MARYLAND PUBLIC BROADCASTING COMMISSION

Financial Statements Together with
Report of Independent Public Accountants

For the Years Ended June 30, 2017 and 2016

SB & COMPANY, LLC
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JUNE 30, 2017 AND 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Commissioners of
Maryland Public Broadcasting Commission

Report on the Financial Statements

We have audited the accompanying statements of net position of the Maryland Public Broadcasting Commission (the Commission), a fund of the State of Maryland, as of June 30, 2017 and 2016, and the related statements of revenue, expenses, and change in net position and cash flows for the years then ended, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the discretely presented component unit financial statements of MPT Foundation, Inc. (the Foundation) as of and for the years ended June 30, 2017 and 2016. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the auditor. We conducted our audit accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission and the Foundation as of June 30, 2017 and 2016, and the respective changes in their financial position and where applicable, the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of net pension liability and the schedule of contributions as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other

As discussed in Note 2, the accompanying financial statements present only the transactions of the Maryland Public Broadcasting Commission, and are not intended to present fairly the financial position of the State of Maryland as of June 30, 2017 and 2016, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

SB & Company, LLC

Hunt Valley, Maryland
January 12, 2018

MARYLAND PUBLIC BROADCASTING COMMISSION

Statements of Net Position
As of June 30, 2017 and 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
Current Assets		
Cash	**$ 2,736,420**	$ 2,501,831
Accounts and grants receivable	**605,274**	338,432
Member pledges receivable, net	**49,977**	17,857
Other assets	**248,109**	246,935
Licensed program rights, net	**183,312**	110,689
Total Current Assets	**3,823,092**	3,215,744
Property and equipment, net	**14,052,886**	14,527,553
Total Assets	**17,875,978**	17,743,297
Deferred outflows of resources - related to pension	**6,046,439**	4,139,931
Total Assets and Deferred Outflows of Resources	**23,922,417**	21,883,228
LIABILITIES AND DEFERRED INFLOWS		
Current Liabilities		
Accounts payable and accrued liabilities	**350,625**	800,862
Accrued salaries	**392,208**	414,079
Accrued vacation	**537,130**	734,713
Capital lease obligation	**524,667**	442,391
Unearned revenue	**3,322,675**	3,409,417
Total Current Liabilities	**5,127,305**	5,801,462
Noncurrent Liabilities		
Accrued vacation, net of current portion	**721,445**	401,516
Capital lease obligation, net of current portion	**1,867,428**	1,364,769
Net pension liability	**14,903,060**	12,203,603
Total Noncurrent Liabilities	**17,491,933**	13,969,888
Total Liabilities	**22,619,238**	19,771,350
Deferred inflows of resources - related to pension	**834,155**	1,010,037
Total Liabilities and Deferred Inflows	**23,453,393**	20,781,387
NET POSITION		
Net investment in capital assets	**11,660,791**	12,720,393
Unrestricted	**(11,191,767)**	(11,618,552)
Total Net Position	**$ 469,024**	$ 1,101,841

The accompanying notes are an integral part of these financial statements.

MARYLAND PUBLIC BROADCASTING COMMISSION

Statements of Financial Position – MPT Foundation-Component Unit
As of June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	**$ 683,483**	$ 2,019,090
Contributions receivable	**765,278**	723,413
Investments	**4,153,229**	3,377,477
Total Assets	**$ 5,601,990**	$ 6,119,980
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued commissions	**$ 45,059**	$ 49,509
Other accrued expenses	**7,993**	28,843
Refundable advances	**55,000**	63,000
Present value of future annuity payments	**9,504**	9,659
Total Liabilities	**117,556**	151,011
Net Assets		
Unrestricted	**2,496,413**	3,553,031
Temporarily restricted	**1,053,054**	780,971
Permanently restricted	**1,934,967**	1,634,967
Total Net Assets	**5,484,434**	5,968,969
Total Liabilities and Net Assets	**$ 5,601,990**	$ 6,119,980

The accompanying notes are an integral part of these financial statements.

