68.

Net position presents the difference between WBGU's assets and liabilities. Total net position totaled \$3,922,000 at June 30, 2017 as compared to \$4,094,000 at June 30, 2016 and \$4,295,000 at June 30, 2015.

Fiscal year 2017 compared to 2016

- The unrestricted net position for 2017 decreased \$151,000 primarily due to a decrease of contributions and memberships.
- The invested in capital assets net position decreased \$99,000 primarily due to the depreciation of existing capital assets.
- The restricted expendable net position for 2017 increased \$78,000 due to favorable investment earnings.

Fiscal year 2016 compared to 2015

- The unrestricted net position for 2016 increased \$67,000 primary due to an increase of contributions and memberships.
- The invested in capital assets net position decreased \$210,000 due to the depreciation of existing capital assets.

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Management's Discussion and Analysis (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2017, 2016, and 2015

	2017	2016	2015
Operating revenue:			
Contributions and memberships	\$ 360,659	\$ 578,331	\$ 368,653
Contributed services	385,337	573,698	298,555
Fees and services	595,565	518,581	445,306
Grants and contracts	1,216,341	1,179,651	1,213,851
Other operating revenue	998	-	200
Total operating revenue	2,558,900	2,850,261	2,326,565
Operating expenses:			
Program services	2,797,435	3,121,844	3,082,790
Supporting services	1,086,606	981,245	895,214
Total operating expenses	3,884,041	4,103,089	3,978,004
Operating loss	(1,325,141)	(1,252,828)	(1,651,439)
Nonoperating revenue:			
Operating subsidies	383,972	444,399	656,724
Donated facilities and support	625,989	617,330	511,182
Investment gain (loss), net	126,884	(9,531)	(20,039)
Total nonoperating revenue	1,136,845	1,052,198	1,147,867
Loss before other changes	(188,296)	(200,630)	(503,572)
Other changes:			
Capital grants and gifts	16,000	-	-
Change in net position	(172,296)	(200,630)	(503,572)
Net position:			
Net position at the beginning of the year	4,094,164	4,294,794	5,170,719
Adjustment for change in accounting principle GASB 68	-	-	(372,353)
Net position at the end of year	\$ 3,921,868	\$ 4,094,164	\$ 4,294,794

WBGU-TV

Management's Discussion and Analysis (continued)

Total operating revenue for fiscal years ended June 30, 2017, 2016, and 2015 was \$2,559,000, \$2,850,000, and \$2,327,000, respectively.

Fiscal year 2017 compared to 2016

- Contributions and memberships decreased \$218,000 primarily due to receipt of a large estate gift in the previous year.
- Contributed services decreased \$188,000 primarily due to decreased activity of Ohio Broadcast Educational Media Commission which provides these services.
- Fees and services increased \$77,000 primarily due to tower rental adjustments.

Fiscal year 2016 compared to 2015

- Contributions and memberships increased \$210,000 primarily due to receipt of a large estate gift.
- Contributed services increased \$275,000 primarily due to increased activity of Ohio Broadcast Educational Media Commission which provides these services.

Total operating expenses for fiscal years ended June 30 2017, 2016, and 2015 were \$3,884,000, \$4,103,000, and \$3,978,000, respectively.

Fiscal year 2017 compared to 2016

- Program services decreased \$324,000 primarily due to decreased donated services. Supporting services increased \$105,000 primarily due to increased indirect administrative support.

Fiscal year 2016 compared to 2015

- Program services increased \$39,000 primarily due to increased donated services and indirect administrative support. Supporting services increased \$86,000 primarily due to donated services and indirect administrative support.

Total nonoperating revenue for fiscal years ended June 30, 2017, 2016, and 2015 were \$1,137,000, \$1,052,000, and \$1,148,000, respectively.

Fiscal year 2017 compared to 2016

- Operating subsidies from BGSU decreased \$60,000 primarily due to staffing reductions.
- Investment gain increased \$136,000 due to favorable market conditions.

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Management's Discussion and Analysis (continued)

Fiscal year 2016 compared to 2015

- Operating subsidies from BGSU decreased \$212,000 primarily due to staffing reductions.
- Donated facilities and support increased \$106,000 due to an increase in the institutional support allocation factor.

