WKAR Public Media

(A Public Telecommunications Entity

Operated by Michigan State University)

Financial Report

June 30, 2018

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Independent Auditor's Report

To the Board of Trustees
WKAR Public Media
c/o Michigan State University

Report on the Financial Statements

We have audited the accompanying financial statements of WKAR Public Media (WKAR), a department of Michigan State University (the "University"), as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise WKAR Public Media'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 opinions 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. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WKAR Public Media, a department of Michigan State University, as of June 30, 2018 and 2017 and the changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only WKAR Public Media and do not purport to, and do not, present fairly the financial position of Michigan State University as of June 30, 2018 and 2017, the changes in its financial position,and the changes in its cash flows, where applicable thereof, for the year 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.

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To the Board of Trustees
WKAR Public Media
c/o Michigan State University

As discussed in Note 1 to the basic financial statements, WKAR adopted the provisions under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to these matters.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in WKAR's total OPEB liability and related ratios 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WKAR Public Media's basic financial statements. The additional information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The additional information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

November 28, 2018

Introduction

The following discussion provides an overview of the financial position and activities of Michigan State University's (MSU) WKAR-TV public television and WKAR-AM-FM public radio stations (the "Stations"), collectively known as WKAR Public Media, for the years ended June 30, 2018 and 2017.

Included in this discussion is an analysis of the Stations' Statement of Net Position, which presents the assets, liabilities, and net position of the Stations, and when applicable, deferred outflows of resources and deferred inflows of resources. All are measured as of the end of the fiscal year. Further, the Statement of Revenues, Expenses, and Changes in Net Position reflects revenues and expenses recognized during the fiscal year. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Effective for the fiscal year ended June 30, 2018, the Stations adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (GASB 75). This statement establishes new actuarial methods and discount rate standards for the measurement and recognition of the cost of postemployment benefits, and eliminates the provision to amortize unfunded liabilities over a 30-year period, superseding the requirements of GASB Statement No. 45. Adoption of this statement resulted in a reduction of beginning net position of $9,866,740 and a total liability of $14,717,149 at June 30, 2018 (see footnote 1 and 6 for further information).

Michigan State University's Board of Trustees holds the license for its noncommercial education television station, WKAR-TV, and two noncommercial education public radio stations, WKAR-AM and WKAR-FM. WKAR-TV is the Lansing/East Lansing area's Public Broadcasting Station (PBS), providing local and national public affairs, performing arts, and youth and lifelong education programming. WKAR-AM is a news and information station featuring local and national news, sports, and Spanish-language programming. WKAR-FM provides classical, folk, and jazz music and news and information programming, including National Public Radio's (NPR's) highly acclaimed news programs, "Morning Edition" and "All Things Considered".

The Stations' financial statements, related footnote disclosures, and required supplementary information (RSI), including management's discussion and analysis, have been prepared by management. GASB required supplementary information is not audited and should be read in conjunction with the financial statements and footnotes.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged. Deferred outflows and deferred inflows of resources are recognized through the consumption or acquisition of resources by WKAR that is applicable to a future reporting period. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation.

As previously noted, for the fiscal year ended June 30, 2018 the Stations adopted the provisions of GASB 75. Below is a summarized comparison of the Stations' assets, deferred outflows, liabilities, and net position at June 30, 2018 and 2017 adjusted for the impact of postemployment benefit obligations. The 2016 fiscal year is shown as originally reported (the Stations have no deferred inflows of resources):

	2018	OPEB Adjustment	2018 Net of OPEB	2017	OPEB Adjustment	2017 Net of OPEB	2016
Current assets	$ 8,139,271	$ -	$ 8,139,271	$ 6,465,761	$ -	$ 6,465,761	$ 5,813,791
Noncurrent assets:							
Capital assets, net	2,560,787	-	2,560,787	1,704,716	-	1,704,716	1,922,193
Other	4,002,076	-	4,002,076	3,568,990	-	3,568,990	2,700,182
Total assets	14,702,134	-	$ 14,702,134	11,739,467	-	$ 11,739,467	10,436,166
Deferred outflows of resources	911,236	(911,236)	-	-	-	-	-
Current liabilities	1,897,719	(307,286)	1,590,433	1,192,797	-	1,192,797	1,138,333
Noncurrent liabilities	14,409,863	(14,409,863)	-	3,339,856	(3,339,856)	-	2,908,655
Total liabilities	16,307,582	(14,717,149)	1,590,433	4,532,653	(3,339,856)	1,192,797	4,046,988
Net Investment in Capital Assets	2,560,787	-	2,560,787	1,704,716	-	1,704,716	1,922,193
Restricted:							
Nonexpendable	2,404,323	-	2,404,323	2,248,082	-	2,248,082	1,882,410
Expendable	1,122,022	-	1,122,022	930,393	-	930,393	766,293
Unrestricted	(6,781,344)	13,805,913	7,024,569	2,323,623	3,339,856	5,663,479	1,818,282
Net position	$ (694,212)	$ 13,805,913	$ 13,111,701	$ 7,206,814	$ 3,339,856	$ 10,546,670	$ 6,389,178

Current assets:

Current assets consist of cash, net accounts and pledges receivable, capital grants receivable, and prepaid expenses. The net increase in current assets in 2018 is due primarily to net increase in cash of $398,182 and an increase in capital grants receivable of $1,238,851. The net increase in current assets in 2017 is primarily due to a net increase in cash of $523,318. The net increases in cash in 2018 and 2017 is primarily a function of the Stations' operating, financing, and investing activities as reported in the Statement of Cash Flows. The increase in capital grants receivable in 2018 resulted from unreimbursed expenses for the Federal Communications Commission (FCC) repack project, expected to be received in 2019.

Noncurrent assets:

Long-term investments

At June 30, 2018 and 2017, the Stations' long-term investments totaled $3,828,183 and $3,474,345, an increase of $353,838 and $854,784, respectively. Endowment gifts and University-designated additions to endowment investments totaled $167,321 in 2018 and $577,749 in 2017, while investment gains and fair value changes (realized and unrealized) within the investment portfolio accounted for a net increase of $186,517 and $277,035 in 2018 and 2017, respectively.

Capital assets

At June 30, 2018, 2017, and 2016, the Stations' investment in capital assets was as follows:

	2018	2017	2016
Building improvements	$ 2,864,627	$ 2,864,627	$ 2,864,627
Equipment	4,737,374	4,861,420	4,818,667
Vehicles	79,665	79,665	79,665
Furniture and other	124,370	124,370	124,370
Less: accumulated depreciation	(5,245,249)	(6,225,366)	(5,965,136)
	$ 2,560,787	$ 1,704,716	$ 1,922,193

Net capital assets increased $856,071 and decreased $217,477 in 2018 and 2017, respectively. Capital asset additions totaled $1,492,900 and $59,406, while depreciation expense totaled $396,226 and $276,883 in 2018 and 2017, respectively.

