

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
JUNE 30, 2020 AND 2019

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

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## **Independent Auditors' Report**

To the Board of Trustees  
Connecticut Public Broadcasting, Inc. and Subsidiaries  
Hartford, Connecticut

We have audited the accompanying consolidated financial statements of Connecticut Public Broadcasting, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities and cash flows for the years then ended, the related statement of functional expenses for the years ended June 30, 2020 and 2019, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Public Broadcasting, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2020, the Connecticut Public Broadcasting, Inc. and Subsidiaries adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities - without donor restrictions are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
October 14, 2020

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>Current Assets</b>                                 |                      |                      |
| Cash and cash equivalents                             | \$ 633,942           | \$ 86,708            |
| Investments   | 3,274,187            | 3,837,189            |
| Accounts receivable, net                              | 4,886,601            | 3,167,157            |
| Grants and other receivables                          | -                    | 39,508               |
| Production costs                                      | 155,149              | 4,481                |
| Prepaid expenses and deposits                         | 29,751               | 18,237               |
| Total current assets                                  | <u>8,979,630</u>     | <u>7,153,280</u>     |
| <b>Other Assets</b>                                   |                      |                      |
| Investments held for property and equipment           | 128,044              | 325,990              |
| Investments - endowment                               | 46,768,722           | 48,356,076           |
| Intangibles, net                                      | 311,000              | 373,200              |
| Other investments                                     | 26,229               | 26,229               |
| Total other assets                                    | <u>47,233,995</u>    | <u>49,081,495</u>    |
| <b>Property, Equipment and Leasehold Improvements</b> |                      |                      |
| Land and improvements                                 | 786,710              | 786,710              |
| Building  | 14,098,438           | 14,051,597           |
| Equipment   | 37,735,571           | 33,920,735           |
| Leasehold improvements                                | 379,499              | 379,498              |
|   | <u>53,000,218</u>    | <u>49,138,540</u>    |
| Accumulated depreciation and amortization             | (40,397,355)         | (39,262,588)         |
| Construction in progress                              | 931,668              | 2,576,037            |
| Net property, equipment and leasehold improvements    | <u>13,534,531</u>    | <u>12,451,989</u>    |
| <b>Total Assets</b>                                   | <u>\$ 69,748,156</u> | <u>\$ 68,686,764</u> |
| <b>LIABILITIES AND NET ASSETS</b>                     |                      |                      |
| <b>Current Liabilities</b>                            |                      |                      |
| Line of credit  | \$ 1,000,000         | \$ -                 |
| Accounts payable and accrued expenses                 | 3,057,950            | 4,470,680            |
| Paycheck Protection Program advance                   | 63,897               | -                    |
| Deferred revenue                                      | 43,555               | 23,599               |
| Total current liabilities                             | <u>4,165,402</u>     | <u>4,494,279</u>     |
| <b>Net Assets</b>                                     |                      |                      |
| Without donor restrictions                            | 61,199,913           | 61,409,489           |
| With donor restrictions                               | 4,382,841            | 2,782,996            |
| Total net assets                                      | <u>65,582,754</u>    | <u>64,192,485</u>    |
| <b>Total Liabilities and Net Assets</b>               | <u>\$ 69,748,156</u> | <u>\$ 68,686,764</u> |

The accompanying notes are an integral part of the consolidated financial statements

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|--|-------------------------------|----------------------------|----------------------|
| <b>Revenues</b>  |                               |                            |                      |
| Underwriting support                                   | \$ 6,912,405                  | \$ -                       | \$ 6,912,405         |
| Subscription and membership income                     | 6,374,040                     | 2,650,822                  | 9,024,862            |
| Annual spending distribution                           | 2,373,296                     | -                          | 2,373,296            |
| Corporation for Public Broadcasting                    | 2,256,690                     | -                          | 2,256,690            |
| Paycheck Protection Program                            | 1,536,103                     | -                          | 1,536,103            |
| Video services   | 1,033,971                     | -                          | 1,033,971            |
| Auctions and special events                            | 13,572                        | -                          | 13,572               |
| Planned gifts and bequests                             | 69,021                        | -                          | 69,021               |
| Contributed in-kind support                            | 191,317                       | -                          | 191,317              |
| Nonbroadcasting services                               | 124,119                       | -                          | 124,119              |
| Miscellaneous  | 60,336                        | -                          | 60,336               |
| Donated personal services of volunteers                | 26,289                        | -                          | 26,289               |
| Release from restrictions                              | 20,100                        | (20,100)                   | -                    |
| Total revenues   | <u>20,991,259</u>             | <u>2,630,722</u>           | <u>23,621,981</u>    |
| <b>Expenses</b>  |                               |                            |                      |
| Program services:                                      |                               |                            |                      |
| Programming and production                             | 10,583,968                    | -                          | 10,583,968           |
| Broadcasting   | 1,378,071                     | -                          | 1,378,071            |
| Contributed in-kind support                            | 169,476                       | -                          | 169,476              |
| Program information                                    | 1,242,293                     | -                          | 1,242,293            |
| Total program services                                 | <u>13,373,808</u>             | <u>-</u>                   | <u>13,373,808</u>    |
| Supporting services:                                   |                               |                            |                      |
| Fundraising and membership development:                |                               |                            |                      |
| Membership development                                 | 2,801,089                     | -                          | 2,801,089            |
| Other fundraising expenses                             | 786,393                       | -                          | 786,393              |
| Contributed in-kind support                            | 21,841                        | -                          | 21,841               |
| Donated personal services of volunteers                | 26,289                        | -                          | 26,289               |
| Management and general                                 | 3,136,593                     | -                          | 3,136,593            |
| Total supporting services                              | <u>6,772,205</u>              | <u>-</u>                   | <u>6,772,205</u>     |
| Voluntary separation costs                             | 631,158                       | -                          | 631,158              |
| Reorganization costs                                   | 227,019                       | -                          | 227,019              |
| Video services:  |                               |                            |                      |
| Cost of production                                     | 827,583                       | -                          | 827,583              |
| General and administrative                             | 122,382                       | -                          | 122,382              |
| Total video services                                   | <u>949,965</u>                | <u>-</u>                   | <u>949,965</u>       |
| Total expenses   | <u>21,954,155</u>             | <u>-</u>                   | <u>21,954,155</u>    |
| Change in net assets before other activities           | <u>(962,896)</u>              | <u>2,630,722</u>           | <u>1,667,826</u>     |
| <b>Other Activities</b>                                |                               |                            |                      |
| Income from Channel Sharing Agreement, net of expenses | 1,269,332                     | -                          | 1,269,332            |
| Contributions restricted for capital additions         | -                             | 1,241,797                  | 1,241,797            |
| Income from licensing of intangible assets             | 1,354,260                     | -                          | 1,354,260            |
| Investment return, net                                 | (488,626)                     | (11,461)                   | (500,087)            |
| Release of restricted assets for capital additions     | 2,019,535                     | (2,019,535)                | -                    |
| Transfer of funds                                      | 241,678                       | (241,678)                  | -                    |
| Interest expense                                       | (72,593)                      | -                          | (72,593)             |
| Depreciation and amortization                          | (1,196,970)                   | -                          | (1,196,970)          |
| Annual spending distribution                           | (2,373,296)                   | -                          | (2,373,296)          |
| Net nonoperating revenues and expenses                 | <u>753,320</u>                | <u>(1,030,877)</u>         | <u>(277,557)</u>     |
| <b>Change in Net Assets</b>                            | (209,576)                     | 1,599,845                  | 1,390,269            |
| <b>Net Assets - Beginning of Year</b>                  | <u>61,409,489</u>             | <u>2,782,996</u>           | <u>64,192,485</u>    |
| <b>Net Assets - End of Year</b>                        | <u>\$ 61,199,913</u>          | <u>\$ 4,382,841</u>        | <u>\$ 65,582,754</u> |

