BRIGHAM YOUNG UNIVERSITY

BYU BROADCASTING

FINANCIAL STATEMENTS AND AUDITORS REPORT
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016

BYU | BROADCASTING

THE CHURCH OF
JESUS CHRIST
OF LATTER-DAY SAINTS

CHURCH AUDITING DEPARTMENT

50 East North Temple Street
Salt Lake City, Utah 84150-0016

REPORT OF CHURCH AUDITING DEPARTMENT

To the Administrative Board and Trustees
Brigham Young University
BYU Broadcasting

We have audited the accompanying financial statements of BYU Broadcasting, operator of KBYU-TV, BYUtv, BYUtv International, BYU-FM, and BYU Radio, (the Organization) which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, except that we are not independent as defined in those standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 opinion.

Opinion

For internal reporting purposes, in our opinion the financial statements referred to above present fairly, in all material respects, the financial position of BYU Broadcasting as of December 31, 2017 and 2016, and the changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

For external reporting purposes, our audit was conducted in accordance with auditing standards generally accepted in the United States of America, except that we lack the appearance of independence. Accordingly, for external reporting purposes, we are precluded from expressing an opinion on the combined financial statements.

We do meet the independence standards established by the Corporation for Public Broadcasting's Financial Reporting Guidelines for Preparing the Annual Financial Report and Financial Summary Report. Accordingly, for the Corporation for Public Broadcasting's purposes, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BYU Broadcasting as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CHURCH AUDITING DEPARTMENT

Kevin R. Jergensen, CPA
Managing Director

May 14, 2018

BYU BROADCASTING
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
Assets		
Cash	$ 23,552,427	$ 14,236,926
Accounts receivable, net	415,630	1,458,727
Beneficial interest in trusts and pledged contributions, net	1,108,885	933,142
Prepaid expenses, inventories and other assets	7,164,422	4,942,353
Investments	45,452,906	39,480,510
Partnership interest in DTV Utah	767,066	486,250
Costs incurred to produce programs not yet broadcast	15,104,413	15,248,546
Completed and broadcast programs, net	2,171,276	3,501,917
Buildings and equipment, net	40,622,586	41,871,991
Total Assets	$ 136,359,611	$ 122,160,362
Liabilities and Net Assets		
Liabilities		
Accounts payable, accrued, and other liabilities	$ 1,937,433	$ 1,594,422
Total Liabilities	1,937,433	1,594,422
Net Assets		
Unrestricted		
Operations	49,185,711	36,578,238
Board-designated endowment	36,073,010	30,951,696
Invested in buildings and equipment	42,793,862	45,373,907
Total Unrestricted	128,052,583	112,903,841
Temporarily Restricted		
BYUtv International	4,362,915	5,202,743
Production funding	364,025	549,533
Beneficial interest in trusts	1,036,704	588,642
Scholarship endowment	71,612	22,080
Underwriting	178,216	942,101
Total Temporarily Restricted	6,013,472	7,305,099
Permanently Restricted		
Scholarship endowment	356,123	357,000
Total Permanently Restricted	356,123	357,000
Total Net Assets	134,422,178	120,565,940
Total Liabilities and Net Assets	$ 136,359,611	$ 122,160,362

See notes to financial statements

BYU BROADCASTING
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Support				
Direct institutional support	$ 61,136,635			$ 61,136,635
Gift revenue	6,142,559	$ 174,968	$ 1,000	6,318,527
Grants and contracts	6,221,769			6,221,769
Indirect administrative support	6,897,062			6,897,062
Revenues from Station Activities				
Sale of goods and services	1,412,233			1,412,233
Investment income, net	5,741,712	57,375		5,799,087
Other income	866,189	476,883		1,343,072
Net assets released from restrictions	2,002,730	(2,000,853)	(1,877)	-
Total Support and Revenues	90,420,889	(1,291,627)	(877)	89,128,385
Expenses				
Program Services				
Programming and production	44,267,585			44,267,585
Broadcasting	5,989,172			5,989,172
Program information	5,810,875			5,810,875
Support Services				
Management and general	11,350,624			11,350,624
Fundraising and membership development	1,412,129			1,412,129
Underwriting	400,804			400,804
Total Program and Support Services	69,231,189			69,231,189
Depreciation	4,344,031			4,344,031
Amortization of completed and broadcast programs	1,370,923			1,370,923
Loss on disposal of equipment	326,004			326,004
Total Expenses	75,272,147			75,272,147
Increase (Decrease) in Net Assets	15,148,742	(1,291,627)	(877)	13,856,238
Net Assets Beginning of Year	112,903,841	7,305,099	357,000	120,565,940
Net Assets End of Year	$ 128,052,583	$ 6,013,472	$ 356,123	$ 134,422,178