MARYLAND PUBLIC BROADCASTING COMMISSION

Statements of Revenue, Expenses, and Change in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
REVENUE		
Operating Revenue		
Community Service Grants and other CPB grants	$ 3,182,394	$ 3,493,467
Public Broadcasting Service	54,062	55,476
Federal grants	513,269	506,211
Membership pledges and contributions	7,022,924	7,143,055
Underwriting and other telecasting revenue	6,972,190	5,488,636
Other revenue	1,000,368	887,639
Total Operating Revenue	18,745,207	17,574,484
EXPENSES		
Program Services		
Programming and production	15,284,321	15,864,992
Broadcasting and engineering	2,907,744	2,941,510
Total Program Services	18,192,065	18,806,502
Supporting Services		
Fundraising, solicitation, and membership	4,203,083	4,268,253
Management and general	4,340,435	4,273,246
Depreciation	1,885,347	1,497,369
Total Supporting Services	10,428,865	10,038,868
Total Expenses	28,620,930	28,845,370
Operating Loss	(9,875,723)	(11,270,886)
NON-OPERATING REVENUE		
State appropriations	8,301,673	8,549,617
State contribution - in-kind	764,925	761,302
Loss before state capital contributions	(809,125)	(1,959,967)
State capital contributions	176,308	-
Change in Net Position	(632,817)	(1,959,967)
NET POSITION		
Net position, beginning of year	1,101,841	3,061,808
Net Position, End of Year	$ 469,024	$ 1,101,841

The accompanying notes are an integral part of these financial statements.

MARYLAND PUBLIC BROADCASTING COMMISSION

Statement of Activities and Changes in Net Assets – MPT Foundation – Component Unit
For the Years Ended June 30, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$ 4,192,645	$ 675,210	$ 300,000	$ 5,167,855
Investment revenue	40,519	42,664	-	83,183
Net gain/(loss) on investments	148,042	210,234	-	358,276
Other revenue	66,100	-	-	66,100
Net assets released from restrictions	656,025	(656,025)		-
Total Support and Revenue	5,103,331	272,083	300,000	5,675,414
Expenses				
Support payments to the Commission	4,846,960	-	-	4,846,960
Fundraising	1,022,656	-	-	1,022,656
Management and general	290,333	-	-	290,333
Total Expenses	6,159,949	-	-	6,159,949
Changes in net assets	(1,056,618)	272,083	300,000	(484,535)
Net assets, beginning of year	3,553,031	780,971	1,634,967	5,968,969
Net assets, End of Year	$ 2,496,413	$ 1,053,054	$ 1,934,967	$ 5,484,434

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$ 4,148,325	$ 621,817	$ 934,967	$ 5,705,109
Investment revenue	137,585	18,001	-	155,586
Net loss on investments	(134,110)	(27,290)	-	(161,400)
Other revenue	65,297	-	-	65,297
Net assets released from restrictions	814,777	(814,777)		-
Total Support and Revenue	5,031,874	(202,249)	934,967	5,764,592
Expenses				
Support payments to the Commission	3,214,000	-	-	3,214,000
Fundraising	1,063,250	-	-	1,063,250
Management and general	367,776	-	-	367,776
Total Expenses	4,645,026	-	-	4,645,026
Changes in net assets	386,848	(202,249)	934,967	1,119,566
Net assets, beginning of year	3,166,183	983,220	700,000	4,849,403
Net assets, End of Year	$ 3,553,031	$ 780,971	$ 1,634,967	$ 5,968,969

The accompanying notes are an integral part of these financial statements.

MARYLAND PUBLIC BROADCASTING COMMISSION

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Membership pledges and contributions	**$ 6,990,804**	$ 7,152,983
Community service and public broadcast grants	**3,236,456**	3,548,943
Federal grants	**513,269**	506,211
Program underwriting	**6,705,348**	5,916,487
Other receipts	**1,000,368**	887,639
Payments to vendors	**(14,329,057)**	(14,426,209)
Payments to employees	**(11,564,835)**	(11,908,474)
Net Cash from Operating Activities	**(7,447,647)**	(8,322,420)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	**8,301,673**	8,549,617
Net Cash from Non Capital Financing Activities	**8,301,673**	8,549,617
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment	**(238,969)**	(349,637)
Principal and interest payments on capital lease obligations	**(380,468)**	(295,804)
Net Cash from Capital and Related Financing Activities	**(619,437)**	(645,441)
Net change in cash and cash equivalents	**234,589**	(418,244)
Cash, beginning of year	**2,501,831**	2,920,075
Cash, End of Year	**$ 2,736,420**	$ 2,501,831
Supplementary Disclosure		
Cash paid for interest	**$ 25,235**	$ 16,562
Assets acquired under capital lease	**$ 965,403**	$ 918,332

The accompanying notes are an integral part of these financial statements.