Deferred outflows of resources:

At June 30, 2018, deferred outflows of resources totaled $911,236. This represents deferred amounts due to changes in assumptions used to calculate the valuation of other postemployment benefits and related contributions made subsequent to the measurement date (in accordance with the adoption of GASB 75).

Current liabilities:

Current liabilities consist of accounts payable, accrued payroll, unearned support and revenues, and the current portion of net postemployment benefit obligations. The net increase in current liabilities in 2018 is due primarily to a net increase in unearned support and revenues of $352,387 and an increase in the current portion of net postemployment benefit obligations of $307,286. The net increase in current liabilities in 2017 is due to a net increase in unearned support and revenues of $333,679, which is partially offset by decrease in accrued payroll of $198,540 due primarily to a decrease in the vacation accrual. Fluctuations in sponsored program unearned amounts are primarily due to timing differences of cash draws from the grantor. The current portion of net postemployment benefit obligations is new in 2018 in accordance with GASB 75.

Noncurrent liabilities:

Noncurrent liabilities consist entirely of the net other postemployment benefit obligation. As previously noted, for fiscal year ended June 30, 2018 the Stations adopted the provisions of GASB 75. The adoption of the standard resulted in an increase in reported net postemployment benefit obligations of $11,377,293 due primarily to revaluing the unfunded liability using a 20 year tax-exempt municipal rate as the discount rate, and reporting the full unfunded actuarial liability in the financial statements as specified by GASB 75. As GASB 75 requires annual updates to estimated liabilities based on current discount rates, the liability estimate may vary dramatically from year to year in future reports. Although the financial reporting of the liability changed, the University's approach on funding the retirement benefits on a pay-as-you-go-basis will continue. Thus, there will be no impact on the payment of the other postemployment benefits.

Prior to 2018, the Stations recognized postemployment benefit obligations under the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* At June 30, 2017, the Stations' total unfunded OPEB obligation was $7,927,785 using a discount rate of 7%. Of that amount, the Stations had recorded a noncurrent liability of $3,339,856 for 2017, representing the net OPEB obligation (the cumulative difference between the annual required contribution less actual retiree health and dental payments made during the respective fiscal years). See footnote 6 for more information.

Net position:

Net position represents residual WKAR Public Media assets after liabilities are deducted. Many factors affect the increase or decrease of net position in a given year, including obtaining new endowments and gifts and the performance of the Stations' investments. The Stations' net position at June 30, 2018, 2017, and 2016 is summarized as follows:

	2018	2017	2016
Net investment in capital assets	$ 2,560,787	$ 1,704,716	$ 1,922,193
Restricted:			
Nonexpendable	2,404,323	2,248,082	1,882,410
Expendable	1,122,022	930,393	766,293
Total restricted	3,526,345	3,178,475	2,648,703
Unrestricted - before OPEB	7,024,569	5,663,479	4,726,937
Total net position - before OPEB	13,111,701	10,546,670	9,297,833
OPEB (Unrestricted)	(13,805,913)	(3,339,856)	(2,908,655)
Total net position	$ (694,212)	$ 7,206,814	$ 6,389,178

Net investment in capital assets represents the Stations' equipment and infrastructure net of accumulated depreciation.

Restricted nonexpendable net position is subject to externally imposed stipulations that they be maintained permanently. Such net position includes the corpus portion (historical value) of gifts to the Stations' permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Such net position includes the net appreciation of the Stations' permanent endowment funds that have not been stipulated by the donor to be reinvested permanently, restricted gifts, and federal and state sponsored programs.

Unrestricted net position is not subject to externally imposed restrictions, but may be subject to internal designation to meet various specific commitments. At June 30 2018 and 2017, the unrestricted balances available for internal designations to meet specific conditions totaled $7,024,569 (an increase of $1,361,090) and $5,663,479 (an increase of $936,542), respectively. Offsetting these balances is a draw on unrestricted net position for commitments related to postemployment benefits. At June 30, 2018 and 2017, these

commitments reduced unrestricted net position by $13,805,913 and $3,339,856, respectively. The reduction from 2017 to 2018 is primarily due to the adoption of GASB 75, which specifies that the beginning unrestricted net position balance be adjusted for the cumulative effect of accounting change ($9,866,740 decrease).

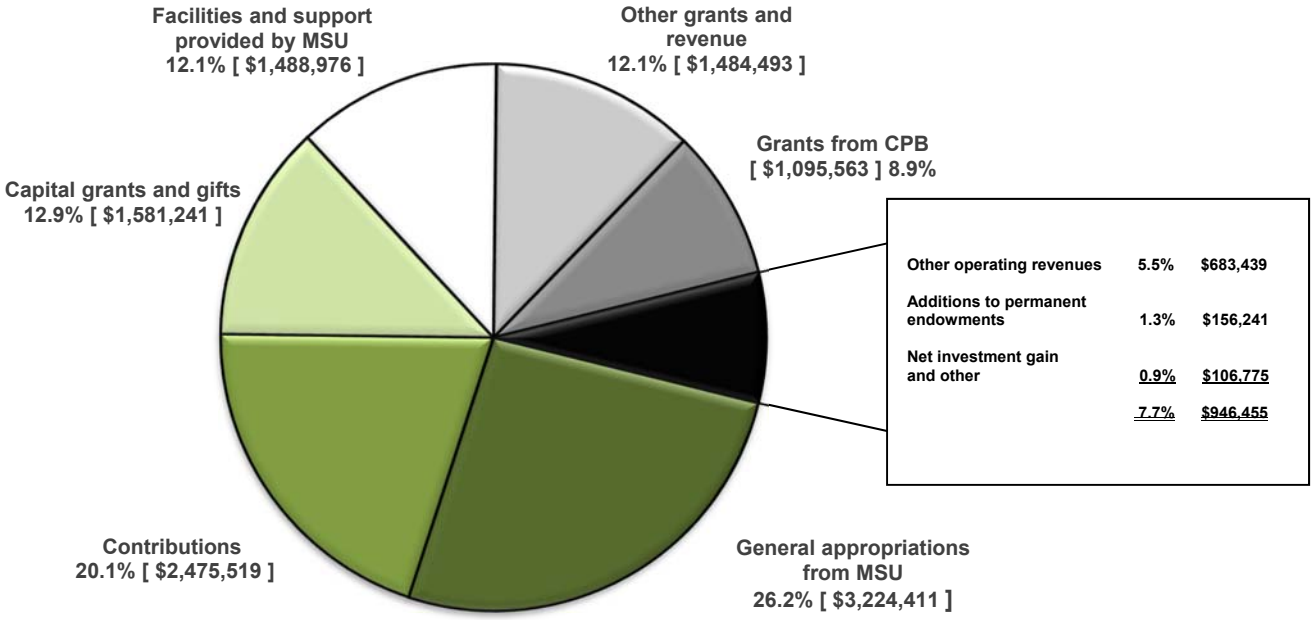
Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the operating results of the Stations, as well as the nonoperating revenues and expenses. In conformity with the Corporation for Public Broadcasting's *Financial Reporting Guidelines*, operating revenues include all major sources of revenue that constitute the principal ongoing operations of the Stations, which primarily include contributions, general appropriations from MSU, and grants from Corporation for Public Broadcasting (CPB). Although nonoperating revenues and expenses are not part of the principal ongoing operations of the Stations, they are an integral component in determining the increase or decrease in net position.