See notes to financial statements

BYU BROADCASTING
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Support				
Direct institutional support	$ 35,732,373			$ 35,732,373
Gift revenue	7,041,487	$ 2,766,136	$ 152,000	9,959,623
Grants and contracts	5,765,960			5,765,960
Indirect administrative support	5,124,365			5,124,365
Revenues from Station Activities				
Sale of goods and services	1,610,561			1,610,561
Investment income, net	2,657,588	18,031		2,675,619
Other income (loss)	833,369	(600,463)		232,906
Net assets released from restrictions	2,409,391	(2,409,391)		-
Total Support and Revenues	61,175,094	(225,687)	152,000	61,101,407
Expenses				
Program Services				
Programming and production	23,944,742			23,944,742
Broadcasting	5,397,869			5,397,869
Program information	4,123,985			4,123,985
Support Services				
Management and general	8,632,085			8,632,085
Fundraising and membership development	1,335,575			1,335,575
Underwriting	482,634			482,634
Total Program and Support Services	43,916,890			43,916,890
Depreciation	5,209,346			5,209,346
Amortization of completed and broadcast programs	1,388,211			1,388,211
Gain on disposal of equipment	(564,212)			(564,212)
Total Expenses	49,950,235			49,950,235
Increase (Decrease) in Net Assets	11,224,859	(225,687)	152,000	11,151,172
Net Assets Beginning of Year	101,678,982	7,530,786	205,000	109,414,768
Net Assets End of Year	$ 112,903,841	$ 7,305,099	$ 357,000	$ 120,565,940

See notes to financial statements

BYU BROADCASTING
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	$ 13,856,238	$ 11,151,172
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	4,344,031	5,209,346
Amortization of completed and broadcast programs	1,370,923	1,388,211
Donated assets held as investments	(144,321)	(283,969)
Gain on investments	(4,892,973)	(1,890,392)
(Gain) loss on disposal of equipment	326,004	(564,212)
Contributions restricted for investment in permanently restricted assets	(1,000)	(152,000)
Loss on partnership interest in DTV Utah	147,605	130,026
Increase (decrease) due to changes in operating assets and liabilities		
Accounts receivable, net	1,043,097	304,158
Beneficial interest in trusts and pledged contributions, net	(175,743)	(10,564)
Prepaid expenses, inventories, and other assets	(2,222,069)	(1,159,242)
Accounts payable, accrued, and other liabilities	418,943	(921,538)
Net cash provided by operating activities	14,070,735	13,200,996
Cash Flows from Investing Activities		
Proceeds from sale of investments	223,013	518,487
Purchase of investments	(1,158,115)	(3,806,802)
Capital contribution in partnership interest in DTV Utah	(428,421)	(125,940)
Costs incurred to produce programs not yet broadcast	(68,312)	(9,467,145)
Completed and broadcast programs, net	(40,282)	(2,223,259)
Proceeds from disposal of equipment	95,680	684,595
Purchase of buildings and equipment	(3,379,797)	(3,105,355)
Net cash used by investing activities	(4,756,234)	(17,525,419)
Cash Flows from Financing Activities		
Contributions restricted for investment in permanently restricted assets	1,000	152,000
Net cash provided by financing activities	1,000	152,000
Net increase (decrease) in cash	9,315,501	(4,172,423)
Cash, beginning of year	14,236,926	18,409,349
Cash, end of year	$ 23,552,427	$ 14,236,926
Supplemental Data		
Purchases of buildings, equipment, and costs to produce programs in accounts payable	$ 770,255	$ 846,187

See notes to financial statements

BYU BROADCASTING
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BYU Broadcasting (the Division) operates the television and radio stations KBYU-TV, BYUtv, BYUtv International, BYUtv Global, KBYU-FM, and BYU Radio (the Stations) for Brigham Young University (the University) in Provo, Utah, to serve the public interest. The Stations are commonly managed non-profit, non-commercial stations, licensed through the University. The University is a non-profit corporation affiliated with The Church of Jesus Christ of Latter-day Saints (the Church).