Capital Assets

WBGU had \$1,099,000, \$1,198,000, and \$1,409,000 invested in capital assets as of June 30, 2017, 2016, and 2015, respectively. The most significant impact on the carrying amounts for each year is related to depreciation expense. The depreciation was offset by additions of capital assets of \$98,000, \$37,000, and \$130,000 for 2017, 2016, and 2015, respectively.

Cash Flows

WBGU used cash in operations of \$508,000, \$315,000, and \$634,000 in 2017, 2016, and 2015, respectively. The largest cash inflows were from grants, cash from contributions and memberships, and cash from fees and services. Cash outflows relate to amounts paid to vendors and employees.

WBGU had cash inflows from noncapital financing activities which consists of operating subsidies of \$384,000, \$444,000, and \$657,000 during 2017, 2016, and 2015, respectively.

Cash outflows from capital financing activities consists of capital asset purchases mentioned previously in the capital assets section.

Cash inflows from investing activities consists of investment income of \$49,000, \$48,000, and \$47,000 in 2017, 2016, and 2015, respectively.

Economic Factors Affecting the Future of WBGU-TV

The economy of Ohio, while improving, has had an impact on WBGU-TV's ability to increase membership dollars significantly. The level of private annual giving decreased this past year in dollars and number of members. WBGU-TV will continue to strive to increase both private giving and production services in the coming year.

WBGU-TV
Statements of Net Position
June 30

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,667,567	\$ 2,824,973
Receivables:		
Accounts receivable	33,683	2,540
Grants and contracts	1,875	14,075
Unexpired program rights	6,899	6,995
Total current assets	2,710,024	2,848,583
Noncurrent assets:		
Endowment investments	1,636,250	1,557,927
Capital assets, net	1,099,025	1,198,326
Total noncurrent assets	2,735,275	2,756,253
Total assets	5,445,299	5,604,836
Deferred outflows of resources	247,618	182,050
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	19,775	19,648
Unearned revenue	848,088	912,985
Current portion of accrued compensated absences	91,759	84,521
Total current liabilities	959,622	1,017,154
Noncurrent liabilities:		
Accrued compensated absences (net of current portion)	83,536	104,852
Pension obligations	711,869	553,986
Total noncurrent liabilities	795,405	658,838
Total liabilities	1,755,027	1,675,992
Deferred inflows of resources	16,022	16,730
Net position:		
Invested in capital assets	1,099,025	1,198,326
Unrestricted	1,186,593	1,337,911
Restricted for:		
Nonexpendable endowments	1,057,044	1,057,044
Expendable	579,206	500,883
Total net position	\$ 3,921,868	\$ 4,094,164

See accompanying notes.

WBGU-TV
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30

	<u>2017</u>	<u>2016</u>
Revenues		
Operating revenue:		
Contributions and memberships	\$ 360,659	\$ 578,331
Contributed services	385,337	573,698
Fees and services:		
Public broadcasting services	321,888	319,686
Business and industry	273,677	198,895
State and local grants	300,797	332,135
Private and other grants	915,544	847,516
Miscellaneous	998	-
Total operating revenue	<u>2,558,900</u>	<u>2,850,261</u>
Expenses		
Operating expenses:		
Program services:		
Programming and production	1,725,612	1,806,662
Broadcasting	976,940	1,260,977
Public information and promotion	94,883	54,205
Supporting services:		
Management and general	532,456	476,153
Fundraising and membership development	554,150	505,092
Total operating expenses	<u>3,884,041</u>	<u>4,103,089</u>
Operating loss	(1,325,141)	(1,252,828)
Nonoperating revenue:		
Operating subsidies	383,972	444,399
Donated facilities and support	625,989	617,330
Investment income (loss), net	<u>126,884</u>	<u>(9,531)</u>
Net nonoperating revenue	<u>1,136,845</u>	<u>1,052,198</u>
Loss before other changes	(188,296)	(200,630)
Other changes:		
Capital grants and gifts	<u>16,000</u>	<u>-</u>
Change in net position	(172,296)	(200,630)
Net position:		
Net position at the beginning of year	<u>4,094,164</u>	<u>4,294,794</u>
Net position at the end of year	<u>\$ 3,921,868</u>	<u>\$ 4,094,164</u>

See accompanying notes.