MARYLAND PUBLIC BROADCASTING COMMISSION

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	**$ (9,875,723)**	$ (11,270,886)
Adjustments to net loss to net cash		
from operating activities:		
Non-cash expenses:		
State in-kind contributions	**764,925**	761,302
Depreciation and amortization	**1,855,347**	1,497,369
Deferred outflows and inflows related to pension, net	**(2,082,390)**	(2,646,166)
Amortization of licensed program rights	**139,237**	132,460
Effect of changes of non-cash operating assets and liabilities:		
Accounts and grants receivable	**(266,842)**	427,851
Member pledges receivable, net	**(32,120)**	9,928
Other assets	**(1,174)**	15,675
Licensed program rights	**(211,860)**	(128,153)
Accounts payable and accrued expenses	**(450,237)**	100,426
Accrued salaries and vacation	**100,475**	(470,213)
Net pension liability	**2,699,457**	3,194,648
Unearned revenue	**(86,742)**	53,339
Net Cash from Operating Activities	**$ (7,447,647)**	$ (8,322,420)

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND PURPOSE

Nature of Operations

The Maryland Public Broadcasting Commission (the Commission), operates under the provisions of Title 24, Subtitle 2 of the Education Article of the Annotated Code of the State of Maryland and the Cumulative Supplements. The Governor appoints the eleven members of the Commission. The Commission is also referred to as Maryland Public Television (MPT). The Commission is a fund of the State of Maryland and is not a separate legal entity.

The Commission's mission is to educate, entertain and enlighten the people of Maryland and beyond through creative programs and services of the highest quality delivered through traditional public broadcasting and new multimedia technologies.

The Commission operates six noncommercial telecommunication stations in the State of Maryland. The following is a list of the call letters:

Digital Call Letters

WMPB – DT in Baltimore
WMPT – DT in Annapolis
WCPB – DT in Salisbury
WWPB – DT in Hagerstown
WGPT – DT in Oakland
WFPT – DT in Frederick

Reporting Entity

1) The Commission is an agency of the State of Maryland.
2) The MPT Foundation, Inc. (the Foundation) was organized exclusively to support and promote the objectives of the Commission in the following ways:
   - To facilitate fundraising programs and contributions from private sources to foster and promote the general welfare of the Commission;
   - To promote, sponsor and implement educational, scientific, charitable and cultural activities for the benefit of the Commission; and,
   - To accumulate and provide funds to be invested and to utilize the principal and income thereof for activities that enhance and further the mission of the Commission.

   The Foundation meets the criteria established by the Government Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and qualifies as a component unit of the Commission; therefore, the activities of the Foundation are shown in these financial statements as a discretely presented component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Commission implemented the financial reporting model, as required by generally accepted accounting standards for a government entity (GAAP) as set by the Government Accounting Standards Board (GASB), which requires a classified balance sheet, statement of revenue, expense, and change in net position, and a statement of cash flows using the direct method. GAAP does not require stand-alone financial statements of a government fund, which is part of the general government but is not a component unit or separate legal entity of the general government to present required supplementary information (RSI), including management's discussions and analysis. While GAAP does not preclude the presentation of RSI from the separate financial statements of a fund, GAAP does not require RSI to be presented. The Commission has elected to not present a management discussion and analysis.

The Commission distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the Commission's principal ongoing operations. Revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. The principal operating revenue of the Commission is contributions, grants and support from the Foundation.

For financial reporting purposes, the Commission is considered a special-purpose government agency engaged only in business-type activities. Accordingly, the Commission's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Commission's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

The Commission is a fund of the State of Maryland and does not represent or present the financial position or change in net position of the State of Maryland. The State provides administrative support for the Commission and the Commission has estimated the value of that support. This support is not necessarily representative of the Commission's cost as if it was a stand-alone entity and could change in the future. The Commission's accompanying financial statements are not indicative of the Commission as a stand-alone entity.