KBYU-TV has been licensed since 1965, BYUtv began operations in 2000, BYUtv International began operations in 2007, and BYUtv Global began operations in 2011. KBYU-FM has been licensed since 1960 and BYU Radio began operations in 2002. KBYU-TV is a member of the Public Broadcasting Service that provides a program interconnection system to promote and develop public television. KBYU-FM is a member of Public Radio International and purchases satellite interconnection through National Public Radio. BYUtv, BYUtv International, BYUtv Global, and BYU Radio provide broadcast programming to various direct satellite and cable service providers. BYUtv, BYUtv International, KBYU-FM, and BYU Radio are also broadcast continuously on the Internet.

On October 23, 2017 the Division announced plans to consolidate its television operations, KBYU-TV, BYUtv and BYUtv International, into one, nationwide television network. Upon consolidation the Division will no longer be a Public Broadcasting Service member station. The change will take effect on July 1, 2018.

<u>Basis of Accounting</u>
The financial statements of the Division have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and consistent with the *Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities*, which is published by the Corporation for Public Broadcasting.

The Division's net assets are classified into three categories: Unrestricted, Temporarily Restricted, and Permanently Restricted. These categories are determined based on the existence or absence of donor-imposed restrictions upon resources provided to the Stations. Unrestricted net assets are available for a variety of purposes and have no donor-imposed restrictions. Temporarily restricted net assets include funds with stipulated time or purpose restrictions. When those restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Division reports the contribution as unrestricted. Permanently restricted net assets have restrictions that require them to be maintained in perpetuity.

<u>Cash</u>
Cash includes cash on hand and cash in an interest bearing cash management account maintained with a Church affiliate that is available on demand and is not covered by federal depository insurance.

<u>Beneficial Interest in Trusts and Pledged Contributions</u>
The Division is named as a beneficiary of certain irrevocable trusts. Donors have also made pledges to contribute to the Division. Revenues and assets included in the financial statements are based on the net present value of expected proceeds from those trusts and pledged contributions.

<u>Prepaid Expenses, Inventories, and Other Assets</u>
Included in prepaid expenses and other assets are licensed program rights. Licensed program rights include program series and other syndicated programs recorded at the lower of unamortized cost or estimated net realizable value. Generally, these programs are amortized based on the estimated number of future airings. Inventories are stated at the lower of cost (average cost method) or market.

Investments
Investments with readily determinable fair values are carried at fair value. Investments that have no readily determinable fair value are carried at either original cost or estimated value at the date of donation.

Production Costs
Costs incurred to produce programs not yet broadcast include costs incurred for programs that will be broadcast subsequent to year end. As such programs are broadcast, the costs incurred are included in programming and production expense. Costs associated with programs not considered to have future benefit are expensed when that determination is made.

Production costs are capitalized up to the amount of revenue contracted or estimated, when present, for each program. Production costs in excess of the capitalized amount are included in programming and production expense in the period when a program initially airs. Capitalized amounts are amortized over the expected revenue periods.

Buildings and Equipment
Buildings and equipment are stated at acquisition cost or at estimated fair value at time of donation. Depreciation is computed using the straight-line method with the following useful lives:

Buildings	50 years
Improvements	3-40 years
Furniture, fixtures, and equipment	2-25 years

Collections
The Stations maintain a collection of broadcast equipment, which is not reported for financial statement purposes. This collection is held for public exhibition, education and research in furtherance of the goal to provide public service. Proceeds from the sale of collection items are held and used to acquire other collection items that are expensed at the time of purchase. The Stations have the responsibility to control, preserve, and protect this collection.

Revenue Recognition
Support and revenue of the Stations is reported in the accompanying financial statements as follows:

- Unconditional pledges of support are recognized as gift revenue at estimated net realizable value when the pledge is formally acknowledged.
- Underwriting support to finance programming produced by the Stations is recognized as gift revenue at estimated net realizable value when the commitment is made.
- In-kind contributions in the form of goods or services to the Stations are recognized as gift revenue at estimated fair value when the commitment is made.
- Revenues earned through the sale of goods and services are recognized at the time of sale.
- Conditional promises to give to the Stations are recognized when the conditions on which they depend are substantially met.