The accompanying notes are an integral part of the consolidated financial statements

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|--|-------------------------------|----------------------------|----------------------|
| <b>Revenues</b>  |                               |                            |                      |
| Underwriting support   | \$ 8,302,188                  | \$ -                       | \$ 8,302,188         |
| Subscription and membership income   | 6,850,404                     | 20,100                     | 6,870,504            |
| Annual spending distribution   | 2,330,348                     | -                          | 2,330,348            |
| Corporation for Public Broadcasting  | 2,104,063                     | -                          | 2,104,063            |
| Video services   | 1,288,134                     | -                          | 1,288,134            |
| Auctions and special events  | 795,319                       | -                          | 795,319              |
| Planned gifts and bequests   | 713,293                       | -                          | 713,293              |
| Contributed in-kind support  | 237,749                       | -                          | 237,749              |
| Nonbroadcasting services   | 118,054                       | -                          | 118,054              |
| Miscellaneous  | 88,983                        | -                          | 88,983               |
| Donated personal services of volunteers                                    | 23,726                        | -                          | 23,726               |
| Grants - State of Connecticut  | 3,750                         | -                          | 3,750                |
| Total revenues   | <u>22,856,011</u>             | <u>20,100</u>              | <u>22,876,111</u>    |
| <b>Expenses</b>  |                               |                            |                      |
| Program services:  |                               |                            |                      |
| Programming and production   | 10,923,552                    | -                          | 10,923,552           |
| Broadcasting   | 1,642,561                     | -                          | 1,642,561            |
| Contributed in-kind support  | 223,000                       | -                          | 223,000              |
| Program information  | 1,209,353                     | -                          | 1,209,353            |
| Total program services   | <u>13,998,466</u>             | <u>-</u>                   | <u>13,998,466</u>    |
| Supporting services:   |                               |                            |                      |
| Fundraising and membership development:                                    |                               |                            |                      |
| Membership development   | 2,702,748                     | -                          | 2,702,748            |
| Other fundraising expenses   | 1,245,372                     | -                          | 1,245,372            |
| Contributed in-kind support  | 14,749                        | -                          | 14,749               |
| Donated personal services of volunteers                                    | 23,726                        | -                          | 23,726               |
| Management and general   | 3,669,081                     | -                          | 3,669,081            |
| Total supporting services  | <u>7,655,676</u>              | <u>-</u>                   | <u>7,655,676</u>     |
| Reorganization costs   | <u>224,298</u>                | <u>-</u>                   | <u>224,298</u>       |
| Video services:  |                               |                            |                      |
| Cost of production   | 940,589                       | -                          | 940,589              |
| General and administrative   | 156,223                       | -                          | 156,223              |
| Total video services   | <u>1,096,812</u>              | <u>-</u>                   | <u>1,096,812</u>     |
| Total expenses   | <u>22,975,252</u>             | <u>-</u>                   | <u>22,975,252</u>    |
| Change in net assets before other activities                               | <u>(119,241)</u>              | <u>20,100</u>              | <u>(99,141)</u>      |
| <b>Other Activities</b>  |                               |                            |                      |
| Income from Channel Sharing Agreement, net of expenses                     | 1,806,359                     | -                          | 1,806,359            |
| Contributions restricted for capital additions                             | -                             | 1,603,797                  | 1,603,797            |
| Income from licensing of intangible assets                                 | 1,354,260                     | -                          | 1,354,260            |
| Investment return, net   | 1,203,600                     | 19,805                     | 1,223,405            |
| Release of restricted assets for capital additions                         | 55,195                        | (55,195)                   | -                    |
| Transfer of funds  | 1,067                         | (1,067)                    | -                    |
| Loss on sale of property and equipment                                     | (8,619)                       | -                          | (8,619)              |
| Expense associated with relinquishment of television spectrum usage rights | (13,874)                      | -                          | (13,874)             |
| Interest expense   | (29,840)                      | -                          | (29,840)             |
| Depreciation and amortization  | (1,238,620)                   | -                          | (1,238,620)          |
| Annual spending distribution   | (2,330,348)                   | -                          | (2,330,348)          |
| Net nonoperating revenues and expenses                                     | <u>799,180</u>                | <u>1,567,340</u>           | <u>2,366,520</u>     |
| <b>Change in Net Assets</b>  | <u>679,939</u>                | <u>1,587,440</u>           | <u>2,267,379</u>     |
| <b>Net Assets - Beginning of Year</b>                                      | <u>60,729,550</u>             | <u>1,195,556</u>           | <u>61,925,106</u>    |
| <b>Net Assets - End of Year</b>  | <u>\$ 61,409,489</u>          | <u>\$ 2,782,996</u>        | <u>\$ 64,192,485</u> |

The accompanying notes are an integral part of the consolidated financial statements

## CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

|  | <u>Program<br/>Services</u> | <u>Fundraising</u>  | <u>Management<br/>and General</u> | <u>Total</u>         |
|--|-----------------------------|---------------------|-----------------------------------|----------------------|
| Payroll and benefits                             | \$ 7,483,752                | \$ 2,073,086        | \$ 1,749,459                      | \$ 11,306,297        |
| Program acquisition and network affiliation fees | 3,237,727                   | 9,020               | -                                 | 3,246,747            |
| Other professional services                      | 563,891                     | 921,224             | 479,374                           | 1,964,489            |
| Occupancy and utilities                          | 854,322                     | 75,833              | 637,583                           | 1,567,738            |
| Production                                       | 1,471,499                   | 20,770              | 840                               | 1,493,109            |
| Membership benefits                              | 487,243                     | 391,584             | 197                               | 879,024              |
| Equipment rental and maintenance                 | 383,099                     | 193,577             | 129,033                           | 705,709              |
| Other  | 255,998                     | 53,783              | 277,800                           | 587,581              |
| Travel, meetings and special events              | 125,445                     | 46,312              | 31,704                            | 203,461              |
| <b>Total Expenses</b>                            | <b>\$ 14,862,976</b>        | <b>\$ 3,785,189</b> | <b>\$ 3,305,990</b>               | <b>\$ 21,954,155</b> |

The accompanying notes are an integral part of the consolidated financial statements

## CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

|  | <u>Program<br/>Services</u> | <u>Fundraising</u>  | <u>Management<br/>and General</u> | <u>Total</u>         |
|--|-----------------------------|---------------------|-----------------------------------|----------------------|
| Payroll and benefits                             | \$ 6,560,542                | \$ 1,958,528        | \$ 1,920,483                      | \$ 10,439,553        |
| Program acquisition and network affiliation fees | 3,214,001                   | -                   | -                                 | 3,214,001            |
| Other professional services                      | 624,729                     | 1,010,289           | 606,302                           | 2,241,320            |
| Occupancy and utilities                          | 902,007                     | 90,355              | 626,408                           | 1,618,770            |
| Production                                       | 2,724,021                   | 109,260             | 2,185                             | 2,835,466            |
| Membership benefits                              | 456,651                     | 303,094             | 721                               | 760,466              |
| Equipment rental and maintenance                 | 361,859                     | 173,073             | 163,273                           | 698,205              |
| Other  | 135,821                     | 37,141              | 398,979                           | 571,941              |
| Travel, meetings and special events              | 187,573                     | 301,004             | 106,953                           | 595,530              |
| <b>Total Expenses</b>                            | <u>\$ 15,167,204</u>        | <u>\$ 3,982,744</u> | <u>\$ 3,825,304</u>               | <u>\$ 22,975,252</u> |

The accompanying notes are an integral part of the consolidated financial statements