Basis of Presentation - Foundation

The financial statement presentation for the Foundation follows the recommendations of generally accepted accounting standards for not-for-profit entities. Under generally accepted accounting standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Complete financial statements of the Foundation may be requested from the Commission at 11767 Owings Mills Blvd., Owings Mills, MD 21117.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Commission considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash consists of a checking account and funds on deposit in the State of Maryland central accounts.

Accounts and Grants Receivable

Accounts and grants receivable consist of amounts due from Federal, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the Commission's grants and contracts. Accounts and grants receivable are recorded net of estimated uncollectible amounts.

Contributions Receivable - Foundation

Contributions receivable reflect unconditional donor pledges receivable due as of June 30, 2017 and 2016. Conditional promises to give are not recorded as income until the condition is met. There is no allowance for doubtful accounts as management believes amounts are fully collectible. As of June 30, 2017 and 2016, the Foundation had conditional promises to give of $1,270,000 and $1,520,000, respectively.

Investments – Foundation

Investments are stated at fair value. Shares of mutual funds are valued at quoted market prices, which represent the net values of shares held by the Foundation at year end. The fair value of other types of investments is based on quoted market prices at year end.

Licensed Program Rights

Program series and other syndicated products are recorded at the lower of unamortized cost, or estimated net realizable value. Generally these programs and products are amortized on a straight-line basis over the period of the license agreement. As of June 30, 2017 and 2016, licensed program rights were $432,869 and $412,797 respectively, and are being amortized using the straight-line method over the term of the contract which ranged from 1 to 4 years. Amortization expense for the years ended June 30, 2017 and 2016, was $139,237 and $132,460, respectively. Accumulated amortization was $249,557 and $302,108, as of June 30, 2017 and 2016, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment with a useful life greater than one year are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, and depreciated using the straight-line method over estimated useful lives of the assets.

Depreciation is computed using the straight-line method over estimated useful lives of the assets, generally 40-50 years for buildings, 5-50 years for building improvements, 3-10 years for equipment and 10-50 years for infrastructure and improvements.

Unearned Revenue

Unearned revenue represents advance payments on grants prior to year-end which will be recognized in revenue when the related expenditure is incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The Commission's net position is classified as follows:

Net investment in capital assets: This represents the Commission's net investment in capital assets related to those capital assets. It is measured by the net investment in capital assets less the related debt on those assets.

Unrestricted net position: Unrestricted net position represents resources derived from member contributions, state appropriations, underwriting and telecasting revenue. These resources are used for transactions relating to general operations of the Commission, and may be used at the direction of the governing board to meet current expenses for any purpose. The Commission has a deficit in unrestricted net position primarily due to GASB 68 pension liability and accounting. This will be funded in future years.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Commission's policy is to use the restricted resources first.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of the recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission. Any unspent funds are to be returned to the funder.

The CSGs are reported on the accompanying financial statements as revenue when they have been expended. Any unexpended funds are recorded as unearned revenue.

Membership Pledges and Contributions

The Commission engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Commission for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. Contributions, including unconditional promises to give and membership receipts, are recognized as revenue in the period received or given. An allowance for uncollectible member pledges is provided based upon management's judgment including such factors as prior collection history and type of pledge. All member pledges receivable are promises to give as of June 30, 2017 and 2016, and were deemed to be fully collectible.

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases temporarily or permanently restricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Membership Pledges and Contributions (continued)

Otherwise, when a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue and Cost Recognition for Uncompleted Non-Series and Series Programs

The Commission recognizes revenue for programs based on expenses incurred. Cash receipts received in advance of the program expenses are deferred and revenue is accrued if expenses are incurred in excess of cash receipts.

In-Kind Contributions and Contributed Services

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions and contributed services are offset by like amounts included in expenses.

Indirect support from other State of Maryland agencies consists of allocated institutional support and physical plant costs incurred by the State for which the Commission receives benefits. The fair value of this support is recognized in the statement of revenue, expenses, and change in net position as revenue and as expense.