WBGU-TV
Statements of Cash Flows
Years Ended June 30

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Contributions and memberships	360,371	\$ 578,331
Fees and services	557,497	517,250
Grants	1,170,569	1,234,024
Other receipts	998	-
Payments to vendors for supplies and services	(1,241,041)	(1,231,774)
Payments to employees and benefits	(1,356,298)	(1,413,282)
Net cash used in operating activities	<u>(507,904)</u>	<u>(315,451)</u>
Cash flows from noncapital financing activities		
Operating subsidies	<u>383,972</u>	<u>444,399</u>
Net cash provided by noncapital financing activities	<u>383,972</u>	<u>444,399</u>
Cash flows from capital financing activities		
Purchase of capital assets	<u>(82,036)</u>	<u>(36,811)</u>
Net cash used in capital financing activities	<u>(82,036)</u>	<u>(36,811)</u>
Cash flows from investing activities		
Investment income	<u>48,561</u>	<u>48,285</u>
Net cash provided by investing activities	<u>48,561</u>	<u>48,285</u>
Net (decrease) increase in cash	(157,407)	140,422
Cash and cash equivalents at beginning of year	<u>2,824,973</u>	<u>2,684,551</u>
Cash and cash equivalents at end of year	<u>\$ 2,667,566</u>	<u>\$ 2,824,973</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,325,141)	\$ (1,252,828)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	197,337	247,078
Pension expense	91,606	20,387
Donated facilities and support	625,989	617,330
Changes in assets and liabilities:		
Accounts receivable, net	(18,942)	23,897
Unexpired program rights	96	231
Accounts payable	8,875	3,174
Accrued wages and vacation pay	(22,826)	(3,578)
Unearned revenue	(64,897)	28,858
Net cash used in operating activities	<u>\$ (507,903)</u>	<u>\$ (315,451)</u>

See accompanying notes.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Nature of Operations

WBGU-TV (WBGU or the “Station”) is a part of the Bowling Green State University (the “University”) financial reporting entity. WBGU-TV provides public broadcasting and is licensed to and operated by Bowling Green State University. The accompanying financial statements include only the funds of WBGU-TV and do not extend to any financial statements of Bowling Green State University or its component units, Bowling Green State University Foundation, Inc. (the “Foundation”) and Centennial Falcon Properties, Inc. (the “Corporation”). The financial statements of the University and Foundation contain more extensive disclosure of the significant accounting policies of each entity as a whole.

Basis of Presentation

WBGU-TV follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and are presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 63. WBGU follows the “business-type” activities requirements of GASB Statement No. 34. This approach requires the following components of WBGU’s financial statements:

- Management’s discussion and analysis
- Basic financial statements including a statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements

GASB Statement No. 34, as amended by No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- *Net investment in capital assets*: This represents WBGU-TV’s total investment in capital assets.
- *Unrestricted*: Unrestricted net position represent resources derived from sales and services provided by WBGU-TV. These resources are used for transactions relating to the obligations of WBGU-TV and may be used at the discretion of the board of trustees to meet current expenses for any purpose.
- *Restricted for nonexpendable endowments*: Restricted nonexpendable endowments are gifts that have been received for endowment purposes, the corpus of which cannot be expended.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

- *Restricted for expendable:* Restricted for expendable net position includes resources which WBGU-TV is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or that have been gifted for a specific purpose.

When an expense is incurred that can be paid from using either restricted or unrestricted resources, the expense is first applied towards restricted resources and then toward unrestricted resources.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System Pension Plan (OPERS) and additions to and deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

Deferred Outflows: In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Station's deferred outflows of resources related to the net pension liability (see Note 6 for more details).

Deferred Inflows: In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Station's deferred inflows of resources related to the net pension liability (see Note 6 for more details).