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

|   | <u>2020</u>        | <u>2019</u>        |
|---|--------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>   |                    |                    |
| Change in net assets  | \$ 1,390,269       | \$ 2,267,379       |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                    |                    |
| Depreciation and amortization   | 1,196,970          | 1,238,620          |
| Change in provision for accounts receivable   | (62,899)           | 11,597             |
| Contributions restricted for capital additions  | (1,241,797)        | (1,603,797)        |
| Loss on sale of property and equipment  | -                  | 8,619              |
| Net realized and unrealized loss (gain) on investments  | 500,087            | (1,223,405)        |
| (Increase) decrease in operating assets:  |                    |                    |
| Accounts receivable, net  | (1,656,545)        | 270,266            |
| Grants and other receivables  | 39,508             | 352                |
| Production costs  | (150,668)          | 67,468             |
| Prepaid expenses and deposits   | (11,514)           | 72,638             |
| Increase (decrease) in operating liabilities:   |                    |                    |
| Accounts payable and accrued expenses   | (1,412,730)        | 967,301            |
| Paycheck Protection Program advance   | 63,897             | -                  |
| Deferred revenue  | 19,956             | (134,800)          |
| Net cash provided by (used in) operating activities   | <u>(1,325,466)</u> | <u>1,942,238</u>   |
| <b>Cash Flows from Investing Activities</b>   |                    |                    |
| Purchases of securities   | (3,236,137)        | (4,151,593)        |
| Sales of securities   | 5,084,352          | 2,853,050          |
| Property, equipment and leasehold improvement additions   | (2,217,312)        | (2,554,159)        |
| Net cash used in investing activities   | <u>(369,097)</u>   | <u>(3,852,702)</u> |
| <b>Cash Flows from Financing Activities</b>   |                    |                    |
| Borrowing on line of credit   | 1,000,000          | -                  |
| Contributions restricted for capital additions  | 1,241,797          | 1,603,797          |
| Net cash provided by financing activities   | <u>2,241,797</u>   | <u>1,603,797</u>   |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | 547,234            | (306,667)          |
| <b>Cash and Cash Equivalents - Beginning of Year</b>  | <u>86,708</u>      | <u>393,375</u>     |
| <b>Cash and Cash Equivalents - End of Year</b>  | <u>\$ 633,942</u>  | <u>\$ 86,708</u>   |
| <b>Cash Paid During the Year for</b>  |                    |                    |
| Interest  | <u>\$ 72,595</u>   | <u>\$ 29,841</u>   |

The accompanying notes are an integral part of the consolidated financial statements

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business

Connecticut Public Broadcasting, Inc., is a nonprofit organization which provides nonprofit and noncommercial television and radio services to serve the needs of the Connecticut community and contributes to the advancement of educational programs. Connecticut Public Broadcasting, Inc.'s wholly owned for-profit subsidiary, MediaVision Productions, Inc., provides television and radio equipment and services to third parties.

On November 30, 2015, a wholly owned nonprofit subsidiary was established, Connecticut Public Broadcasting Real Estate Holding Company, Inc. A majority of the real estate holdings held by Connecticut Public Broadcasting was transferred to the newly formed company.

On November 30, 2015, a wholly owned nonprofit subsidiary was established, Connecticut Public Broadcasting Endowment, Inc. There have been no assets transferred to this new subsidiary. The intent is to transfer the endowment investments into the endowment company.

The consolidated financial statements as of June 30, 2020 and 2019 include the activities of Connecticut Public Broadcasting, Inc., Connecticut Public Broadcasting Real Estate Holding Company, Inc., Connecticut Public Broadcasting Endowment, Inc., and MediaVision Productions, Inc. (collectively, the Company). All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

#### Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2018-08 for the year ended June 30, 2020. The amendments have been applied using the modified prospective method.

#### New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Due to the coronavirus public health emergency, as discussed in Note 14, the FASB has provided a delay in the effective date for this ASU and it is now effective for annual reporting periods beginning after December 15, 2019. As a result, the Company has chosen to adopt this standard for the fiscal year ending June 30, 2021. The Company's revenue recognition policy, particularly for underwriting contracts and its wholly owned subsidiary, MediaVision Productions, Inc., will change to reflect this new pronouncement. The Company expects that the change in accounting policy for the implementation of ASU 2014-09 will result in a material reduction in revenues in fiscal year 2021 (initial year of adoption) and consequently a negative change in net assets.

### **Basis of Accounting and Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The Company reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. They are described as follows:

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees. Each year, the Board of Trustees designates a portion of net assets without donor restrictions for the purpose of funds functioning as an endowment. For the years ended June 30, 2020 and 2019, the Board has designated \$45,890,903 and \$47,465,929, respectively, to function as endowment.

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure, 2) contributions that require that the principal be maintained in perpetuity but permit the Company to expend the income earned thereon, and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

### **Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is 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. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Company's gains and losses on investments bought and sold as well as held during the year.

### **Intangibles**

On July 1, 2015, MediaVision Productions, Inc., entered into an agreement with a related party which resulted in a lease agreement and the purchase of certain intangibles. The agreement required a monthly payment of \$30,000 for the use of the building, certain equipment and access to customer lists. The acquisition was valued by a third party. The intangibles were valued at \$641,000, resulting in bargain purchase income of \$257,500.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Amortization expense is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for financial reporting purposes are as follows:

| <u>Asset</u>       | <u>Estimated Useful Lives</u> |
|--------------------|-------------------------------|
| Customer relations | 10 years                      |
| Trade name         | 2.2 years                     |

### Allowances for Receivables

Allowances for accounts receivable are determined by management based on assessment of their collectability. Management considers past history, current economic conditions and overall viability of the third party. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on the invoice date.

### Property, Equipment and Leasehold Improvements

The Company capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives. Amortization of leasehold improvements is computed using the straight-line method over the shorter of useful life or the remaining lease term. Estimated lives for financial reporting purposes are as follows:

| <u>Asset</u>           | <u>Estimated Lives</u> |
|------------------------|------------------------|
| Building               | 30 years               |
| Equipment              | 3 to 10 years          |
| Leasehold improvements | 5 years                |

Primarily all depreciation and amortization expense is associated with assets necessary to operate program services. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

### Deferred Revenue

#### Underwriting Fees and Production Costs

Revenues from underwriting fees and related production costs are recognized in operations over the term of the related underwriting contract. Production costs incurred for projects still in development at year end are presented as an asset in the consolidated statements of financial position, and underwriting revenue received before the earning process is complete is presented as deferred revenue in the consolidated statements of financial position.

#### Revenue from Channel Sharing and Spectrum Rights

In 2017, the Company participated in the broadcast incentive auction conducted by the Federal Communications Commission (FCC). At the conclusion of the incentive auction, the Company relinquished its spectrum usage rights for one of its television licenses in exchange for a payment from the FCC. In addition, also as part of the incentive auction, the Company will share, with an unrelated broadcaster, spectrum of another of its television licenses under a Channel-Share Agreement (CSA).

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Under the terms of the CSA, on July 21, 2017, the Company received \$25,504,174 from its channel-share broadcast partner. For the years ended June 30, 2020 and 2019, income, net of expenses, of \$1,269,332 and \$1,806,359, respectively, were recognized for these transactions and are shown in the consolidated statements of activities.

### **Subscription and Membership Income**

The Company recognizes subscription and membership income on the date the individual membership gift is received.

### **Income from Licensing of Intangible Assets**

The Company recognizes income from licensing of intangible assets over the life of each respective agreement on a straight-line basis.

### **Donated Personal Services of Volunteers**

Donated personal services of volunteers who possess special skills and meet the required criteria under accounting standards are recorded as revenue and expense in the accompanying consolidated financial statements at their estimated fair value based on standard valuation rates and job classifications found at the website developed by Independent Sector.

All other donated services from volunteers for various programs have not been recognized in the accompanying consolidated statements of activities because the criteria for recognition of such volunteer effort have not been satisfied in accordance with the standards.

### **Contributed Programming and Production**

In-kind contributions of services, rental of equipment and office space, programs, fundraising support and other similar services are recorded as revenue and expense in the accompanying consolidated financial statements at their estimated fair value based on discounts provided and documented by independent third-party vendors.