Income Taxes - Foundation

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) on all income except unrelated business income. Certain income related to sale of advertising space is considered unrelated business income. Since related expenses exceed the income, no provision for income taxes has been reported. As of June 30, 2017 and 2016, the Foundation had a net operating loss carry forward to future years of approximately $24,500 and $55,000, respectively. The Foundation's management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. For the year ended June 30, 2017, the statute of limitations for fiscal years 2014 through 2017 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions as part of its income tax expense, when and if they become applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

GASB issued GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective on the fiscal year beginning after June 15, 2017. GASB issued GASB No. 87, *Leases*, which is effective on the fiscal year beginning after December 15, 2019. These statements may have a material effect on MPT's financial statements once implemented. MPT will be analyzing the effects of these pronouncement and plans to adopt, if applicable, by its effective date.

Subsequent Events

The Commission's management has evaluated subsequent events and transactions through January 12, 2018, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. CASH

As of June 30, 2017 and 2016, the Commission had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (State Treasurer) in the amount of $2,736,420 and $2,501,831 respectively. The State Treasurer has statutory responsibility for the State of Maryland's (the State) cash management activities. The State Treasurer maintains these and other State agency funds on a pooled basis in accordance with State statutes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission adheres to the State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates.

The State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasurer will not directly invest in securities maturing more than five years from the date of purchase.

3. CASH (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission's policy for reducing its exposure to credit risk is to comply with the State Treasurer's policy, which requires that the State Treasurer's investments in repurchase agreement be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission's policy for reducing this risk of loss is to comply with the State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

In the ordinary course of business, the Foundation may have funds held by financial institutions in excess of Federal insurance limits. The Foundation generally maintains mutual fund balances in financial institutions in excess of the SPIC limitations.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	June 30, 2016	Additions	Disposals/ Transfers	June 30, 2017
Capital Assets not Being Depreciated				
Land and improvements	$ 641,480	$ -	$ (10,114)	$ 631,366
Construction in progress	338,948	185,274	(524,222)	-
Total Capital Assets not Being Depreciated	980,428	185,274	(534,336)	631,366
Capital Assets, Being Depreciated:				
Building and improvements	13,964,994	-	168,669	14,133,663
Infrastructure and improvements	8,594,337	-	1,287,294	9,881,631
Equipment	28,882,017	1,195,406	(1,649,113)	28,428,310
Total Capital Assets, Being Depreciated	51,441,348	1,195,406	(193,150)	52,443,604
Accumulated Depreciation:				
Building and improvements	(10,619,938)	(489,097)	-	(11,109,035)
Infrastructure and improvements	(1,165,967)	(184,897)	-	(1,350,864)
Equipment	(26,108,318)	(1,181,353)	727,486	(26,562,185)
Total Accumulated Depreciation	(37,894,223)	(1,855,347)	727,486	(39,022,084)
Total Property and Equipment, Net	$ 14,527,553	$ (474,667)	$ -	$ 14,052,886

4. PROPERTY AND EQUIPMENT (continued)

	June 30, 2015	Additions	Disposals/ Transfers	June 30, 2016
Capital Assets not Being Depreciated				
Land and improvements	$ 641,480	$ -	$ -	$ 641,480
Construction in progress	732,193	178,829	(572,074)	338,948
Total Capital Assets not Being Depreciated	1,373,673	178,829	(572,074)	980,428
Capital Assets, Being Depreciated:				
Building and improvements	13,537,501	33,318	394,175	13,964,994
Infrastructure and improvements	8,594,337	-	-	8,594,337
Equipment	29,741,196	1,055,822	(1,915,001)	28,882,017
Total Capital Assets, Being Depreciated	51,873,034	1,089,140	(1,520,826)	51,441,348
Less accumulated depreciation for:				
Infrastructure and improvements	(1,025,629)	(140,338)		(1,165,967)
Building and improvements	(10,236,656)	(383,282)		(10,619,938)
Equipment	(27,227,469)	(973,749)	2,092,900	(26,108,318)
Total Accumulated Depreciation	(38,489,754)	(1,497,369)	2,092,900	(37,894,223)
Total Property and Equipment, Net	$ 26,019,238	$ (229,400)	$ -	$ 14,527,553

5. INVESTMENTS - FOUNDATION

Accounting principles accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under accounting principles accepted in the United States of America are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