Upcoming Pronouncement

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB Statement No. 75 and similar to GASB Statement No. 68 (pensions), WBGU-TV, as a cost-sharing employer, will be required to recognize its proportionate share of the collective unfunded net other postemployment benefits (OPEB) liability, OPEB expense, and deferred OPEB outflows (inflows) of the State's Retirement System plan within its financial statements. This will be a significant change for every participating employer in all cost-sharing plans around the country.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Institutions will see a significant liability reflected on their balance sheets along with an impact to OPEB expenses and a corresponding reduction to unrestricted net position. There are also expanded disclosures and required supplemental information to be added to WBGU-TV financial statements. WBGU-TV will also be required to track certain components of the net OPEB liability (deferred inflows/outflows) and amortize over the appropriate periods in accordance with the standard. WBGU-TV has not yet determined what its share of the unfunded net OPEB liability is, but it is expected to be significant and material to WBGU-TV's financial statements. The provisions of this statement are effective for financial statements for the year ending June 30, 2018.

Cash and Cash Equivalents

Cash and cash equivalents are held in the custody of the University and the Foundation. These funds are commingled with those of other University- and Foundation-related organizations. Cash and cash equivalents include funds that have been allocated to WBGU-TV by the University that are unspent. WBGU-TV considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consists of sales and services provided and are considered by management to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Accounts receivable also includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures pursuant to grants and contracts.

Unexpired Program Rights and Unearned Revenue

Unexpired program rights include expenses for programs produced by WBGU-TV, which will be broadcast subsequent to the end of the fiscal year. Unearned revenue includes amounts received for the production of programs that will be broadcast subsequent to the end of the fiscal year. Concurrent with broadcasting of the programs, these costs will be reported as incurred operating expenses and the related amounts received will be reported as earned revenue in the statements of revenues, expenses, and changes in net position. Unearned revenue also includes amounts received from grant and contract sponsors that have not been earned.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

Endowment Investments

Endowment funds are administered by the Foundation and are commingled with other Foundation endowment funds in its pooled investment portfolio. Earned investment income is allocated to each fund based on its share of the total funds invested in the pool. The unrestricted donor contributions to the endowment are recorded as nonoperating revenues in the statements of revenues, expenses, and changes in net position. Investments in cash equivalents, corporate stocks, equity securities, corporate bond funds, and mutual funds are recorded at their current fair values based on quoted market prices in active markets. There are also investments reported at net asset value, which represents fair value as reported by the general partner or fund manager. Limited partnerships, real estate investment trusts, and other private investments make up a portion of the endowment investments and are reported using the equity method of accounting. The components of the individual investments within these funds are not readily determinable. The value is based on estimates by partnership manager, fund managers, and various valuation committees including original costs, restrictions affecting marketability, operating results, financial condition of the issuers, and the price of the most recent financing transactions. Management believes the stated values approximate fair value as determined by the respective managers. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may significantly differ from the value that would have been used had a ready market for such instruments existed, and the differences could be material. Some of the investments have time limitations on liquidation. These vary from six months to the term of the limited partnership, trust, or fund. During this period, unless certain events occur, liquidation will be unable to occur.

The governing body of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WBGU-TV classifies as net position restricted for nonexpendable endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net position restricted for nonexpendable endowments is classified as restricted for expendable net position until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation has its investment and spending policies for endowment assets such that it attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the governing body, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs over the long term. Actual returns in any given year may vary.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies (continued)

WBGU-TV records the annual income of the endowment as nonoperating revenue that is restricted for expenditure upon meeting donor stipulations. The net appreciation on investments of donor-restricted endowments that are available for expenditure was \$579,206 and \$500,883 at June 30, 2017 and 2016, respectively.

The Foundation has adopted a spending policy with respect to amounts available for distribution on all endowed funds. The spending policy provides for a range of 3% to 7% of the three-year rolling average market value of endowed fund balances, with the Board of Directors approving 3% for 2017 and 2016, respectively.

The Foundation has adopted a policy of charging an administrative fee on all endowed funds, unless prohibited by the guidelines of the funds. The fee is based on the prior two-year average market value balance for the endowed funds and certain nonendowed funds. The administrative fee charged to WBGU-TV amounted to approximately \$21,216 and \$21,528 in 2017 and 2016, respectively, and has been netted with the investment income included in nonoperating revenues on the statements of revenues, expenses, and changes in net position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. For equipment, WBGU-TV's capitalization policy includes all items with a cost of \$3,500 or more and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and 5 to 12 years for equipment.