### **Contributions, Donor-Restricted Gifts and Restricted Grants**

For financial statement purposes, the Company distinguishes between contributions of net assets without donor restrictions and net assets with donor restrictions.

Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Company reports contributions of cash and other assets as donor restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying consolidated statements of financial position.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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There were no conditional contributions as of June 30, 2020.

### Measure of Operations

The consolidated statements of activities present revenue from operations separately from nonoperating activities. For purposes of the consolidated statements of activities, operations are defined as revenue and expenses (other than depreciation) from programming, production and broadcasting activities, membership and subscriptions, corporate underwriting, and revenue from grants to operate certain programs throughout the year, along with the general and administrative expenses incurred to operate the Company. Realized and unrealized gains and losses on the investments without donor restrictions as well as earned income, net of the spending rule allocation, on investments without donor restrictions and with donor restrictions are reported as nonoperating revenue. All other revenue and expenses (primarily investment results, net income from broadcast incentive auction, income from licensing of intangible assets, depreciation, and capital and endowment campaign revenue and expenses) are classified as nonoperating activities. This basis of presentation reflects the Company's management philosophy throughout the year.

### Income Taxes

The Internal Revenue Service has ruled that Connecticut Public Broadcasting, Inc., Connecticut Public Broadcasting Real Estate Holding Company, Inc., and Connecticut Public Broadcasting Endowment, Inc., are exempt from income taxes on related income under the applicable section of the Internal Revenue Code (the IRC). Once qualified, they are required to operate in conformity with the IRC to maintain their tax-exempt status. Connecticut Public Broadcasting, Inc., Connecticut Public Broadcasting Real Estate Holding Company, Inc., and Connecticut Public Broadcasting Endowment, Inc., are not aware of any course of action or series of events that have occurred that might adversely affect their tax-exempt status.

MediaVision Productions, Inc., is a "C" corporation and thus state and federal income taxes are accounted for under an asset and liability method, which recognizes deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the tax and financial reporting basis of certain assets and liabilities.

At June 30, 2020, MediaVision Productions, Inc., has available federal net operating loss carryforwards of approximately \$94,306 with no expiration, and state net operating loss carryforwards of approximately \$36,263 expiring through 2037. Deferred tax assets aggregated \$33,859 and \$89,572 at June 30, 2020 and 2019, respectively, all of which have been offset by a valuation allowance. As a result of the utilization of net operating loss carryforwards, there is no provision for current income taxes in 2020 or 2019. In addition, as a result of the decrease in the valuation allowance of \$55,713 and \$66,908 during 2020 and 2019, respectively, there is no provision for deferred income taxes.

### Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the consolidated statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied and determined by management. The expenses that are allocated based upon time and effort include payroll and benefits, production, other professional services, membership benefits, equipment rental and maintenance, travel, meetings, special events, and other expenses. Occupancy and utilities are allocated based upon square footage.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Subsequent Events

The Company has evaluated subsequent events through October 14, 2020, which is the date the consolidated financial statements were available to be issued.

## NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles 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 are described below:

### Level 1

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

### Level 2

Inputs to the valuation methodology include:

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

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

### Level 3

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

The asset'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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

#### **Mutual Funds**

Mutual funds are valued at the quoted price of shares reported in an active market in which the mutual funds are traded.

#### **Multi-Asset Fund**

The fund invests in exchange-traded funds, open-end mutual funds and private investment funds, subject to the limits of the Investment Company Act of 1940. These funds are required to publish their daily net asset value and to transact at that price.

#### **Fixed Income**

These items are valued at the closing price reported in the active market in which the bonds are traded. Certain bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

#### **Hedge Funds**

This includes investments in long and short global equities. Interests in hedge funds are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date.

There have been no changes in the methodologies used at June 30, 2020 and 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the Company's assets at fair value as of June 30, 2020 and 2019:

|  | <b>2020</b>          |                |                |  |                      |
|--|----------------------|----------------|----------------|--|----------------------|
|  | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>Investments<br/>Measured at<br/>Net Asset<br/>Value (a)</b> | <b>Total</b>         |
| Investments:   |                      |                |                |  |                      |
| Mutual funds:  |                      |                |                |  |                      |
| Equity   | \$ 30,999,582        | \$ -           | \$ -           | \$ -   | \$ 30,999,582        |
| Fixed income   | 12,508,004           | -              | -              | -  | 12,508,004           |
| Closed end   | 359,579              | -              | -              | -  | 359,579              |
| Hedge fund   | -                    | -              | -              | 3,936,767  | 3,936,767            |
| Bonds - fixed income:                                |                      |                |                |  |                      |
| Government   | 338,464              | -              | -              | -  | 338,464              |
| High yield   | 48,086               | -              | -              | -  | 48,086               |
| Total assets at fair value                           | <u>44,253,715</u>    | <u>-</u>       | <u>-</u>       | <u>3,936,767</u>   | <u>48,190,482</u>    |
| Cash and cash equivalents held by portfolio managers | <u>1,980,471</u>     | <u>-</u>       | <u>-</u>       | <u>-</u>   | <u>1,980,471</u>     |
| Total Investments                                    | <u>\$ 46,234,186</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 3,936,767</u>  | <u>\$ 50,170,953</u> |
|  |                      |                |                |  |                      |
|  | <b>2019</b>          |                |                |  |                      |
|  | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>Investments<br/>Measured at<br/>Net Asset<br/>Value (a)</b> | <b>Total</b>         |
| Investments:   |                      |                |                |  |                      |
| Mutual funds:  |                      |                |                |  |                      |
| Equity   | \$ 34,024,099        | \$ -           | \$ -           | \$ -   | \$ 34,024,099        |
| Fixed income   | 11,981,835           | -              | -              | -  | 11,981,835           |
| Funds balanced                                       | 1,310                | -              | -              | -  | 1,310                |
| Closed end   | 380,667              | -              | -              | -  | 380,667              |
| Hedge fund   | -                    | -              | -              | 3,413,415  | 3,413,415            |
| Bonds - fixed income:                                |                      |                |                |  |                      |
| Government   | 606,593              | -              | -              | -  | 606,593              |
| High yield   | 133,216              | -              | -              | -  | 133,216              |
| Total assets at fair value                           | <u>47,127,720</u>    | <u>-</u>       | <u>-</u>       | <u>3,413,415</u>   | <u>50,541,135</u>    |
| Cash and cash equivalents held by portfolio managers | <u>1,978,120</u>     | <u>-</u>       | <u>-</u>       | <u>-</u>   | <u>1,978,120</u>     |
| Total Investments                                    | <u>\$ 49,105,840</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 3,413,415</u>  | <u>\$ 52,519,255</u> |

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Investments in Entities that Calculate Net Asset Value per Share

The fair values of the investments in hedge funds have been estimated using the net asset value per share as provided by the hedge fund managers. The investments are subject to a redemption restriction of quarterly liquidation with 60 days' notice after a 1-year lock-up period. The fund's investment objective is to seek capital appreciation by allocating its assets among a select group of private investment funds (commonly known as hedge funds) that utilize a variety of alternative investment strategies that seek to produce an attractive absolute return on invested capital, largely independent of the various benchmarks associated with traditional asset classes.

There were no unfunded commitments for these funds as of June 30, 2020 and 2019.