5. INVESTMENTS – FOUNDATION (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation's investments in mutual funds are reported at their fair value determined using quoted market prices in active markets (all level 1 measurements, except as noted below) and consisted of the following as of June 30, 2017 and 2016:

	2017	2016
General		
Large blend equity mutual fund	**$ 1,207,129**	$ 1,112,683
Endowment		
Money market	**45,702**	317,120
Exchange traded products	**521,038**	348,461
Mutual funds - bonds	**898,748**	494,552
Mutual funds - equity	**1,371,408**	1,009,523
Alternative - (level 2)	**76,906**	64,064
Total Endowment	**2,913,802**	2,233,720
Charitable Gift Annutiy		
Money market and bond funds	**19,483**	19,972
Other large blend exchange traded products	**12,815**	11,102
Total Charitable Gift Annuity	**32,298**	31,074
Total Investments	**$ 4,153,229**	$ 3,377,477

Level 2 investments are valued based on similar instruments.

6. LONG TERM LIABILITIES

Long term liabilities consisted of the following:

	June 30, 2016	Additions	Reductions	June 30, 2017	Amounts Due Within One Year
Capital lease obligations	$ 1,807,160	$ 965,403	$ 380,468	$ 2,392,095	$ 524,667
Net pension liability	12,203,603	4,377,950	1,678,493	14,903,060	-
Accrued vacation	1,136,229	643,831	521,485	1,258,575	537,130
Long-term Liabilities	$ 15,146,992	$ 5,987,184	$ 2,580,446	$ 18,553,730	$ 1,061,797

The Commission leases broadcasting equipment under the State of Maryland's Master Lease Program. The leases contain a purchase option upon expiration. Maintenance and insurance costs are not included in the lease payments. Equipment held under lease obligations amounted to $3,262,149 and $2,411,093 as of June 30, 2017 and 2016, respectively.

6. LONG TERM LIABILITIES (continued)

Future minimum lease payments under capital leases as of June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2018	$ 524,667	$ 31,061	**$ 555,728**
2019	613,994	28,043	**642,037**
2020	531,377	18,190	**549,567**
2021	396,120	10,262	**406,382**
2022	285,484	3,709	**289,193**
Thereafter	40,453	360	**40,813**
Total	**$ 2,392,095**	**$ 91,625**	**$ 2,483,720**

7. ENDOWMENTS - FOUNDATION

The Foundation established a charitable endowment that is comprised of several specific funds and one general fund. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Maryland 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 Foundation classifies as permanently restricted net assets the original value of gifts designated by donors to be restricted in perpetuity. The Foundation classifies as temporarily restricted net assets the original value of contributions that have been designated by donors to one of the specific funds. All income on these endowments is recorded as temporarily restricted net assets or unrestricted net assets, based on donor intent. In the absence of a purpose restriction on the use of endowment fund income, donor restrictions on the income will lapse only when and to the degree that management appropriates an amount for expenditure in a manner consistent with UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

7. ENDOWMENTS - FOUNDATION (continued)

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long- term. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Endowment net asset composition by type of fund as of June 30, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 387,844	$ 1,934,967	$ 2,322,811
Board-designated endowment funds	590,991	-	-	590,991
Total Endowment Funds	$ 590,991	$ 387,844	$ 1,934,967	$ 2,913,802

Changes in endowment net assets as of June 30, 2017, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2016	$ 449,526	$ 149,227	$ 1,634,967	$ 2,233,720
Contributions	115,473	10,000	300,000	425,473
Investment income	10,295	42,664	-	52,959
Net appreciation	50,731	210,234	-	260,965
Amount appropriated for expenditure	(35,034)	(24,281)	-	(59,315)
Endowment net assets, June 30, 2017	$ 590,991	$ 387,844	$ 1,934,967	$ 2,913,802

Endowment net asset composition by type of fund as of June 30, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 149,227	$ 1,634,967	$ 1,784,194
Board-designated endowment funds	449,526	-	-	449,526
Total Endowment Funds	$ 449,526	$ 149,227	$ 1,634,967	$ 2,233,720