A summarized comparison of the Stations' revenues, expenses, and changes in net position for the years ended June 30, 2018, 2017, and 2016 follows:

	2018	2017	2016
Operating revenues	$ 10,452,401	$ 9,392,914	$ 9,733,011
Operating expenses	10,330,944	9,359,781	9,452,613
Operating income	121,457	33,133	280,398
Nonoperating (expenses) revenues:			
Investment income (loss)	347,377	418,832	(119,094)
Other nonoperating expenses, net	(240,602)	-	(4,904)
Net nonoperating revenues (expenses)	106,775	418,832	(123,998)
Income before other	228,232	451,965	156,400
Capital grants and gifts	1,581,241	-	-
Additions to permanent endowments	156,241	365,671	89,482
Increase in net position	1,965,714	817,636	245,882
Net position, beginning of year	7,206,814	6,389,178	6,143,296
Cumulative effect of change in accounting principle	(9,866,740)	-	-
Net position, beginning of year, as restated	(2,659,926)	6,389,178	6,143,296
Net position, end of year	$ (694,212)	$ 7,206,814	$ 6,389,178

Total net revenue by source for the year ended June 30, 2018 is presented as follows:



Other operating revenues	5.5%	$683,439
Additions to permanent endowments	1.3%	$156,241
Net investment gain and other	0.9%	$106,775
	7.7%	$946,455

TOTAL REVENUE $12.3 MILLION

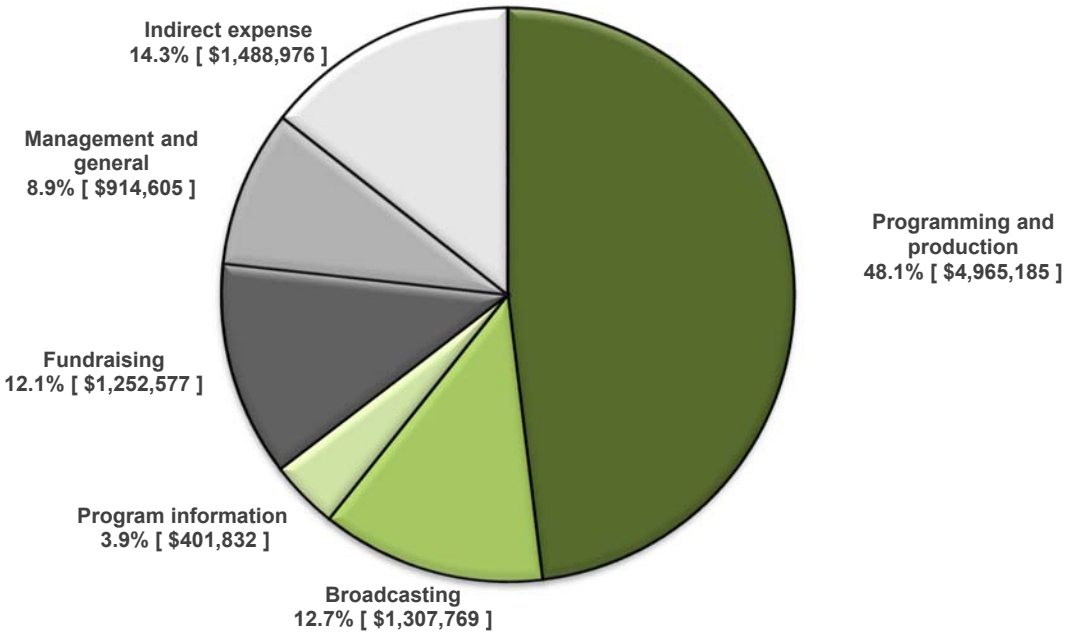
The Stations are limited in the number of sources of revenue from which they have to draw. The Stations continue the development of a variety of plans to increase revenue-raising activities including more aggressive program underwriting activities and major giving initiatives. In addition, the Stations continue to evaluate expenses and streamline services to insure funds are used in the most efficient way possible.

Operating revenues: The most significant sources of operating revenue for the Stations are general appropriations from Michigan State University (MSU) and contributions, which totaled $3,224,411 (a decrease of $22,536) and $2,475,519 (a decrease of $201,267), respectively. General appropriations from MSU are approved by the University's Board of Trustees annually. The University also provides indirect administrative support to the Stations, which consists of an allocation of costs of certain central University units that provide services or support to WKAR.

In 2018, other grants and revenue also increased by $1,433,700 due primarily to a nonrecurring incentive payment received for meeting certain completion milestones by designated due dates. Additionally, capital grants and gifts increased by $1,581,241 as a result of revenue earned from the FCC repack project.

Net nonoperating and other revenues: Net nonoperating and other revenues consist primarily of additions to permanent endowments, net investment income, and gains or losses on disposal of capital assets. Net nonoperating and other revenues decreased $521,487 due primarily to decreases in additions to permanent endowments of $209,430 and a loss on disposal of capital assets totaling $240,602.

Operating expenses by source for the year ended June 30, 2018 are presented as follows:



TOTAL EXPENSES $10.3 MILLION

During 2018, $6,674,786 was expended for the core missions of the Stations – programming and production, broadcasting, and program information, an increase of $957,848 from 2017. Programming and production increased $688,226 primarily due to increases in salary, fringe benefit, and OPEB expenses from 2017. In addition, broadcasting increased $227,794 primarily due to an increase in non-capital technology equipment expenses and other operating expenses from 2017.