### NOTE 3 - INTANGIBLE ASSETS

Intangible assets comprise the following as of June 30, 2020 and 2019:

|                               | <u>2020</u>       | <u>2019</u>       |
|-------------------------------|-------------------|-------------------|
| Customer relations            | \$ 622,000        | \$ 622,000        |
| Trade name                    | 19,000            | 19,000            |
|                               | <u>641,000</u>    | <u>641,000</u>    |
| Less accumulated amortization | <u>330,000</u>    | <u>267,800</u>    |
| Intangibles, Net              | <u>\$ 311,000</u> | <u>\$ 373,200</u> |

A schedule of future estimated amortization expense for intangible assets at June 30, 2020 is as follows:

#### Year Ending June 30

|      |                   |
|------|-------------------|
| 2021 | \$ 62,200         |
| 2022 | 62,200            |
| 2023 | 62,200            |
| 2024 | 62,200            |
| 2025 | <u>62,200</u>     |
|      | <u>\$ 311,000</u> |

Amortization expense charged to operations was \$62,200 for the years ended June 30, 2020 and 2019.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Company's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Cash and cash equivalents   | \$ 633,942          | \$ 86,708           |
| Investments   | 3,274,187           | 3,837,189           |
| Accounts receivable, net  | 4,886,601           | 3,167,157           |
| Grants and other receivables, net   | -                   | 39,508              |
| Total financial assets available within one year  | <u>8,794,730</u>    | <u>7,130,562</u>    |
| Less amounts unavailable for general expenditures within one year, due to:                |                     |                     |
| Restricted by donors with purpose restrictions  | (2,650,822)         | (20,100)            |
| Appropriation from board-designated endowment for general expenditures in subsequent year | <u>2,294,545</u>    | <u>2,135,967</u>    |
| Total Financial Assets Available to Management for General Expenditure Within One Year    | <u>\$ 8,438,453</u> | <u>\$ 9,246,429</u> |

### Liquidity Management

The Company's endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees to function as endowments. Income from donor-restricted endowments is restricted for specific purposes, and, therefore, is not available for general expenditure. As described in Note 6, the board-designated endowment has a spending rate of 5% of the fair value of endowments total market value as of the previous year end. As of June 30, 2020 and 2019, \$2,294,545 and \$2,135,967, respectively, of appropriations from the board-designated endowment will be available within the next 12 months.

To help manage unanticipated liquidity needs, the Company maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Company has a line of credit with an available balance of \$1,000,000 and \$2,000,000 as of June 30, 2020 and 2019, respectively, that it could draw upon at any time. The Company also maintains a letter of credit in the amount of \$40,000. Additionally, the Company has a board-designated endowment in the amount of \$45,890,903 and \$47,465,929 as of June 30, 2020 and 2019, respectively. The Company does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, but amounts from its board-designated endowment could be made available if necessary.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

The following is the composition of the Company's net assets with donor restrictions at June 30, 2020 and 2019:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Endowment:   |                     |                     |
| Restricted in perpetuity: income use unrestricted                        | \$ 480,544          | \$ 480,544          |
| Accumulated gains subject to endowment spending policy and appropriation | <u>397,275</u>      | <u>490,603</u>      |
| Total endowment  | <u>877,819</u>      | <u>890,147</u>      |
| Other net assets with donor use restrictions:                            |                     |                     |
| Restricted for capital additions   | 854,200             | 1,872,749           |
| Internship program   | -                   | 13,100              |
| Employee Giving Fund   | -                   | 7,000               |
| Restricted for various programs and activities                           | <u>2,650,822</u>    | <u>-</u>            |
| Total Net Assets With Donor Restrictions                                 | <u>\$ 4,382,841</u> | <u>\$ 2,782,996</u> |

The Company released \$2,019,535 and \$55,195 of net assets with donor restrictions in 2020 and 2019, respectively, for capital additions. The Company released \$20,100 of net assets with donor restrictions in 2020 for the internship program and Employee Giving Fund. There were no releases of this nature in 2019.

### NOTE 6 - ENDOWMENT

The Company's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Trustees of the Company has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) 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 Company classifies as net assets with donor restrictions (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 permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with CTUPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Company and the donor-restricted endowment fund
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 Company
7. The investment policies of the Company

Endowment net asset composition by type of fund as of June 30, 2020 and 2019:

|  | <b>2020</b>                           |                                    |                      |
|--|---------------------------------------|------------------------------------|----------------------|
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
| Board-designated endowment funds   | \$ 45,890,903                         | \$ -                               | \$ 45,890,903        |
| Donor-restricted endowment funds:  |                                       |                                    |                      |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                                     | 480,544                            | 480,544              |
| Accumulated gains subject to endowment spending policy and appropriation                           | -                                     | 397,275                            | 397,275              |
| <b>Total</b>   | <b>\$ 45,890,903</b>                  | <b>\$ 877,819</b>                  | <b>\$ 46,768,722</b> |
|  |                                       |                                    |                      |
|  | <b>2019</b>                           |                                    |                      |
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
| Board-designated endowment funds   | \$ 47,465,929                         | \$ -                               | \$ 47,465,929        |
| Donor-restricted endowment funds:  |                                       |                                    |                      |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                                     | 480,544                            | 480,544              |
| Accumulated gains subject to endowment spending policy and appropriation                           | -                                     | 409,603                            | 409,603              |
| <b>Total</b>   | <b>\$ 47,465,929</b>                  | <b>\$ 890,147</b>                  | <b>\$ 48,356,076</b> |

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Endowment Net Assets

Endowment net asset composition by type of fund and changes in endowment net assets as of and for the years ended June 30, 2020 and 2019 were as follows:

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--|---------------------------------------|------------------------------------|----------------------|
| Endowment net assets - June 30, 2018                 | \$ 46,660,242                         | \$ 870,704                         | \$ 47,530,946        |
| Investment return:                                   |                                       |                                    |                      |
| Interest and dividends                               | 886,969                               | 17,017                             | 903,986              |
| Net depreciation (realized and<br>unrealized)        | 181,513                               | 2,426                              | 183,939              |
| Total investment return                              | <u>1,068,482</u>                      | <u>19,443</u>                      | <u>1,087,925</u>     |
| Additions to endowment                               | <u>2,069,093</u>                      | <u>-</u>                           | <u>2,069,093</u>     |
| Appropriation of endowment assets for<br>expenditure | <u>(2,330,348)</u>                    | <u>-</u>                           | <u>(2,330,348)</u>   |
| Trust payments                                       | <u>(1,540)</u>                        | <u>-</u>                           | <u>(1,540)</u>       |
| Endowment net assets - June 30, 2019                 | <u>47,465,929</u>                     | <u>890,147</u>                     | <u>48,356,076</u>    |
| Investment return:                                   |                                       |                                    |                      |
| Interest and dividends                               | 1,053,772                             | 20,455                             | 1,074,227            |
| Net appreciation (realized and<br>unrealized)        | (1,678,782)                           | (32,783)                           | (1,711,565)          |
| Total investment return                              | <u>(625,010)</u>                      | <u>(12,328)</u>                    | <u>(637,339)</u>     |
| Additions to endowment                               | <u>1,424,435</u>                      | <u>-</u>                           | <u>1,424,435</u>     |
| Appropriation of endowment assets for<br>expenditure | <u>(2,373,296)</u>                    | <u>-</u>                           | <u>(2,373,296)</u>   |
| Trust payments                                       | <u>(1,155)</u>                        | <u>-</u>                           | <u>(1,155)</u>       |
| Endowment Net Assets - June 30, 2020                 | <u>\$ 45,890,903</u>                  | <u>\$ 877,819</u>                  | <u>\$ 46,768,722</u> |

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Company has an annual endowment spending policy that is specifically designed to assist in funding annual programming objectives and to preserve the value of the investment portfolio over time. In 2020 and 2019, the spending policy was 5% of the fair value of endowment assets as of June 30, 2019 and 2018. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, over the long term, the Company expects the current spending policy to allow its endowment to grow and maintain its value to support operations in the future. The Company has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws.

To meet these objectives, the Company utilizes a total return investment approach which emphasizes total investment return, consisting of investment income and realized and unrealized gains or losses and, accordingly, invests in equities, fixed income and money market accounts. The annual spending distribution for operating purposes was \$2,373,296 and \$2,330,348 in fiscal years 2020 and 2019, respectively.