Revenue Recognition

All revenue from programmatic sources is considered to be operating revenues. Included in nonoperating revenues and other are University support, investment income, and capital grants and gifts.

In-Kind Contributions and Donated Personal Services of Volunteers

In-kind contributions are recorded as revenue and expense in the accompanying statements of revenue, expenses, and changes in net position. In-kind contributions consist of donated professional services, amounts for lease of programming, operating transmitters and translators, and various indirect administrative services. These donations are recorded at their estimated fair value with a corresponding expense.

**1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies
(continued)**

The value of donated personal services of volunteers has been excluded from both revenue and expense. The volunteer support for the years ended June 30, 2017 and 2016 consisted of:

	2017		2016	
	Hours	Total	Hours	Total
Programming and production	2,350	\$ 56,729	1,822	\$ 42,926
Fundraising	150	3,609	196	4,618
Management and general	108	2,607	180	4,241
Total	2,608	\$ 62,945	2,198	\$ 51,785

The value of these services is based upon a flat rate developed by the Corporation for Public Broadcasting.

Administrative Support and Donated Facilities From the University

Administrative support and donated facilities are calculated and recorded as both revenue and expense based upon the University’s “modified other sponsored activities indirect cost rate” as defined by the Corporation for Public Broadcasting (CPB), which was 1.6% and 1.5% for fiscal years ended June 30, 2017 and 2016, respectively.

Donated facilities and administrative support from the University consists of allocated overhead costs related to financial, student, and development department costs and certain other expenses incurred by the University on behalf of WBGU-TV. All support received from the University is recorded as nonoperating revenues.

Income Taxes

WBGU-TV is licensed to and operated by Bowling Green State University. The University, as an instrumentality of the state of Ohio, is excluded from federal income taxes under Section 115 of the Internal Revenue Code (as amended). Therefore, this exemption extends to the operations of WBGU-TV.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenue, expenses, and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs and other systematic bases.

2. Cash and Investments

GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, requires the disclosure of essential risk information about deposits and investments. The disclosure requirements cover five main areas: credit risk, interest rate risk, custodial credit risk, concentration of credit risk, and foreign exchange exposure. In addition, under GASB Statement No. 72, *Fair Value Measurement and Application*, certain fair value disclosures are required. Since the investments of WBGU-TV are held by the Foundation, which is a separate 501(c)(3) organization from the University, this information is not available. Fair value disclosures for the entire pool are included in the Foundation's audited financial statements.

The cash balances as of June 30, 2017 and 2016 are pooled funds that are held and managed by the University and the Foundation.

Endowment investments represent WBGU-TV's share of pooled investment funds held and managed by the Foundation. The values of these investments held by the Foundation as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
WBGU-TV Silver Anniversary	\$ 1,186,389	\$ 1,129,603
WBGU-TV Programming Endowment Fund	47,141	44,882
WBGU-TV Equipment	26,277	25,019
The Younger Family Fund	305,740	291,105
Jorgen Larsen WBGU Programming Fund	70,703	67,318
Total	<u>\$ 1,636,250</u>	<u>\$ 1,557,927</u>

3. Capital Assets

The property and equipment reported below are titled to the University, but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 40,000	\$ –	\$ –	\$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	8,409,924	98,036	1,462,752	7,045,208
Total capital assets	10,860,032	98,036	1,462,752	9,495,316
Less accumulated depreciation	9,661,706	197,337	1,462,752	8,396,291
Capital assets, net	<u>\$ 1,198,326</u>	<u>\$ (99,301)</u>	<u>\$ –</u>	<u>\$ 1,099,025</u>

The property and equipment reported below are titled to the University, but are utilized by WBGU-TV. Capital asset and accumulated depreciation activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 40,000	\$ –	\$ –	\$ 40,000
Buildings	2,410,108	–	–	2,410,108
Equipment	8,451,694	36,811	78,581	8,409,924
Total capital assets	10,901,802	36,811	78,581	10,860,032
Less accumulated depreciation	9,493,209	247,078	78,581	9,661,706
Capital assets, net	<u>\$ 1,408,593</u>	<u>\$ (210,267)</u>	<u>\$ –</u>	<u>\$ 1,198,326</u>