Fair Value Measurements
Certain financial instruments are carried at fair value, as discussed in Note 8.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on assumptions that market participants would use, including a consideration of non-performance risk.

In determining fair value, the Division uses various valuation techniques and prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors, including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the marketplace and may require management judgment.

The Division assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical assets or liabilities in an active market. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

Income Tax Status

The Division is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2017 and 2016, are as follows:

	2017	2016
Underwriting support, cash	$ 235,293	$ 977,029
Underwriting support, in-kind	44,906	251,470
Stations' activities	121,731	251,162
Church receivable	25,330	-
	427,260	1,479,661
Less allowance for doubtful accounts	11,630	20,934
Total accounts receivable, net	$ 415,630	$ 1,458,727

(3) BENEFICIAL INTEREST IN TRUSTS AND PLEDGED CONTRIBUTIONS

The Division is named as a beneficiary or remainderman for a number of irrevocable charitable remainder trusts. These trusts are administered by a Church affiliate. Expected receipts from these trusts and unconditional promises to give, net of allowances for uncollectability of $311,217 and $96,433 as of December 31, 2017 and 2016, respectively, determined using discount rates ranging from approximately 2.1 to 3.0 percent, are as follows:

	2017	2016
Less than one year	$ 72,181	$ 344,500
One to five years	-	-
More than five years	1,036,704	588,642
Total beneficial interest in trusts and pledged contributions, net	$ 1,108,885	$ 933,142

(4) INVESTMENTS

The Division invests in an investment pool managed by a Church affiliate which is carried at fair value. Investments as of December 31, 2017 and 2016, are as follows:

	2017	2016
Investments at fair value:		
Equity portfolios, domestic	$ 21,713,789	$ 19,439,981
Equity portfolios, international	5,995,463	4,549,070
Fixed income portfolios, domestic	13,962,991	11,711,823
Total investments at fair value	41,672,243	35,700,874
Other investments carried at cost or estimated value at the date of donation:		
Equity securities	65,000	63,973
Real estate	3,715,663	3,715,663
Total other investments	3,780,663	3,779,636
Total investments	$ 45,452,906	$ 39,480,510

For the years ended December 31, 2017 and 2016, net investment income includes:

	2017	2016
Dividend, interest, and other income from investments	$ 906,114	$ 785,227
Net gain on investments carried at fair value	4,892,973	1,890,392
Total investment income, net	$ 5,799,087	$ 2,675,619

(5) PARTNERSHIP INTEREST IN DTV UTAH

In June 1998, the Division entered into a partnership agreement on behalf of KBYU-TV with seven other broadcasters to form DTV Utah, LC (DTV), a Utah limited liability company, which is managed by one partner, a Church affiliate. DTV was formed for the purpose of designing, constructing, and operating a transmitter facility to transmit the digital television signals of the participating partners. The facility is located on Farnsworth Peak in Salt Lake County, Utah. Each partner has a proportional 12.5 percent interest in the partnership. DTV will be dissolved on December 31, 2048, or when three-fourths or more of the partners agree to its dissolution. Upon dissolution, capital will be distributed in accordance with each partner’s proportional interest in DTV at that time.

DTV does not anticipate operating profits. Annual net operating losses of DTV are allocated to each partner proportionally. The Division’s share of net operating losses recorded by DTV for the years ended December 31, 2017 and 2016, were $147,605 and $130,026, respectively. Each partner’s annual capital contribution funds their proportional share of the current year’s operating expenses for the facility. Capital contributions for the years ended December 31, 2017 and 2016, were $428,421 and $125,940, respectively. The Division’s equity in DTV for the years ended December 31, 2017 and 2016, of $767,066 and $486,250, respectively, results from the combination of cumulative net operating losses and capital contributions.