### NOTE 7 - LINE OF CREDIT

The Company increased its unsecured operating line of credit (the Line) to \$3,000,000, which expires on March 31, 2022. The interest rate is a fluctuating rate per annum equal to the LIBOR rate plus 2.50%. As of June 30, 2020 and 2019, the balance bears an interest rate of 2.66% and 5.25%. The outstanding balance on the Line was \$1,000,000 as of June 30, 2020. There was no outstanding balance as of June 30, 2019. The Company also maintains a letter of credit in the amount of \$40,000. There is no outstanding balance on this letter of credit.

Interest expense incurred on the Line was \$20,670 and \$2,689 as of June 30, 2020 and 2019, respectively.

### NOTE 8 - LEASES

The Company leases certain operating facilities under noncancelable operating leases expiring at various times through December 31, 2034. Rental expense associated with leases was \$433,079 and \$420,605 for the years ended June 30, 2020 and 2019, respectively.

Future minimum annual rental payments for the five years subsequent to June 30, 2020 and, thereafter, are as follows:

#### Year Ending June 30

|            |    |                         |
|------------|----|-------------------------|
| 2021       | \$ | 901,298                 |
| 2022       |    | 899,146                 |
| 2023       |    | 315,154                 |
| 2024       |    | 276,269                 |
| 2025       |    | 184,790                 |
| Thereafter |    | <u>44,129</u>           |
|            | \$ | <u><u>2,620,786</u></u> |

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 9 - RETIREMENT PLANS

The Company provides a defined contribution retirement plan for eligible employees who elect to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Company contributes an amount equal to employees' contributions up to a limit as determined annually by the Company. Retirement contributions charged to operations were \$254,837 and \$255,308 for the years ended June 30, 2020 and 2019, respectively.

In addition to the plan, the Company also provides two nonqualified deferred compensation plans for certain management personnel. Discretionary contributions of \$45,394 and \$71,202 were made to the plans for the years ended June 30, 2020 and 2019, respectively.

### NOTE 10 - LIENS

The National Telecommunications and Information Administration (NTIA) provides funding to public broadcasting entities for the acquisition of equipment. NTIA retains a financial interest, as defined in the statute, in its pro rata share of the cost of the equipment for a period of ten years and must be notified upon disposition of the equipment. The Company did not receive any NTIA funds during the years ended June 30, 2020 and 2019.

### NOTE 11 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company conducts business with other organizations whose executives are members of the Company's Board of Trustees. Revenue transactions, including corporate underwriting revenue and other support, amounted to \$1,298,080 and \$1,004,382 for the years ended June 30, 2020 and 2019, respectively. Purchases and other services received amounted to \$610,562 and \$574,838 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, included in the accounts receivable balance was \$951,891 and \$141,386, respectively. In addition, included in the accounts payable balance was \$51,708 and \$65,372 at June 30, 2020 and 2019, respectively.

### NOTE 12 - CONCENTRATIONS

The Company receives substantial revenues from governmental agencies, Corporation for Public Broadcasting, related parties and the public; a significant reduction in the level of this support may have an adverse effect on the Company's programs and activities. Significant programming services are provided to the Company by the Public Broadcasting Service. Operations include charges for such services of \$2,006,883 and \$1,963,186 in 2020 and 2019, respectively.

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. The Company maintains its cash and cash equivalents with high credit-quality financial institutions. At times, such amounts may exceed federally insured limits.

# CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Company's investments are in high-quality marketable securities placed within a wide array of institutions with high credit ratings. This investment policy limits the Company's exposure to concentrations of credit risk. Concentrations of credit risk with respect to accounts receivable are limited to contractual agreements with various underwriters. The Company evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

### NOTE 13 - CONTINGENCIES

The Company is subject to various claims and legal proceedings arising in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or change in net assets of the Company.

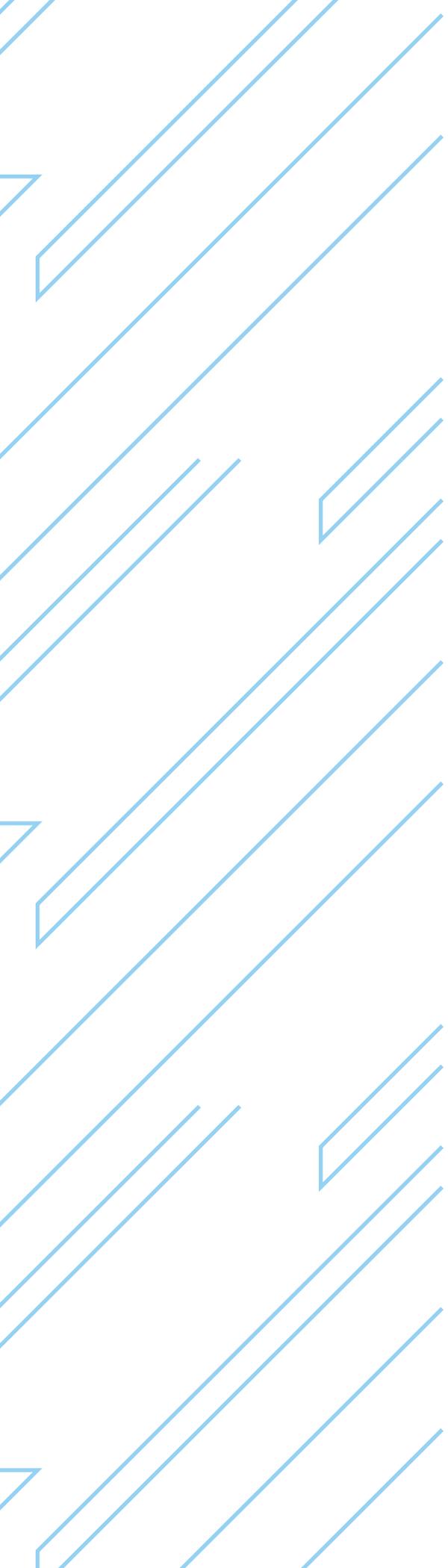
### NOTE 14 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, the Company announced that it would close offices and employees would transition into remote working.

On May 7, 2020, the Company received a Paycheck Protection Program (PPP) loan of \$1,600,000 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Company considers the PPP loan to be a conditional contribution, with a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. The Company considers reviews of their application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended June 30, 2020, the Company recognized \$1,536,103 as contribution income based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through June 30, 2020. The remaining balance of \$63,897 of the PPP loan is classified as a refundable advance on the accompanying statement of financial position. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum and will be due and payable in full on May 7, 2022.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.