Economic Outlook

Much of the past year was focused on major infrastructure and technology projects such as the TV spectrum repack, and application to the FCC for an experimental license for ATSC 3.0. We completed the repack on schedule and were also successful in obtaining the STA to become the first public broadcaster to receive a license to broadcast in the new standard. We are in the process of creating a Next Gen Media Innovation Lab for testing applications to the benefit of all stations in the system.

Both projects, in addition to our work in education, have raised the national reputations of WKAR, Communication Arts and Sciences and MSU, as acknowledged by the high profile visits from Paula Kerger and FCC Commissioner Michael O'Rielly. Additionally, we applied for a stronger frequency for the new FM translator to better serve our audiences with news/talk programming for the capital region. New digital infrastructure was also created to increase revenue around the new brand.

WKAR Family and our education services continue to flourish. We have leveraged the MSUFCU funds and received and additional $25,000 from PNC to provide Ready to Learn workshops for parents and teachers in Lansing and Jackson. We've also been granted $10,000 from CPB to develop our early childhood education strategic plan. This year, we successfully implemented our WKAR PBS Kids Playtime Pad project with the Lansing School District and plans are in development for year two. This is a key priority for fundraising in the coming year.

We can be proud of these and other accomplishments realized this year, including: stronger relationships with the college and faculty; strengthening of our news product and ability to attract top notch talent; increased experiential learning opportunities for students; achieving PBS TV Station of the Year and various AP, Emmy and NETA awards.

We had a great year, and perhaps what makes me most proud is that our new hires have increased diversity in the organization by 33%, which is key in reflecting the makeup of our community and providing diverse voices, perspectives and experiences that will attract new audiences and increase revenue. We are building a culture of innovation at the station, which is being recognized through invitations from national organizations to speak at conferences and participate on strategic national and local committees.

We continue to look for innovative approaches that will allow us to serve our community and provide new opportunities for revenue generation. Strategic alignments with the work of our academic community resulted in funding for the creation of a new endowment to support experiential learning opportunities for students. Over the past year we have also received increased funding from academic grants, working with faculty in areas such as communication and breast cancer research. In the coming year we will explore these opportunities further and increase marketing efforts.

In addition to fostering a more entrepreneurial spirit within the organization, we have made some staffing adjustments that reflect our need to bolster funding. As a result, we have created a completely new department structure that we believe will foster collaborative use of fundraising resources and networks. From underwriting to larger corporate partnerships and individual giving to major and planned gifts, our new positions and staff members have the ability to realize financial goals and grow our capacity to make the case for support in untapped areas.

Growing pains are to be expected as we adjust to our new approach and build the team, but we continue to anticipate modest growth in underwriting this year, with the real benefits to be seen in the next 2-3 years. Our annual giving program is also being evaluated as we consider ways to better analyze and utilize our data.

However, we do expect to considerably increase our major gift revenue in the coming year, with a goal of $1,000,000.

In addition to increasing sustaining donors and creating new opportunities for corporations to support in the coming year, we will also focus on increased functionality and ease of giving through mobile platforms and development of a comprehensive digital marketing plan with underwriting opportunities.

The overall outlook is very good for WKAR as we make the necessary adjustments to position ourselves for great change within the system and our industry. The national and local awards that the stations received in 2018 solidify the validity and effectiveness of the content and operational strategy that we've employed over the past year.

STATEMENTS OF NET POSITION

Michigan State University - WKAR Public Media

	June 30, 2018	June 30, 2017
ASSETS		
Current assets:		
Cash	$ 6,455,363	$ 6,057,181
Accounts receivable, net	202,068	220,567
Capital grants receivable	1,238,851	-
Pledges receivable, net of allowance of $33,532 and $35,424 for 2018 and 2017, respectively	133,909	108,657
Prepaid expenses	109,080	79,356
Total current assets	8,139,271	6,465,761
Noncurrent assets:		
Pledges receivable, net of allowance of $29,672 and $29,461 for 2018 and 2017, respectively	173,893	94,645
Long-term investments	3,828,183	3,474,345
Capital assets, net	2,560,787	1,704,716
Total noncurrent assets	6,562,863	5,273,706
Total assets	**14,702,134**	**11,739,467**
DEFERRED OUTFLOWS OF RESOURCES	**911,236**	**-**
LIABILITIES		
Current liabilities:		
Accounts payable	109,672	60,796
Accrued payroll	75,595	79,222
Unearned support and revenues	1,405,166	1,052,779
Current portion of net postemployment benefit obligation	307,286	-
Total current liabilities	1,897,719	1,192,797
Noncurrent liabilities:		
Net other postemployment benefit obligation	14,409,863	3,339,856
Total noncurrent liabilities	14,409,863	3,339,856
Total liabilities	**16,307,582**	**4,532,653**
NET POSITION		
Net investment in capital assets	2,560,787	1,704,716
Restricted		
Nonexpendable	2,404,323	2,248,082
Expendable - operations	1,122,022	930,393
Unrestricted	(6,781,344)	2,323,623
TOTAL NET POSITION	**$ (694,212)**	**$ 7,206,814**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Michigan State University - WKAR Public Media

	Year ended June 30,	
	2018	2017
OPERATING REVENUES		
General appropriations from Michigan State University	$ 3,224,411	$ 3,246,947
Contributions	2,475,519	2,676,786
Grants from Corporation for Public Broadcasting	1,095,563	1,045,777
Program underwriting	484,834	628,278
Contract services	181,706	127,880
Facilities and support provided by Michigan State University	1,488,976	1,569,534
Donated services	16,899	46,919
Other grants and revenue	1,484,493	50,793
TOTAL OPERATING REVENUES	**10,452,401**	**9,392,914**
OPERATING EXPENSES		
Program services:		
Programming and production	4,965,185	4,276,959
Broadcasting	1,307,769	1,079,975
Program information	401,832	360,004
Support services:		
Fundraising	1,252,577	1,154,746
Management and general	914,605	918,563
Indirect expense	1,488,976	1,569,534
TOTAL OPERATING EXPENSES	**10,330,944**	**9,359,781**
Operating income	121,457	33,133
NONOPERATING REVENUES (EXPENSES)		
Investment income	347,377	418,832
Other	(240,602)	-
Net nonoperating revenues (expenses)	106,775	418,832
INCOME BEFORE OTHER	**228,232**	**451,965**
Capital grants and gifts	1,581,241	-
Additions to permanent endowments	156,241	365,671
Increase in net position	1,965,714	817,636
Net position, beginning of year	7,206,814	6,389,178
Cumulative effect of change in accounting principles	(9,866,740)	-
Net position, beginning of year, as restated	(2,659,926)	6,389,178
NET POSITION, END OF YEAR	**$ (694,212)**	**$ 7,206,814**