(6) BUILDINGS AND EQUIPMENT

As of December 31, 2017 and 2016, buildings and equipment included:

	2017	2016
Buildings and improvements	$ 38,188,981	$ 38,188,981
Furniture, fixtures, and equipment	37,200,957	35,022,973
Construction in progress	578,202	81
	75,968,140	73,212,035
Less accumulated depreciation	35,345,554	31,340,044
Total buildings and equipment, net	$ 40,622,586	$ 41,871,991

(7) ENDOWMENTS

The Division's endowment fund consists of individual donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the adopted Utah "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, the Division classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Division in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Division considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Division and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Division
- The investment policies of the Division

Where the Board designates unrestricted funds to function as endowments they are classified as unrestricted net assets. Where the Board designates donor restricted non-endowment funds to function as endowments they are classified as temporarily restricted net assets.

The following tables present the Division's endowment net asset composition, changes, and classifications as of and for the indicated years:

Endowment Net Asset Composition by Type of Fund as of December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 356,123	$ 356,123
Scholarship endowment funds	-	71,612	-	71,612
Board-designated endowment funds	36,073,010	-	-	36,073,010
Total endowment funds	$ 36,073,010	$ 71,612	$ 356,123	$ 36,500,745

Changes in Endowment Net Assets for the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 30,951,696	$ 22,080	$ 357,000	$ 31,330,776
Investment income, net	5,021,314	57,375	-	5,078,689
Contributions and other revenue	100,000	-	1,000	101,000
Appropriation of endowment assets for expenditure	-	(7,843)	-	(7,843)
Reclassifications	-	-	(1,877)	(1,877)
Other changes:				
Transfers to/from board-designated endowment funds, net	-	-	-	-
Endowment net assets, end of year	$ 36,073,010	$ 71,612	$ 356,123	$ 36,500,745

Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 357,000	$ 357,000
Scholarship endowment funds	-	22,080	-	22,080
Board-designated endowment funds	30,951,696	-	-	30,951,696
Total endowment funds	$ 30,951,696	$ 22,080	$ 357,000	$ 31,330,776

Changes in Endowment Net Assets for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 25,714,963	$ 4,444	$ 205,000	$ 25,924,407
Investment income, net	2,304,288	18,032	-	2,322,320
Contributions and other revenue	2,445	-	152,000	154,445
Appropriation of endowment assets for expenditure	2,930,000	(396)	-	2,929,604
Reclassifications	-	-	-	-
Other changes:				
Transfers to/from board-designated endowment funds, net	-	-	-	-
Endowment net assets, end of year	$ 30,951,696	$ 22,080	$ 357,000	$ 31,330,776

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	2017	2016
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	$ 356,123	$ 357,000
Total endowment funds classified as permanently restricted net assets	$ 356,123	$ 357,000
Temporarily Restricted Net Assets		
The portion of perpetual endowments subject to a time restriction under UPMIFA:		
With purpose restrictions	$ 71,612	$ 22,080
Total endowment funds classified as temporarily restricted net assets	$ 71,612	$ 22,080

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets.

Return Objectives and Risk Parameters
The Division follows the University's endowment investment and spending policies. These policies attempt to provide a predictable stream of funding to initiatives supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 7.5 percent annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the Division relies upon the University's total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Spending Policy to Investment Objectives
The University's Investment Committee (the Committee) determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount is determined as of the end of the year, one year prior to when it becomes available for expenditure, and is equal to 5.0 percent of the preceding twelve quarters' average ending fair value. In establishing this method, the Committee considered the expected long-term rate of return on the investment of the University's endowment funds. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at an average of 2.5 percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of the Division, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

(8) FINANCIAL INSTRUMENTS AT FAIR VALUE

Certain financial instruments of the Division are reported at fair value and are either categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique, or presented as Investments measured at net asset value per share, as discussed in Note 1. The following tables present these financial instruments as of December 31, 2017 and 2016:

	Fair Value Measurements as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investments measured at net asset value per share	N/A	N/A	N/A	$ 41,672,243
Beneficial interest in trusts	$ -	$ -	$ 1,036,704	1,036,704
Total assets carried at fair value	$ -	$ -	$ 1,036,704	$ 42,708,947

	Fair Value Measurements as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments measured at net asset value per share	N/A	N/A	N/A	$ 35,700,874
Beneficial interest in trusts	$ -	$ -	$ 588,642	588,642
Total assets carried at fair value	$ -	$ -	$ 588,642	$ 36,289,516

The following tables summarize the changes in Level 3 financial instruments measured at fair value for the years ended December 31, 2017 and 2016:

	Fair Value Measurements Using Significant Unobservable Inputs	
	2017	2016
Level 3 financial instruments, beginning of year	$ 588,642	$ 643,902
Total gains (losses)	865,434	(361,346)
Purchases	15,000	610,556
Settlements	(432,372)	(304,470)
Level 3 financial instruments, end of year	$ 1,036,704	$ 588,642

The fair value of the beneficial interest in trusts is based upon an income approach. Significant inputs include the fair value of the trust assets, the discount rate, the annual amounts paid to the donor, and the estimated date of the payout.