## **Supplementary Information**

## CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES

### CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2020

|  | Connecticut<br>Public<br>Broadcasting Inc. | Institute for<br>Advanced Media | Total Connecticut<br>Public<br>Broadcasting Inc. | Real Estate<br>Holding<br>Company, Inc. | MediaVision<br>Productions<br>Inc. | Total                | Eliminations        | Consolidated         |
|--|--|---------------------------------|--|---|------------------------------------|----------------------|---------------------|----------------------|
| <b>ASSETS</b>  |  |                                 |  |   |                                    |                      |                     |                      |
| <b>Current Assets</b>                                  |  |                                 |  |   |                                    |                      |                     |                      |
| Cash and cash equivalents                              | \$ 600,704                                 | \$ -                            | \$ 600,704                                       | \$ -                                    | \$ 33,238                          | \$ 633,942           | \$ -                | \$ 633,942           |
| Investments  | 3,274,187                                  | -                               | 3,274,187  | -                                       | -                                  | 3,274,187            | -                   | 3,274,187            |
| Accounts receivable, net                               | 4,656,176                                  | -                               | 4,656,176  | -                                       | 230,425                            | 4,886,601            | -                   | 4,886,601            |
| Intercompany receivable                                | 907,402                                    | -                               | 907,402  | -                                       | -                                  | 907,402              | (907,402)           | -                    |
| Production costs                                       | 155,149                                    | -                               | 155,149  | -                                       | -                                  | 155,149              | -                   | 155,149              |
| Prepaid expenses and deposits                          | 16,409                                     | -                               | 16,409   | -                                       | 13,342                             | 29,751               | -                   | 29,751               |
| Total current assets                                   | <u>9,610,027</u>                           | <u>-</u>                        | <u>9,610,027</u>                                 | <u>-</u>                                | <u>277,005</u>                     | <u>9,887,032</u>     | <u>(907,402)</u>    | <u>8,979,630</u>     |
| <b>Other Assets</b>                                    |  |                                 |  |   |                                    |                      |                     |                      |
| Investment in MediaVision                              | (351,509)                                  | -                               | (351,509)  | -                                       | -                                  | (351,509)            | 351,509             | -                    |
| Investments held for property and equipment            | 128,044                                    | -                               | 128,044  | -                                       | -                                  | 128,044              | -                   | 128,044              |
| Investments - endowment                                | 46,768,722                                 | -                               | 46,768,722                                       | -                                       | -                                  | 46,768,722           | -                   | 46,768,722           |
| Intangibles, net                                       | -  | -                               | -  | -                                       | 311,000                            | 311,000              | -                   | 311,000              |
| Other investments                                      | 26,229                                     | -                               | 26,229   | -                                       | -                                  | 26,229               | -                   | 26,229               |
| Total other assets                                     | <u>46,571,486</u>                          | <u>-</u>                        | <u>46,571,486</u>                                | <u>-</u>                                | <u>311,000</u>                     | <u>46,882,486</u>    | <u>351,509</u>      | <u>47,233,995</u>    |
| <b>Property, Equipment, and Leasehold Improvements</b> |  |                                 |  |   |                                    |                      |                     |                      |
| Land and improvements                                  | 786,710                                    | -                               | 786,710  | -                                       | -                                  | 786,710              | -                   | 786,710              |
| Building   | -  | -                               | -  | 14,098,438                              | -                                  | 14,098,438           | -                   | 14,098,438           |
| Equipment  | 37,735,571                                 | -                               | 37,735,571                                       | -                                       | -                                  | 37,735,571           | -                   | 37,735,571           |
| Leasehold improvements                                 | 379,499                                    | -                               | 379,499  | -                                       | -                                  | 379,499              | -                   | 379,499              |
|  | 38,901,780                                 | -                               | 38,901,780                                       | 14,098,438                              | -                                  | 53,000,218           | -                   | 53,000,218           |
| Accumulated depreciation and amortization              | (33,852,681)                               | -                               | (33,852,681)                                     | (6,544,674)                             | -                                  | (40,397,355)         | -                   | (40,397,355)         |
| Construction in progress                               | 931,668                                    | -                               | 931,668  | -                                       | -                                  | 931,668              | -                   | 931,668              |
| Net property, equipment and leasehold improvements     | <u>5,980,767</u>                           | <u>-</u>                        | <u>5,980,767</u>                                 | <u>7,553,764</u>                        | <u>-</u>                           | <u>13,534,531</u>    | <u>-</u>            | <u>13,534,531</u>    |
| <b>Total Assets</b>                                    | <u>\$ 62,162,280</u>                       | <u>\$ -</u>                     | <u>\$ 62,162,280</u>                             | <u>\$ 7,553,764</u>                     | <u>\$ 588,005</u>                  | <u>\$ 70,304,049</u> | <u>\$ (555,893)</u> | <u>\$ 69,748,156</u> |
| <b>LIABILITIES AND NET ASSETS</b>                      |  |                                 |  |   |                                    |                      |                     |                      |
| <b>Current Liabilities</b>                             |  |                                 |  |   |                                    |                      |                     |                      |
| Line of credit   | \$ 1,000,000                               | \$ -                            | \$ 1,000,000                                     | \$ -                                    | \$ -                               | \$ 1,000,000         | \$ -                | \$ 1,000,000         |
| Accounts payable and accrued expenses                  | 1,938,104                                  | 1,087,734                       | 3,025,838  | -                                       | 32,112                             | 3,057,950            | -                   | 3,057,950            |
| Paycheck Protection Program advance                    | 63,897                                     | -                               | 63,897   | -                                       | -                                  | 63,897               | -                   | 63,897               |
| Intercompany payable                                   | -  | -                               | -  | -                                       | 907,402                            | 907,402              | (907,402)           | -                    |
| Deferred revenue                                       | 43,555                                     | -                               | 43,555   | -                                       | -                                  | 43,555               | -                   | 43,555               |
| Total current liabilities                              | <u>3,045,556</u>                           | <u>1,087,734</u>                | <u>4,133,290</u>                                 | <u>-</u>                                | <u>939,514</u>                     | <u>5,072,804</u>     | <u>(907,402)</u>    | <u>4,165,402</u>     |
| <b>Net Assets (Deficit)</b>                            |  |                                 |  |   |                                    |                      |                     |                      |
| Common stock   | -  | -                               | -  | -                                       | 1,000                              | 1,000                | (1,000)             | -                    |
| Accumulated deficit                                    | -  | -                               | -  | -                                       | (352,509)                          | (352,509)            | 352,509             | -                    |
| Net assets without donor restrictions                  | 54,733,883                                 | (1,087,734)                     | 53,646,149                                       | 7,553,764                               | -                                  | 61,199,913           | -                   | 61,199,913           |
| Net assets with donor restrictions                     | 4,382,841                                  | -                               | 4,382,841  | -                                       | -                                  | 4,382,841            | -                   | 4,382,841            |
| Total net assets (deficit)                             | <u>59,116,724</u>                          | <u>(1,087,734)</u>              | <u>58,028,990</u>                                | <u>7,553,764</u>                        | <u>(351,509)</u>                   | <u>65,231,245</u>    | <u>351,509</u>      | <u>65,582,754</u>    |
| <b>Total Liabilities and Net Assets (Deficit)</b>      | <u>\$ 62,162,280</u>                       | <u>\$ -</u>                     | <u>\$ 62,162,280</u>                             | <u>\$ 7,553,764</u>                     | <u>\$ 588,005</u>                  | <u>\$ 70,304,049</u> | <u>\$ (555,893)</u> | <u>\$ 69,748,156</u> |