4. Accounts Payable and Accrued Expenses

The composition of accounts payable and accrued expenses at June 30, 2017 and 2016 was as follows:

	2017	2016
Accounts payable	\$ 16,276	\$ 7,401
Accrued payroll	3,499	12,247
Total	<u>\$ 19,775</u>	<u>\$ 19,648</u>

5. Compensated Absences

The University's employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability and expense incurred are recorded at year end as long-term liabilities in the statements of net position, and as a component of operating expense in the statements of revenues, expenses, and changes in net position.

WBGU-TV follows the University's policy for accruing the sick leave liability. WBGU-TV accrues the sick leave liability for those employees who are currently eligible to receive termination payments along with other employees who are expected to become eligible to receive such payments. This liability is calculated using the termination method that is set forth in GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, WBGU-TV utilizes the University's calculated rate, sick leave termination cost per hour worked, which is based on the University's actual historical experience of sick leave payouts of terminated employees. This ratio is then applied to the total years of service for WBGU-TV's current employees.

Compensated absences for June 30, 2017 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	\$ 120,448	\$ 58,931	\$ 63,258	\$ 116,121	\$ 87,103
Sick leave	68,925	6,022	15,773	59,174	4,656
Total	<u>\$ 189,373</u>	<u>\$ 64,953</u>	<u>\$ 79,031</u>	<u>\$ 175,295</u>	<u>\$ 91,759</u>

Compensated absences for June 30, 2016 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Vacation pay	\$ 117,814	\$ 63,241	\$ 60,607	\$ 120,448	\$ 77,426
Sick leave	73,252	4,958	9,285	68,925	7,095
Total	<u>\$ 191,066</u>	<u>\$ 68,199</u>	<u>\$ 69,892</u>	<u>\$ 189,373</u>	<u>\$ 84,521</u>

6. Retirement Benefits

WBGU-TV employees are covered by the Ohio Public Employees Retirement System (OPERS). This plan provides retirement, disability, annual cost-of-living adjustments, death benefits, and healthcare benefits to vested retirees.

6. Retirement Benefits (continued)

OPERS offers three separate retirement plans:

Defined benefit plan – traditional pension plan. This is a cost-sharing, multiple-employer plan. This plan provides disability, annual cost-of-living adjustments, death benefits, and healthcare benefits. Healthcare benefits are based on years of service.

Defined contribution plan – member-directed plan. Employee contributions are invested in self-directed investments. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or healthcare benefits.

Combined plan – has elements of the traditional pension plan and member-directed plan. Employee contributions are invested in self-directed investments. The employer contributions are used to fund a reduced defined benefit plan. This plan provides disability, annual cost-of-living adjustments, death benefits, and healthcare benefits. Healthcare benefits are based on years of service.

OPERS issues separate publicly available financial reports that include financial statements and required supplemental information. Reports can be obtained by contacting the agency.

The OPERS Comprehensive Annual Financial Report can be downloaded from the OPERS website at www.opers.org. The Ohio Revised Code provides statutory authority for employer and employee contributions. The University contributes 14% of covered payroll, and the employee pretax contribution rate is 10% of covered payroll. A portion of employer contributions was allocated to postemployment healthcare benefits as disclosed in Note 7.

Employees may opt out of OPERS and participate in the Alternative Retirement Program (ARP), a defined contribution plan. The University contributes 14% of covered payroll and the employee pretax contribution rate is 10% of covered payroll. Benefits are dependent upon contributions and investment earnings. This plan does not include disability, annual cost-of-living adjustments, death benefits, or healthcare benefits.