Investment portfolios consist of unitized interests in investment pools managed by a Church affiliate (see Note 4). The Division has no unfunded commitments, and may redeem these investments on a monthly basis, at the month-end net asset value, with a minimum notice period of five business days. The following table presents the fair value of these investments, as of December 31, 2017 and 2016:

	Fair Value Measurements of Investments Measured at Net Asset Value Per Share	
	2017	2016
Equity portfolios, domestic	$ 21,713,789	$ 19,439,981
Equity portfolios, international	5,995,463	4,549,070
Fixed income portfolios, domestic	13,962,991	11,711,823
Total investments measured at net asset value per share	$ 41,672,243	$ 35,700,874

Domestic and international equity portfolios consist of funds that invest in the common stock of either large, mid, or small cap companies and are generally designed to either replicate the performance of an index or outperform an index through active security selection. Fixed income portfolios consist of funds that invest in either U.S. government or corporate debt securities, each with a targeted duration.

(9) INDIRECT ADMINISTRATIVE SUPPORT

Indirect administrative support from the University consists of allocated institutional support and physical plant costs incurred by the University, from which the Division receives benefits. The fair value of this support is recognized in the Statement of Activities as indirect administrative support revenue and as management and general expense. For the years ended December 31, 2017 and 2016, indirect administrative support was calculated using the University's Facilities and Administrative Cost Rate of 22.6 percent for each year, as negotiated with the Department of Health and Human Services. This rate includes general administration costs, building and equipment depreciation costs, and operations and maintenance costs. The value of this support included in the Statement of Activities was $6,897,062 and $5,124,365 for the years ended December 31, 2017 and 2016, respectively.

(10) RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

The Division participates in the employee benefit programs of the University, which are administered by a Church affiliate. These include a Master Retirement Plan and other postretirement benefit plans. Division employees may also participate in supplementary defined contribution retirement plans that are qualified retirement savings money purchase 401(k) plans or Tax Sheltered Annuity 403(b) plans. Allocable benefit plan costs, as determined by the University, are assigned to Division expenses as a percentage of employee salary and wage expenses. Reporting and recognition of benefit plan expenses and liabilities, and fulfilling contribution requirements, is the responsibility of the University. It is the University's practice to make sufficient contributions to benefit plans to meet or exceed minimum funding requirements of applicable laws and regulations.

(11) COMMITMENTS AND CONTINGENCIES

As of December 31, 2017, the Division has entered into various operating lease agreements for facilities and broadcast satellite usage. For the years ended December 31, 2017 and 2016, lease expense totaled $663,426 and $624,615, respectively. As of December 31, 2017, the expected future minimum commitments under these leases are as follows:

2018	$ 545,434
2019	359,275
2020	34,284
2021	34,284
2022	34,284
2023	17,142
	$ 1,024,703

The Division also has commitments of $5,956,077, primarily for program production development. Of this amount $5,275,721 has been approved to be reimbursed by a Church affiliate and is expected to be received as costs are incurred.

The Division has no other known commitments or contingencies.

(12) SUBSEQUENT EVENTS

The Division has evaluated subsequent events for the period after December 31, 2017, through May 14, 2018, the date the financial statements were available to be issued. On April 17, 2018, the Division informed the Corporation for Public Broadcasting that effective October 1, 2018, it would no longer participate in the Community Service Grant program because of the consolidation and termination as a member station of the Public Broadcasting Service described in Note 1. Community Service Grant revenue for the years ended December 31, 2017 and 2016, was $6,221,769 and $5,765,960, respectively. On April 24, 2018, the Division entered into an asset purchase agreement to acquire the broadcast license and operational assets of KUMT (FM) for $875,000.