**CONNECTICUT PUBLIC BROADCASTING, INC. AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF ACTIVITIES - WITHOUT DONOR RESTRICTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | Connecticut<br>Public<br>Broadcasting<br>Inc. | Institute for<br>Advanced<br>Media | Total<br>Connecticut<br>Public<br>Broadcasting<br>Inc. | Real Estate<br>Holding<br>Company,<br>Inc. | MediaVision<br>Productions<br>Inc. | Total                | Eliminations      | Consolidated -<br>Without<br>Donor<br>Restrictions |
|---|---|------------------------------------|--|--|------------------------------------|----------------------|-------------------|--|
| <b>Revenues</b>   |   |                                    |  |  |                                    |                      |                   |  |
| Underwriting support  | \$ 6,799,905                                  | \$ 112,500                         | \$ 6,912,405   | \$ -                                       | \$ -                               | \$ 6,912,405         | \$ -              | \$ 6,912,405                                       |
| Subscription and membership income                                      | 6,374,040                                     | -                                  | 6,374,040  | -  | -                                  | 6,374,040            | -                 | 6,374,040  |
| Annual spending distribution  | 2,373,296                                     | -                                  | 2,373,296  | -  | -                                  | 2,373,296            | -                 | 2,373,296  |
| Corporation for Public Broadcasting                                     | 2,256,690                                     | -                                  | 2,256,690  | -  | -                                  | 2,256,690            | -                 | 2,256,690  |
| Paycheck Protection Program   | 1,455,768                                     | -                                  | 1,455,768  | -  | 80,335                             | 1,536,103            | -                 | 1,536,103  |
| Video services  | -   | -                                  | -  | -  | 1,033,971                          | 1,033,971            | -                 | 1,033,971  |
| Auctions and special events   | 13,572  | -                                  | 13,572   | -  | -                                  | 13,572               | -                 | 13,572   |
| Planned gifts and bequests  | 69,021  | -                                  | 69,021   | -  | -                                  | 69,021               | -                 | 69,021   |
| Contributed in-kind support   | 191,317                                       | -                                  | 191,317  | -  | -                                  | 191,317              | -                 | 191,317  |
| Nonbroadcasting services  | 124,119                                       | -                                  | 124,119  | -  | -                                  | 124,119              | -                 | 124,119  |
| Miscellaneous   | 60,336  | -                                  | 60,336   | -  | -                                  | 60,336               | -                 | 60,336   |
| Donated personal services of volunteers                                 | 26,289  | -                                  | 26,289   | -  | -                                  | 26,289               | -                 | 26,289   |
| Release from restriction  | 20,100  | -                                  | 20,100   | -  | -                                  | 20,100               | -                 | 20,100   |
| Total revenues  | <u>19,764,453</u>                             | <u>112,500</u>                     | <u>19,876,953</u>                                      | <u>-</u>                                   | <u>1,114,306</u>                   | <u>20,991,259</u>    | <u>-</u>          | <u>20,991,259</u>                                  |
| <b>Expenses</b>   |   |                                    |  |  |                                    |                      |                   |  |
| Program services:   |   |                                    |  |  |                                    |                      |                   |  |
| Programming and production  | 10,343,277                                    | 240,691                            | 10,583,968   | -  | -                                  | 10,583,968           | -                 | 10,583,968   |
| Broadcasting  | 1,378,071                                     | -                                  | 1,378,071  | -  | -                                  | 1,378,071            | -                 | 1,378,071  |
| Contributed in-kind support   | 169,476                                       | -                                  | 169,476  | -  | -                                  | 169,476              | -                 | 169,476  |
| Program information   | 1,242,293                                     | -                                  | 1,242,293  | -  | -                                  | 1,242,293            | -                 | 1,242,293  |
| Total program services  | <u>13,133,117</u>                             | <u>240,691</u>                     | <u>13,373,808</u>                                      | <u>-</u>                                   | <u>-</u>                           | <u>13,373,808</u>    | <u>-</u>          | <u>13,373,808</u>                                  |
| Supporting services:  |   |                                    |  |  |                                    |                      |                   |  |
| Fundraising and membership development:                                 |   |                                    |  |  |                                    |                      |                   |  |
| Membership development  | 2,801,089                                     | -                                  | 2,801,089  | -  | -                                  | 2,801,089            | -                 | 2,801,089  |
| Other fundraising expenses  | 786,393                                       | -                                  | 786,393  | -  | -                                  | 786,393              | -                 | 786,393  |
| Contributed in-kind support   | 21,841  | -                                  | 21,841   | -  | -                                  | 21,841               | -                 | 21,841   |
| Donated personal services of volunteers                                 | 26,289  | -                                  | 26,289   | -  | -                                  | 26,289               | -                 | 26,289   |
| Management and general  | 3,136,593                                     | -                                  | 3,136,593  | -  | -                                  | 3,136,593            | -                 | 3,136,593  |
| Total supporting services   | <u>6,772,205</u>                              | <u>-</u>                           | <u>6,772,205</u>                                       | <u>-</u>                                   | <u>-</u>                           | <u>6,772,205</u>     | <u>-</u>          | <u>6,772,205</u>                                   |
| Voluntary separation costs  | 631,158                                       | -                                  | 631,158  | -  | -                                  | 631,158              | -                 | 631,158  |
| Reorganization costs  | 227,019                                       | -                                  | 227,019  | -  | -                                  | 227,019              | -                 | 227,019  |
| Video services:   |   |                                    |  |  |                                    |                      |                   |  |
| Cost of production  | -   | -                                  | -  | -  | 827,583                            | 827,583              | -                 | 827,583  |
| General and administrative  | -   | -                                  | -  | -  | 122,382                            | 122,382              | -                 | 122,382  |
| Total video services  | <u>-</u>                                      | <u>-</u>                           | <u>-</u>   | <u>-</u>                                   | <u>949,965</u>                     | <u>949,965</u>       | <u>-</u>          | <u>949,965</u>                                     |
| Total expenses  | <u>20,763,499</u>                             | <u>240,691</u>                     | <u>21,004,190</u>                                      | <u>-</u>                                   | <u>949,965</u>                     | <u>21,954,155</u>    | <u>-</u>          | <u>21,954,155</u>                                  |
| Equity in net income of consolidated subsidiary                         | 164,341                                       | -                                  | 164,341  | -  | -                                  | 164,341              | (164,341)         | -  |
| Change in net assets without donor restrictions before other activities | <u>(834,705)</u>                              | <u>(128,191)</u>                   | <u>(962,896)</u>                                       | <u>-</u>                                   | <u>164,341</u>                     | <u>(798,555)</u>     | <u>(164,341)</u>  | <u>(962,896)</u>                                   |
| <b>Other Activities</b>   |   |                                    |  |  |                                    |                      |                   |  |
| Income from Channel Sharing Agreement, net of expenses                  | 1,269,332                                     | -                                  | 1,269,332  | -  | -                                  | 1,269,332            | -                 | 1,269,332  |
| Income from licensing of intangible assets                              | 1,354,260                                     | -                                  | 1,354,260  | -  | -                                  | 1,354,260            | -                 | 1,354,260  |
| Investment return, net  | (488,626)                                     | -                                  | (488,626)  | -  | -                                  | (488,626)            | -                 | (488,626)  |
| Release of restricted assets for capital additions                      | 2,019,535                                     | -                                  | 2,019,535  | -  | -                                  | 2,019,535            | -                 | 2,019,535  |
| Transfer of funds   | 241,678                                       | -                                  | 241,678  | -  | -                                  | 241,678              | -                 | 241,678  |
| Interest expense  | (72,593)                                      | -                                  | (72,593)   | -  | -                                  | (72,593)             | -                 | (72,593)   |
| Depreciation and amortization   | (724,990)                                     | -                                  | (724,990)  | (471,980)                                  | (62,200)                           | (1,259,170)          | 62,200            | (1,196,970)  |
| Annual spending distribution  | (2,373,296)                                   | -                                  | (2,373,296)  | -  | -                                  | (2,373,296)          | -                 | (2,373,296)  |
| Transfer of assets  | (46,841)                                      | -                                  | (46,841)   | 46,841                                     | -                                  | -                    | -                 | -  |
| Net nonoperating revenues and expenses                                  | <u>1,178,459</u>                              | <u>-</u>                           | <u>1,178,459</u>                                       | <u>(425,139)</u>                           | <u>(62,200)</u>                    | <u>691,120</u>       | <u>62,200</u>     | <u>753,320</u>                                     |
| <b>Change in Net Assets</b>   | <u>343,754</u>                                | <u>(128,191)</u>                   | <u>215,563</u>   | <u>(425,139)</u>                           | <u>102,141</u>                     | <u>(107,435)</u>     | <u>(102,141)</u>  | <u>(209,576)</u>                                   |
| <b>Net Assets Without Donor Restrictions - Beginning of Year</b>        |   |                                    |  |  |                                    |                      |                   |  |
|   | <u>54,390,129</u>                             | <u>(959,543)</u>                   | <u>53,430,586</u>                                      | <u>7,978,903</u>                           | <u>(454,650)</u>                   | <u>60,954,839</u>    | <u>454,650</u>    | <u>61,409,489</u>                                  |
| <b>Net Assets Without Donor Restrictions - End of Year</b>              | <u>\$ 54,733,883</u>                          | <u>\$ (1,087,734)</u>              | <u>\$ 53,646,149</u>                                   | <u>\$ 7,553,764</u>                        | <u>\$ (352,509)</u>                | <u>\$ 60,847,404</u> | <u>\$ 352,509</u> | <u>\$ 61,199,913</u>                               |