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years), and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

6. Retirement Benefits (continued)

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

WBGU receives an allocation of the University's required and actual contributions to the plan. Employer contributions to the following retirement benefit program for June 30 are summarized as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPERS	\$ 120,942	\$ 147,169	\$ 150,884
ARP	8,577	7,608	7,471
Total	<u>\$ 129,519</u>	<u>\$ 154,777</u>	<u>\$ 158,355</u>

In June 2015, WBGU adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. In accordance with the statement, WBGU reported a net pension liability of \$372,353 at June 30, 2015 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

At June 30, 2017, WBGU reported a liability for its proportionate share of the University's net pension liability of OPERS. The net pension liability was measured as of December 31, 2016 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. WBGU's proportion of the net pension liability was based on WBGU's employee payroll expense as a percentage of the University's total payroll expense.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2017	2016	2017	2016	
OPERS	December 31	\$ 711,869	\$ 553,986	0.0031%	0.0032%	-0.0001%

6. Retirement Benefits (continued)

For the years ended June 30, 2017 and 2016, WBGU recognized pension expense of \$221,124 and \$175,164, respectively. WBGU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2017 and 2016:

June 30, 2017	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,726	\$ (9,809)
Changes of assumptions	106,894	-
Net difference between projected and actual earnings on pension plan investments	100,388	-
Changes in proportion and differences between WBGU contributions and proportionate share of contributions	6,905	(6,213)
University contributions subsequent to the measurement date	<u>26,705</u>	<u>-</u>
Total	<u>\$ 247,618</u>	<u>\$ (16,022)</u>
June 30, 2016	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 75	\$ (10,029)
Net difference between projected and actual earnings on pension plan investments	153,356	-
Changes in proportion and differences between WBGU contributions and proportionate share of contributions	-	(6,701)
University contributions subsequent to the measurement date	<u>28,619</u>	<u>-</u>
Total	<u>\$ 182,050</u>	<u>\$ (16,730)</u>

6. Retirement Benefits (continued)

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

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$ 74,582
2019	77,033
2020	31,174
2021	22,244
2022	(39)
Thereafter	(103)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2018).

Actuarial Assumptions - The total pension liability in the actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPERS as of 12/31/16</u>
Valuation date	December 31, 2016
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	3.25 percent - 10.75 percent
Inflation	3.25 percent
Investment rate of return	7.50 percent, net of pension plan investment expense
Experience study date	Period of five years ended December 31, 2015
Mortality basis	RP-2014 Healthy Annuitant mortality table

6. Retirement Benefits (continued)

	<u>OPERS as of 12/31/15</u>
Valuation date	December 31, 2015
Actuarial cost method	Individual entry age
Cost of living	3.00 percent
Salary increases, including inflation	4.25 percent - 10.05 percent
Inflation	3.75 percent
Investment rate of return	8.00 percent, net of pension plan investment expense
Experience study date	Period of five years ended December 31, 2010
Mortality basis	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 was 7.50 percent for OPERS. The discount rate used to measure the total pension liability at June 30, 2016 was 8.00 percent for OPERS. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Investment Category	<u>OPERS as of 12/31/16</u>		Investment Category	<u>OPERS as of 12/31/15</u>	
	Target Allocation	Long-term Expected Real Rate of Return		Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	23.00%	2.75%	Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	6.34%	Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.75%	Real Estate	10.00%	4.25%
Private Equity	10.00%	8.97%	Private Equity	10.00%	9.25%
International Equity	18.30%	7.95%	International Equity	18.30%	7.40%
Other Investments	18.00%	4.92%	Other Investments	18.00%	4.59%
Total	<u>100%</u>		Total	<u>100%</u>	

6. Retirement Benefits (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of WBGU at June 30, 2017 and 2016, calculated using the discount rate listed below, as well as what WBGU's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

<u>Plan</u>	<u>1.00 Percent Decrease</u>		<u>Current Discount Rate</u>		<u>1.00 Percent Increase</u>	
2017 OPERS	6.50%	\$1,090,431	7.50%	\$ 711,869	8.50%	\$ 315,342
2016 OPERS	7.00%	\$ 885,346	8.00%	\$ 553,986	9.00%	\$ 279,411

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

7. Postemployment Health Benefits

In addition to pension benefits, the Ohio Revised Code provides authority for public employers to fund postemployment healthcare benefits through their contributions to OPERS.

OPERS maintains a cost-sharing, multiple-employer healthcare plan to retirees who participated in the defined benefit or combined plan with 10 or more years of qualifying Ohio service credit. Coverage includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement.