STATEMENTS OF CASH FLOW
Michigan State University - WKAR Public Media

	Year ended June 30, 2018	Year ended June 30, 2017
Cash flows from operating activities		
General appropriations from Michigan State University	$ 2,293,184	$ 2,291,797
Contributions	2,337,043	2,622,013
Corporation for Public Broadcasting grants	1,410,021	1,366,856
Program underwriting	504,222	525,638
Contract services	180,818	128,621
Other revenue and grants	1,517,268	71,807
Payments to employees	(3,849,739)	(3,566,939)
Payments to suppliers	(2,870,670)	(2,619,843)
Other payments	(123,236)	(166,944)
Net cash provided by operating activities	**1,398,911**	**653,005**
Cash flows from noncapital financing activities		
Endowment contributions	156,241	365,671
Net cash provided by noncapital financing activities	**156,241**	**365,671**
Cash flows from capital and related financing activities		
Purchase of buildings and equipment	(1,492,899)	(59,406)
Capital grants and gifts	342,390	-
Net cash used in capital and related financing activities	**(1,150,509)**	**(59,406)**
Cash flows from investing activities		
Purchase of investments	(167,321)	(577,750)
Investment income	160,860	141,798
Net cash used in investing activities	**(6,461)**	**(435,952)**
Net increase in cash	**398,182**	**523,318**
Cash, beginning of year	6,057,181	5,533,863
Cash, end of year	**6,455,363**	**6,057,181**

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 121,457	$ 33,133
Adjustment to reconcile operating income to net cash provided in operating activities:		
Depreciation expense	396,226	276,883
Changes in assets and liabilities:		
Accounts receivable	18,499	(89,052)
Pledges receivable	(104,500)	(54,773)
Prepaid expense	(29,724)	1,149
Accounts payable	48,876	(80,675)
Accrued payroll	(3,627)	(198,540)
Unearned support and revenues	352,387	333,679
Net postemployment benefit obligation	1,372,472	431,201
Change in deferred outflows	(773,155)	-
Net cash provided in operating activities	**$ 1,398,911**	**$ 653,005**

NOTES TO THE FINANCIAL STATEMENTS

Michigan State University – WKAR Public Media

1. Organization, basis of presentation, reporting entity, and summary of significant accounting policies

Basis of presentation:

WKAR-Television and WKAR-Radio ("WKAR") are public telecommunications entities owned and operated by Michigan State University. They do not have separate legal status or existence. The financial position and the revenues and expenses of WKAR are included in the financial statements of Michigan State University.

WKAR follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements have been prepared using the economic resource 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 is 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. WKAR follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of WKAR'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: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- Restricted:
  Nonexpendable – Net position subject to externally imposed constraints that they be maintained permanently by WKAR. Nonexpendable net position includes the corpus portion (historical value) of gifts to WKAR's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

  Expendable – Net position whose use by WKAR is subject to externally imposed constraints that can be fulfilled by actions of WKAR pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of WKAR's permanent endowment funds that have not been stipulated by the donor to be reinvested permanently.

- Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and research programs and initiatives, postemployment benefits, and capital asset renewals and replacements.

Summary of significant accounting policies:

Cash and investments – Cash and Investments are held in Michigan State University Funds. The amounts reflected in the accompanying balance sheet represent the net amounts due to the Station from the University's pooled cash and investment system. Investments are stated at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The University values its investments using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University, while unobservable inputs reflect the University's own assumptions about how market participants would value an asset or a liability based on the best information available.

Accounts Receivable – Accounts receivable consist primarily of underwriting revenues. All accounts receivable are deemed fully collectible.

Capital grants receivable – Capital grants receivable consists of reimbursements to be received from the Federal Communications Commission (FCC) repack project. Capital grants receivable are deemed fully collectible.

Pledges receivable – Financial support in the form of pledges is received from business enterprises, foundations and individuals. Revenue from gift pledges are recorded only when there is an unconditional promise to pay and all eligibility requirements, including time requirements, have been met. Contributions to permanent and term endowments are not recognized as assets until actually received.

Capital assets – Capital assets and equipment are recorded at cost, or, in the case of donated property, at estimated acquisition value at date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 4 to 20 years, with a full-year expense in the year of acquisition and none in the year of disposal. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The cost of maintenance and repairs are expensed as incurred; significant renewals and improvements are capitalized.

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 expense until then. Deferred outflows of resources consist of contributions subsequent to the measurement date and changes in assumptions related to the valuation of other postemployment benefits.

Unearned Revenue – Unearned revenue consists primarily of contract and sponsored program advances that will be recognized in the period in which it is earned.

Operating and Nonoperating Revenues – Operating activities as reported on the Statements of Revenue, Expenses, and Changes in Net Position are those activities that generally result from principal ongoing operations, such as payments received from general appropriations, contributions, grants, and underwriting activities. Certain grants restricted for use for capital asset acquisitions and additions of permanent endowments are reported as nonoperating revenue. Restricted and unrestricted resources are spent and tracked within the guidelines of the donor restrictions, if any.

Other Grants and Revenue – Other grants and revenue consists of grants and gifts received from federal agencies and private companies. For the year ended June 30, 2018, WKAR received a nonrecurring incentive payment of $1,203,771 for meeting certain completion milestones of a project by the designated due dates. There are no restrictions associated with the funds received.

Donated services – Donated contributions of professional services are recorded at fair value as revenues and expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Donated facilities and administrative support from the University consist of an allocation of occupancy cost, operation and maintenance, utilities and other institutional support expenses of the University.

Capital grants and gifts – The FCC reassigned WKAR-Television to a new channel as part of a broadcast spectrum incentive auction. As part of the reassignment, WKAR-Television will be fully reimbursed for expenses incurred up to 92.5% of the estimated project expenses as determined by the FCC, which was estimated to be $2,345,250. WKAR expects 100% of expenses to be reimbursed by the FCC based on expenditures to date. Expenses incurred totaled $1,580,491 and $750 for fiscal year end June 30, 2018 and 2017, respectively, of which $1,238,851 has not been reimbursed and is included in Capital Grants Receivable as of June 30, 2018.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Donor restricted endowments – Under Michigan law set forth in the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan in 2009 (“UPMIFA”), the University’s Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the University Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purpose of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. Under the University’s programmatic spending policy established by the University’s Board, 4.6% of the average market value of endowment investments for the twenty quarters of the five calendar years prior to the beginning of the fiscal year was authorized for expenditure for fiscal year 2018. For fiscal year 2019, the rate will be 4.4%.