7. ENDOWMENTS - FOUNDATION (continued)

Changes in endowment net assets as of June 30, 2016, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2015	$ 362,771	$ 144,607	$ 700,000	$ 1,207,378
Contributions	100,420	10,000	934,967	1,045,387
Investment income	45,717	18,001	-	63,718
Net depreciation	(59,382)	(23,381)	-	(82,763)
Endowment net assets, June 30, 2016	$ 449,526	$ 149,227	$ 1,634,967	$ 2,233,720

8. CHARITABLE GIFT ANNUITY - FOUNDATION

The Foundation has established a program under which donors may set up charitable gift annuities. Under this program, donors can contribute assets to the Foundation and in return receive a guaranteed fixed income for life. The Foundation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability. There was no charitable gift annuity contributions during the years ended June 30, 2017 and 2016.

Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and actuarial assumptions. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor. The present value of future payment liabilities of charitable gift annuities was $9,504 and $9,659, as of June 30, 2017 and 2016, respectively.

The Foundation has been issued a special permit by the State of Maryland to enter into annuity agreements with donors. Maryland Statutes require entities with such a permit to maintain segregated reserve assets at least equal to the sum of the reserves on its outstanding annuity agreements. The segregated reserve assets shall be invested as permitted under Estates and Trust Article Section 15-406, Annotated Code of Maryland. Management believes the Foundation has complied with these requirements.

9. NONFEDERAL FINANCIAL SUPPORT (NFFS)

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

9. NONFEDERAL FINANCIAL SUPPORT (NFFS) (continued)

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 and related activities; and (4) the recipient must be a public broadcasting entity. However, to eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the NFFS.

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 payments must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was $19,952,370 and $16,728,469, for the years ended June 30, 2017 and 2016, respectively.

10. RETIREMENT PLANS

Maryland State Retirement and Pension System

The Commission contributes to the Maryland State Retirement and Pension System (the System or MSRPS), established by the State to provide pension benefits for State employees and employees of 123 participating entities within the State. Although the System is an agent, multiple-employer public employee retirement system, the Commission accounts for the plan as a cost-sharing multiple-employer public employee retirement system and a separate valuation is not performed for the Commission and the Commission’s only obligation to the plan is its required annual contributions.

The System is considered part of the State’s financial reporting entity and is not considered a part of the Commission’s reporting entity. The System prepares a separate Comprehensive Annual Financial Report which can be obtained from the Maryland State Retirement and Pension System at 120 East Baltimore Street, Baltimore, Maryland 21202.

10. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

Plan Description. The System, which is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland (the Article), consists of the several plans that are managed by the Board of Trustees for the System. All State employees hired into positions that are permanently funded and employees of the participating entities are eligible for coverage by the plans. Certain employees of the Commission are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the System. The Article grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits Provided. A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's Average Final Compensation (AFC) multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits.

10. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement. A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service.

Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Disability and Death Benefits. Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6-7% of their annual pay, depending on which system the employee belongs. The State of Maryland is responsible for the net pension liability of TPS. The State of Maryland did not make contributions on behalf of the Commission for the years ended June 30, 2017 and 2016.

10. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

The Commission's contractually required contribution rate for the years ended June 30, 2017 and 2016, was $1,678,493 and $1,418,929, respectively, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (State only). Contributions from the Commission were $1,678,493 and $1,418,929, for the years ended June 30, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017 and 2016, the Commission reported a liability of $14,903,060 and $12,203,603, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2017, the Commission's proportion was .0673%, this increased from .0625% percent, as of June 30, 2016.

For the years ended June 30, 2017 and 2016, the Commission recognized pension expense of $2,295,560 and $1,967,411, respectively. As of June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 2,054,127	$ -
Change in actuarial assumptions	561,406	-
Net difference between projected and actual earnings on pension plan investments	-	493,045
Change in experience	-	341,110
Change in proportionate share	1,752,413	-
Contributions made subsequent to the measurement date	1,678,493	-
Total	**$ 6,046,439**	**$ 834,155**

10. RETIREMENT PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The deferred outflows of resources related to the contributions made subsequent to the measurement date in the amount of $1,678,493, will be recognized in the year ended June 30, 2018. The remaining above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission will be recognized in the pension expense as follows:

	Deferred Outflows of Resources				Deferred Inflows of Resources	
For the Years Ending June 30,	Net difference between projected and actual earnings	Change in actuarial assumptions	Change in proportionate share	Contributions made subsequent to the measurement date	Net difference between projected and actual earnings	Change in experience
2018	$ 586,236	$ 197,860	$ 392,595	$ 1,678,493	$ 493,045	$ 102,183
2019	586,236	198,265	392,595	-	-	102,183
2020	586,236	165,281	392,595	-	-	102,183
2021	295,419	-	341,803	-	-	34,561
2022	-	-	232,825	-	-	-
	$ 2,054,127	$ 561,406	$ 1,752,413	$ 1,678,493	$ 493,045	$ 341,110

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

Sensitivity of the net pension liability to changes in the discount rate.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Commission's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% decrease (6.55%)	Current Rate 7.55%	1% increase (8.55%)
Commission's proportionate share of NPL	$ 25,117,711	$ 14,903,060	$ 12,601,398

11. INDIRECT ADMINISTRATIVE SUPPORT

The Commission utilizes facilities of the State of Maryland and has recorded occupancy cost, imputed based upon appraisal reports and methodology prescribed by the CPB, of $519,744, as State contributions and as management and general expense for the years ended June 30, 2017 and 2016, respectively.

11. INDIRECT ADMINISTRATIVE SUPPORT (continued)

The Commission also recorded a capital contribution from the State of Maryland of $176,308, as State capital contributions and as property and equipment as of and for the year ended June 30, 2017.

The Commission recorded the administrative cost allocation from the State of Maryland of $245,181 and $241,558, as State contributions in-kind and as management and general expense for the years ended June 30, 2017 and 2016, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Commission receives financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the granters. Any disallowances as a result of these audits become a liability of the fund that received the grant. As of June 30, 2017, the Commission estimates that no material liabilities will result from such audits.

13. RELATED PARTY TRANSACTIONS

The Foundation reimburses the Commission for time spent by the Commission employees on Foundation work and for building space used by Foundation employees. The total expense amounted to $275,000, for the years ended June 30, 2017 and 2016.

The Foundation purchased advertising space in the Commission’s program guide and resold space to advertisers. Total expense paid to the Commission for advertising amounted to $36,000, for the each of the years ended June 30, 2017 and 2016.

The Foundation contributed $4,843,519 and $3,214,000, to the Commission during the years ended June 30, 2017 and 2016, respectively. Those contributions are recorded as underwriting and other telecasting revenue in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND PUBLIC BROADCASTING COMMISSION

Schedule of Proportionate Share of Net Pension Liability
June 30, 2017

	2017	2016	2015
The Commission's proportion of the net pension liability	**0.0673%**	0.0625%	0.0537%
The Commission's proportionate share of the net pension liability	**$ 14,903,060**	$ 12,203,603	$ 9,008,955
The State's proportionate share of the net pension liability	**22,158,553,343**	19,524,129,077	16,774,070,093
Total State net pension liability	**$ 22,173,456,403**	$ 19,536,332,680	$ 16,783,079,048
The Commission's covered-employee payroll	**$ 8,483,100**	$ 8,412,089	$ 8,198,326
The Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**175.68%**	141.04%	109.89%
Plan fiduciary net position as a percentage of total pension liability	**65.79%**	68.78%	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, information prior to June 30, 2015 is not available.

MARYLAND PUBLIC BROADCASTING COMMISSION

Schedule of Contributions
June 30, 2017

	2017	2016	2015
Contractually required contribution	**$ 1,678,493**	$ 1,418,929	$ 1,339,496
Contributions in relation to the contractually required contribution	**(1,678,493)**	(1,418,929)	(1,339,496)
Contribution deficiency (excess)	**$ -**	$ -	$ -
Commission's covered-employee payroll	**$ 8,483,100**	$ 8,652,328	$ 8,474,268
Contributions as a percentage covered-employee payroll	**19.79%**	16.40%	15.81%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, information prior to June 30, 2015 is not available.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners of
Maryland Public Broadcasting Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Maryland Public Broadcasting Commission (the Commission) (a fund of the State of Maryland) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 12, 2018.

Internal Controls over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Hunt Valley, Maryland
January 12, 2018

SB & Company, LLC