Under Ohio law, postemployment healthcare benefits under OPERS are permitted, but not mandated; therefore, a portion of employer contributions is set aside for funding postemployment health care. Effective January 1, 2014, the portion of employer contributions allocated to healthcare increased to 2% for both plans, as recommended by the OPERS actuary. Payment amounts vary depending on the number of covered dependents and coverage selected.

Employer contributions to the OPERS retirement benefit program for June 30, 2017, 2016, and 2015 are \$17,378, \$17,963, and \$21,381, respectively.

8. Corporation for Public Broadcasting Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking organization responsible for funding more than 1,000 television and radio stations. WBGU-TV receives grant funds from the CPB to assist in the operations of the station. During 2017 and 2016, the grant funds recorded as revenue were as follows:

	2017	2016
Community Service Grant	\$ 817,515	\$ 818,604
Interconnection Grant	14,021	15,296
Fiscal Stabilization Grant	-	13,616
Total	<u>\$ 831,536</u>	<u>\$ 847,516</u>

9. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the 2017 NFFS. This change excludes all revenues received for any capital purchases.

A “payment” is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was \$2,167,895 and \$2,573,537 for 2017 and 2016, respectively.

10. University Support

The WBGU-TV operations are supported in part by the general revenues of the University. The University provides for the general operating costs of WBGU-TV's operations. The University's direct support for the years ended June 30, 2017 and 2016 amounted to \$383,972 and \$444,399, respectively. In addition, the University provided for the years ended June 30, 2017 and 2016 an estimated \$625,989 and \$617,330, respectively, of indirect administrative support. The indirect administrative support revenue was calculated using the University's "modified other sponsored activities indirect costs rate" of 1.6% and 1.5% for the years ended June 30, 2017 and 2016, respectively.

11. Contingencies

WBGU-TV receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. WBGU-TV and University management believe any adjustments of costs resulting from such examination by the granting agency would be insignificant.

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WBGU-TV (the "Station"), a public telecommunications department within Bowling Green State University, which comprise the statements of net position as of June 30, 2017 and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WBGU-TV's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WBGU-TV's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management, the Audit Committee,
and the Board of Trustees
WBGU-TV

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Station's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 25, 2017

WBGU

Required Supplemental Information

Schedule of Pension Funding Progress

Plan year end	2017 WBGU December 31, 2016
Proportion of plan's collective net pension liability	
As a percentage	0.0031%
Amount	\$ 711,869
Covered employee payroll	\$ 897,763
Proportionate share of plan's collective pension liability	
amount as a percentage of covered employee payroll	79.29%
Fiduciary net position as a percentage of total pension liability	77.38%

Schedule of Contributions

	2017 WBGU December 31, 2016
Statutorily required contribution	\$ 120,942
Contribution in relation to the actuarially determined	
contractually required contribution	\$ 120,942
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 874,882
Contributions as a percentage of covered employee payroll	13.82%

Schedule of Pension Funding Progress

Plan year end	2016 WBGU December 31, 2015
Proportion of plan's collective net pension liability	
As a percentage	0.0032%
Amount	\$ 553,986
Covered employee payroll	\$ 1,003,876
Proportionate share of plan's collective pension liability	
amount as a percentage of covered employee payroll	55.18%
Fiduciary net position as a percentage of total pension liability	81.19%

Schedule of Contributions

2016
WBGU
December 31, 2015

Statutorily required contribution	\$ 126,782
Contribution in relation to the actuarially determined	
contractually required contribution	\$ 126,782
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 919,095
Contributions as a percentage of covered employee payroll	13.79%

Schedule of Pension Funding Progress

2015
WBGU
December 31, 2014

Proportion of plan's collective net pension liability	
As a percentage	0.0034%
Amount	\$ 409,644
Covered employee payroll	\$ 1,154,672
Proportionate share of plan's collective pension liability	
amount as a percentage of covered employee payroll	35.48%
Fiduciary net position as a percentage of total pension liability	86.53%

Schedule of Contributions

2015
WBGU
December 31, 2014

Statutorily required contribution	\$ 150,884
Contribution in relation to the actuarially determined	
contractually required contribution	\$ 150,884
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 1,099,481
Contributions as a percentage of covered employee payroll	13.72%