Change in accounting policy – Effective for the fiscal year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (“GASB 75”). This statement supersedes GASB Statement No. 45 and establishes new requirements for calculating and reporting the University’s postemployment benefits. The adoption of GASB 75 has been reflected as of July 1, 2017 for changes attributable to WKAR, resulting in an increase in obligations for postemployment benefits of $10,004,821, an increase in deferred outflows of resources of $138,081, and a decrease in unrestricted net position of $9,866,740 at July 1, 2017. Ending balances as of June 30, 2017 have not been restated to reflect the impact of GASB 75 because applicable information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Beginning net position as of July 1, 2017, was restated for the effects of the University's adoption of GASB 75 as follows:

	June 30, 2017 as Originally Reported	GASB 75 Adoption	July 1, 2017 As Restated
Current assets	$ 6,465,761	$ -	$ 6,465,761
Noncurrent assets	5,273,706		5,273,706
Total assets	11,739,467		11,739,467
Deferred outflows of resources	-	138,081	138,081
Current liabilities	1,192,797	291,724	1,484,521
Noncurrent liabilities	3,339,856	9,713,097	13,052,953
Total liabilities	4,532,653	10,004,821	14,537,474
Deferred inflows of resources	-	-	-
Net Position	$ 7,206,814	$ (9,866,740)	$ (2,659,926)

2. Investments

WKAR has received certain contributions that are restricted to use as endowments. Such endowment assets are held within the University's Endowment Fund, and are held in a common investment pool that invests in high-grade equities, bonds or other marketable securities. The fair value of WKAR's endowment investments was $3,828,183 and $3,474,345 at June 30, 2018 and 2017, respectively. The historical value of WKAR's endowment investments was $3,277,882 and $3,110,561 at June 30, 2018 and 2017, respectively.

3. Capital assets

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

	2017	Additions (Deductions)	Disposals	2018
Depreciated capital assets:				
Buildings improvements	$ 2,864,627	$ -	$ -	$ 2,864,627
Equipment	4,861,420	1,492,899	(1,616,945)	4,737,374
Vehicles	79,665	-	-	79,665
Furniture and other	124,370	-	-	124,370
Less: accumulated depreciation				
Building improvements	(1,533,339)	(79,063)	-	(1,612,402)
Equipment	(4,497,025)	(308,129)	1,376,343	(3,428,811)
Vehicles	(70,632)	(9,034)	-	(79,666)
Furniture and other	(124,370)	-	-	(124,370)
Total depreciated capital assets	1,704,716	1,096,673	(240,602)	2,560,787
Total capital assets	$ 1,704,716	$ 1,096,673	$ (240,602)	$ 2,560,787

	2016	Additions (Deductions)	Disposals	2017
Depreciated capital assets:				
Building improvements	$ 2,864,627	$ -	$ -	$ 2,864,627
Equipment	4,818,667	59,406	(16,653)	4,861,420
Vehicles	79,665	-	-	79,665
Furniture and other	124,370	-	-	124,370
Less: accumulated depreciation				
Building improvements	(1,416,624)	(116,715)	-	(1,533,339)
Equipment	(4,367,887)	(145,791)	16,653	(4,497,025)
Vehicles	(56,255)	(14,377)	-	(70,632)
Furniture and other	(124,370)	-	-	(124,370)
Total depreciated capital assets	1,922,193	(217,477)	-	1,704,716
Total capital assets	$ 1,922,193	$ (217,477)	$ -	$ 1,704,716

For the years ended June 30, 2018 and 2017, depreciation expense for WKAR totaled $396,226 and $276,883, respectively. In conformity with the Corporation of Public Broadcasting's *Financial Reporting Guidelines*, depreciation expense is allocated to the various operating functional expense categories in the Statement of Revenues, Expenses and Changes in Net Position based on the operational function of each individual piece of property or equipment.

4. Donated services

In conformity with the Supplemental Guide section of the Corporation for Public Broadcasting's *Financial Reporting Guidelines*, donated professional services are reported in the appropriate expense category for the years ended June 30, 2018 and 2017 as follows:

	Year ended June 30,	
	2018	2017
Program Services:		
Program Information	16,898	46,919
Total	16,898	46,919

Also included in revenue and expenditures are donated facilities and administrative support from Michigan State University, amounting to $1,488,976 and $1,569,534 for the years ended June 30, 2018 and 2017, respectively. They are reported as indirect expenses in the Statement of Revenues, Expenses and Changes in Net Position. Calculations are based on instructions provided by the Corporation for Public Broadcasting.

5. Retirement benefits

The University has a defined contribution retirement plan covering all qualified employees. This contributory plan consists of employee owned annuity contracts funded on a current basis. The University also funds and provides for termination benefits upon retirement resulting from unused sick days along with certain other separation benefits. The total contributions of the University necessary to fund the above mentioned retirement benefits attributable to WKAR are estimated to be $221,000 and $224,000 for the years ended June 30, 2018 and 2017, respectively.

6. Other postemployment benefits (OPEB)

The University provides retiree health and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries. This is a closed single employer defined benefit plan administered by the University effective for employees hired prior to July 1, 2010. Employees hired on or after July 1, 2010 are eligible to purchase insurance at the average cost of the defined benefit plan. Benefits are provided to eligible faculty, academic staff and support staff who meet normal retirement requirements while still working for the University. Currently, the plan has approximately 122 members attributable to WKAR. The plan does not issue a separate stand-alone financial statement. Terms of benefit plans are generally determined as part of collective bargaining agreements or set by the University for employees who are not represented. The Provost and Executive Vice President for Academic Affairs and the Executive Vice President for Administrative Services are authorized to enter into collective bargaining agreements. In addition, the President and Vice President for Finance and Treasurer are authorized to approve benefit plan changes.

The University's medical plans are self-funded and each plan's premiums are updated annually based on actual claims. The University contributes to the lowest cost health plan's single rate cost for which retirees are eligible. No payment is required by retirees who select the lowest cost health plan for coverage. In the event a retiree selects an alternative health plan, the retiree is responsible for payment of the difference in premium costs. Retirees are responsible for various co-payments. The University does not maintain a separate legal trust to hold assets used to fund postemployment benefits, has no obligation to make contributions in advance of when insurance premiums or claims are due for payment, and currently pays for postemployment benefits on a pay-as-you-go basis.

The University's annual postemployment benefits expense is actuarially determined in accordance with GASB 75. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

For the year ended June 30, 2018, the University's reported liability for providing retiree health and dental care benefits is estimated based on an actuarial valuation date of January 1, 2018 and measurement date of December 31, 2017 in accordance with GASB Statement No. 75. The University's liability is calculated using the entry age normal level percent of pay method. The actuarial assumptions are as follows:

Discount rate	3.44%, based on the Bond Buyer 20-year General Obligation Municipal Bond Index
Salary increases	4.0%
Healthcare cost trend rates	7.5% for 2018, decreasing 0.31% per year, to an ultimate rate of 5% for 2026 and later years. As of July 1, 2010, internal policy caps healthcare cost increases at a maximum of 5 percent per year.

As part of the January 1, 2018 valuation, the University utilized mortality assumptions based on the RP-2014 Generational Healthy Mortality Tables, with white collar adjustments, projected back to 2006 using scale MP-2014 and then projected forward using MP-2017. Changes in the total reported liability for postemployment benefits obligations attributable to WKAR for the year ended June 30, 2018 are summarized as follows:

	2018
Balance, beginning of year	$ 13,344,677
Service cost	300,840
Interest cost	510,474
Changes in assumptions	842,931
Difference between expected and actual plan experience	-
Benefits payments	(281,773)
Balance, end of year	14,717,149
Less current portion	307,286
	$ 14,409,863

Changes in assumptions reflects a change in discount rate from 3.78% to 3.44% at the measurement dates of December 31, 2016 and 2017, respectively.

In accordance with GASB 75, the University's liability for postemployment benefits obligations at June 30, 2018 is not reduced by the anticipated Medicare Retiree Drug Subsidy for future periods. This subsidy would reduce the total postemployment benefits liability attributable to WKAR by approximately $16,739.

For purposes of the December 31, 2017 measurement date, the number of plan participants attributable to WKAR consisted of the following:

	2018
Active employees - Hired before July 1, 2010	26
Active employees - Hired after July 1, 2010	19
Retirees receiving benefits	44
Dependents	33
	122

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend.

A one-percentage point change in the discount rate and assumed health care cost trend rates would have the following impact on the liability for postemployment benefits obligations at June 30, 2018:

	1% Decrease	Current Rates	1% Increase
Discount Rate:			
Net OPEB Obligations	$ 17,640,567	$ 14,717,149	$ 12,419,629
Health Care Trend Rate:			
Net OPEB Obligations	$ 13,852,429	$ 14,717,149	$ 15,828,721

The components of postemployment benefits expense attributable to WKAR for the year ended June 30, 2018 are summarized as follows:

	2018
Service cost	$ 300,840
Interest cost	510,474
Amortization of changes in assumptions	85,147
	$ 896,461

Deferred outflows and inflows of resources related to postemployment benefits obligations attributable to WKAR at June 30, 2018 are summarized as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 757,784	$ -
Benefit payments made after measurement date	153,452	-
	$ 911,236	$ -

Of the total amount reported as deferred outflows of resources related to OPEB, $153,452 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction in the net OPEB liability in the year ended June 30, 2019. Deferred outflows related to changes in assumptions and the difference between expected and actual plan experience will be amortized into expense in the following years ended June 30 based upon the average future work life expectancy of plan participants, which is calculated at 8.9 years as of the measurement date.

2019	$ 85,147
2020	85,147
2021	85,147
2022	85,147
2023	85,147
2024 and beyond	332,049
Total	$ 757,784

As discussed in note 1, GASB 75 was adopted as of July 1, 2017, which superseded GASB 45. For comparative purposes, the GASB 45 disclosures related to the year ended June 30, 2017 are included. For the year ended June 30, 2017, the University estimated the cost (annual expense) of providing retiree health and dental care benefits through an actuarial valuation as of January 1, 2016. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. This valuation's computed contribution and actual funding attributable to WKAR are summarized as follows:

	2017
Annual required contribution	$ 696,544
Interest on the prior year's net OPEB obligation	206,283
Less adjustment to the annual required contribution	(190,077)
Annual OPEB cost	712,750
Amounts contributed:	
Payments of current premiums and claims	(281,549)
Increase in net OPEB obligation	431,201
OPEB obligation - beginning of year	2,908,655
OPEB obligation - end of year	$ 3,339,856

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation attributable to WKAR for the year ended June 30, 2017 were as follows:

Annual OPEB cost	$ 712,750
Percentage contributed	39.5%
Net OPEB obligation	$ 3,339,856

The funding progress attributable to WKAR as of January 1, 2017 was as follows:

	2017
Actuarial value of assets	$ -
Actuarial accrued liability (AAL)	7,927,785
Unfunded AAL (UAAL)	$ 7,927,785
Funded ratio	0.0%
Annual covered payroll (annual payroll of active employees covered by the plan)	$ 3,574,029
UAAL as a percentage of covered payroll	221.8%

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term and short-term investment returns on the University's own assets to be used for funding the current liability, and an annual health care cost trend rate of 5%, which includes a 4% inflation assumption. As part of the January 1, 2016, valuation, the University adopted updated mortality assumptions based on the RP-2014 General Healthy Mortality Tables, projected back to 2007 using scale MP-2014 and then projected forward using MP-2015. The UAAL was being amortized over 30 years as a level percentage of projected payroll on a closed basis, with 20 years remaining as of June 30, 2017.

7. 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 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 Community Service 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 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.

The assets, liabilities and net assets of the Commission are accounted for using the following funds for CPB purposes:

Television Fund - This fund includes the resources that are available for support of WKAR's television transmission operations.

Radio Fund - This fund includes the resources that are available for support of WKAR-FM and WKAR-AM.

Reported NFFS for WKAR was $4,944,579 and $5,097,907 for the television fund and $3,224,894 and $3,645,701 for the radio fund for the years ended June 30, 2018 and 2017, respectively.

8. New Accounting Pronouncement

The University will be required to implement the provisions of GASB Statement No. 87, *Leases*, effective with the fiscal year ending June 30, 2021. This GASB Statement aims to improve accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University is in the process of determining the full impact of this standard on its financial statements.

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Required Supplementary Information

Michigan State University – WKAR Public Media

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Schedule of Changes in the Stations' total OPEB liability and related ratios

The historical reconciliation of the total reported liability for postemployment benefit obligations for the year ended June 30, 2018 is summarized as follows:

	2018
Service cost	$ 300,840
Interest cost	510,474
Changes in assumptions	842,931
Differences between expected and actual plan experience	-
Benefit payments	(281,773)
Net changes	$ 1,372,472
Total liability, beginning of year	$ 3,339,856
Total liability, ending of year	$ 14,717,149
Covered employee payroll	$ 3,845,442
Total liability as a percentage of covered employee payroll	210.1%

Discount rates used in determining the total reported liability for postemployment benefits obligations were 3.44% and 3.78% at the measurement dates of December 31, 2017 and 2016, respectively.

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Additional Information

Michigan State University – WKAR Public Media

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CONSOLIDATING STATEMENTS OF NET POSITION

Michigan State University - WKAR Public Media

	June 30, 2018			June 30, 2017		
	Television	Radio	Total	Television	Radio	Total
ASSETS						
Current assets:						
Cash	$ 3,074,338	$ 3,381,025	$ 6,455,363	$ 2,817,208	$ 3,239,973	$ 6,057,181
Accounts receivable, net	116,524	85,544	202,068	140,040	80,527	220,567
Capital grants receivable	1,238,851	-	1,238,851	-	-	-
Pledges receivable, net of allowance of $33,532 and $35,424 for 2018 and 2017, respectively	100,748	33,161	133,909	59,839	48,818	108,657
Prepaid expenses	33,747	75,333	109,080	6,109	73,247	79,356
Total current assets	4,564,208	3,575,063	8,139,271	3,023,196	3,442,565	6,465,761
Noncurrent assets:						
Pledges receivable, net of allowance of $29,672 and $29,461 for 2018 and 2017, respectively	149,867	24,026	173,893	28,295	66,350	94,645
Long-term investments	1,790,425	2,037,758	3,828,183	1,608,732	1,865,613	3,474,345
Capital assets, net	2,506,329	54,458	2,560,787	1,605,938	98,778	1,704,716
Total noncurrent assets	4,446,621	2,116,242	6,562,863	3,242,965	2,030,741	5,273,706
Total assets	**9,010,829**	**5,691,305**	**14,702,134**	**6,266,161**	**5,473,306**	**11,739,467**
DEFERRED OUTFLOWS OF RESOURCES	523,049	388,187	911,236	-	-	-
LIABILITIES						
Current liabilities:						
Accounts payable	75,579	34,093	109,672	46,613	14,183	60,796
Accrued payroll	55,695	19,900	75,595	54,458	24,764	79,222
Unearned support and revenues	1,180,271	224,895	1,405,166	900,552	152,227	1,052,779
Current portion of net postemployment benefit obligation	176,382	130,904	307,286	-	-	-
Total current liabilities	1,487,927	409,792	1,897,719	1,001,623	191,174	1,192,797
Noncurrent liabilities:						
Net other postemployment benefit obligation	8,317,559	6,092,304	14,409,863	1,963,375	1,376,481	3,339,856
Total noncurrent liabilities	8,317,559	6,092,304	14,409,863	1,963,375	1,376,481	3,339,856
Total liabilities	**9,805,486**	**6,502,096**	**16,307,582**	**2,964,998**	**1,567,655**	**4,532,653**
NET POSITION						
Net investment in capital assets	2,506,329	54,458	2,560,787	1,605,938	98,778	1,704,716
Restricted						
Nonexpendable	1,236,526	1,167,797	2,404,323	1,146,079	1,102,003	2,248,082
Expendable - operations	370,375	751,647	1,122,022	307,459	622,934	930,393
Unrestricted	(4,384,838)	(2,396,506)	(6,781,344)	241,687	2,081,936	2,323,623
TOTAL NET POSITION	**$ (271,608)**	**$ (422,604)**	**$ (694,212)**	**$ 3,301,163**	**$ 3,905,651**	**$ 7,206,814**

CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Michigan State University - WKAR Public Media

	Year ended June 30, 2018			Year ended June 30, 2017		
	Television	Radio	Total	Television	Radio	Total
OPERATING REVENUES						
General appropriations from Michigan State University	$ 1,947,314	$ 1,277,097	$ 3,224,411	$ 1,942,774	$ 1,304,173	$ 3,246,947
Contributions	1,359,710	1,115,809	2,475,519	1,334,099	1,342,687	2,676,786
Grants from Corporation for Public Broadcasting	919,328	176,235	1,095,563	863,762	182,015	1,045,777
Program underwriting	245,865	238,969	484,834	339,121	289,157	628,278
Contract services	179,486	2,220	181,706	125,972	1,908	127,880
Facilities and support provided by Michigan State University	1,060,278	428,698	1,488,976	1,113,586	455,948	1,569,534
Donated services	8,025	8,874	16,899	13,985	32,934	46,919
Other grants and revenue	1,473,728	10,765	1,484,493	39,701	11,092	50,793
TOTAL OPERATING REVENUES	**7,193,734**	**3,258,667**	**10,452,401**	**5,773,000**	**3,619,914**	**9,392,914**
OPERATING EXPENSES						
Program services:						
Programming and production	3,280,420	1,684,765	4,965,185	2,808,808	1,468,151	4,276,959
Broadcasting	987,746	320,023	1,307,769	720,410	359,565	1,079,975
Program information	207,445	194,387	401,832	183,851	176,153	360,004
Support services:						
Fundraising	678,309	574,268	1,252,577	649,187	505,559	1,154,746
Management and general	488,164	426,441	914,605	472,341	446,222	918,563
Indirect expense	1,060,278	428,698	1,488,976	1,113,586	455,948	1,569,534
TOTAL OPERATING EXPENSES	**6,702,362**	**3,628,582**	**10,330,944**	**5,948,183**	**3,411,598**	**9,359,781**
Operating income (loss)	491,372	(369,915)	121,457	(175,183)	208,316	33,133
NONOPERATING REVENUES (EXPENSES)						
Investment income	158,078	189,299	347,377	189,971	228,861	418,832
Other	(230,400)	(10,202)	(240,602)	-	-	-
Net nonoperating revenues (expenses)	(72,322)	179,097	106,775	189,971	228,861	418,832
INCOME BEFORE OTHER	**419,050**	**(190,818)**	**228,232**	**14,788**	**437,177**	**451,965**
Capital grants and gifts	1,581,241	-	1,581,241	-	-	-
Additions to permanent endowments	90,447	65,794	156,241	235,383	130,288	365,671
Increase in net position	2,090,738	(125,024)	1,965,714	250,171	567,465	817,636
Net position, beginning of year	3,301,163	3,905,651	7,206,814	3,050,992	3,338,186	6,389,178
Cumulative effect of change in accounting principles	(5,663,509)	(4,203,231)	(9,866,740)	-	-	-
Net position, beginning of year, as restated	(2,362,346)	(297,580)	(2,659,926)	3,050,992	3,338,186	6,389,178
NET POSITION, END OF YEAR	**$ (271,608)**	**$ (422,604)**	**$ (694,212)**	**$ 3,301,163**	**$ 3,905,651**	**$ 7,206,814**