THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
(A Non-Profit New York Corporation)
AND AFFILIATE

Consolidated Financial Statements and
Other Financial Information

June 30, 2019 and 2018

THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
(A Non-Profit New York Corporation)
AND AFFILIATE

Index

Fust Charles Chambers LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Public Broadcasting Council of
Central New York, Inc. and Affiliate:

We have audited the accompanying consolidated financial statements of The Public Broadcasting Council of Central New York, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, 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.

Auditor's 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 auditor's 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 auditor considers 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.

(Continued)

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CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Public Broadcasting Council of Central New York, Inc. and Affiliate as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 information in the statement of activities and changes in net assets by broadcast entity is presented for purposes of additional analysis of the consolidated financial statements and is 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 audit 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fust Charles Chambers LLP

November 27, 2019

THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
(A Non-Profit New York Corporation)
AND AFFILIATE

Consolidated Statements of Financial Position

June 30, 2019 and 2018

Assets		2019	2018
Cash and cash equivalents	$	33,596	19,334
Accounts receivable - underwriting, net of allowance of approximately $33,000 in 2019 and $36,000 in 2018		179,692	239,503
Pledges receivable, net		18,408	36,995
Due from affiliate		21,450	-
Grants and other receivables		556,783	153,806
Prepaid broadcasting rights		40,436	49,529
Assets limited as to use:			
New Market Tax Credit reserve fund		-	228,557
Capital campaign funds		-	2,760
Board-designated funds		148,058	54
Other assets		112,665	119,128
Investment in Centralcast, LLC		655,689	703,981
Broadcast facilities and equipment, net		15,237,713	15,645,986
Leveraged loan receivable		-	14,696,861
Prepaid tower lease		225,000	285,000
Cash surrender value of insurance policy		752,841	741,153
	$	17,982,331	32,922,647
Liabilities and Net Assets			
Long-term debt obligations		1,813,450	21,883,658
Line of credit		200,000	335,000
Accounts payable		807,133	445,935
Accrued and other expenses		265,017	375,074
Deferred revenue		869,773	325,353
Deferred compensation obligation		212,195	251,818
Total liabilities		4,167,568	23,616,838
Net assets:			
Without donor restrictions		13,437,171	9,203,525
With donor restrictions		377,592	102,284
Total net assets		13,814,763	9,305,809
Commitments and contingencies (notes 8 and 10)			
	$	17,982,331	32,922,647

See accompanying notes to the consolidated financial statements.

THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
(A Non-Profit New York Corporation)
AND AFFILIATE

Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2019 and 2018

	2019	2018
Revenues without donor restrictions:		
Contributions:		
Membership	$ 1,853,673	1,916,556
Donations, grants, events and sales	278,343	327,145
Net assets released from restrictions - membership/ education	68,492	54,070
	2,200,508	2,297,771
Other support and revenue:		
Auctions	440,091	434,049
NYS education department grants	1,057,712	1,057,713
Public Broadcasting funding	1,139,824	1,078,095
Underwriting	580,687	1,142,192
Other production revenue	45,529	126,684
Rent and facilities	219,973	226,093
Investment income	23,337	86,154
In-kind, trade and miscellaneous	783,120	705,892
	4,290,273	4,856,872
Total contributions, other support and revenue without donor restrictions	6,490,781	7,154,643
Expenses:		
Salaries, wages and commissions	2,479,504	2,831,620
Payroll taxes and employee benefits	540,705	589,770
Contracted services, freelance and fees	520,605	361,409
Production and programming	1,140,539	1,112,155
Printing and advertising	481,095	457,390
Building and equipment repairs and maintenance	185,657	175,842
Lease property	124,556	121,336
Utilities	222,626	248,969
Interest and other fees	171,744	408,670
Supplies and other expenses	576,475	515,330
Expenses before depreciation and tower lease expense	6,443,506	6,822,491
Net operating activities before depreciation and tower lease expense	47,275	332,152
Depreciation	952,498	1,167,473
Tower lease expense	60,000	60,000
Total expenses	7,456,004	8,049,964
Net operating activities	(965,223)	(895,321)

(Continued)

THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
(A Non-Profit New York Corporation)
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Consolidated Statements of Activities and Changes in Net Assets, Continued

	2019	2018
Non-operating activities:		
Gain on settlement of debt and loan receivable	5,144,075	-
Contributions and grants for capital purchases	-	146,755
Change in investment in Centralcast, LLC	(48,292)	11,134
Net assets released from restrictions - capital	1,126	34,351
Other non-operating activities	101,960	123,521
Total non-operating activities	5,198,869	315,761
Increase (decrease) in net assets without donor restrictions	4,233,646	(579,560)
Net assets with donor restrictions:		
Restricted contributions - membership/education	6,082	80,631
Restricted contributions - capital	338,844	-
Net assets released from restrictions - membership/education	(68,492)	(54,070)
Net assets released from restrictions - capital	(1,126)	(34,351)
Increase (decrease) in net assets with donor restrictions	275,308	(7,790)
Increase (decrease) in net assets	4,508,954	(587,350)
Net assets at beginning of year	9,305,809	9,893,159
Net assets at end of year	$ 13,814,763	9,305,809

See accompanying notes to the consolidated financial statements.

THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
(A Non-Profit New York Corporation)
AND AFFILIATE

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Reconciliation of change in net assets to net cash from operating activities:			
Change in net assets	$	4,508,954	(587,350)
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation		952,498	1,167,473
Amortization of debt issuance costs		1,725	125,843
Lease amortization		60,000	60,000
Provision for bad debts		3,025	84
Restricted contributions for capital purposes		-	(146,755)
Gain on settlement of debt and loan receivable		(5,144,075)	-
Change in investment in Centralcast, LLC		48,292	(11,134)
Changes in operating assets and liabilities:			
Accounts receivable - underwriting		56,786	(63,179)
Pledges receivable - membership		17,461	3,300
Prepaid broadcasting rights		9,093	(25,547)
Grants and other receivables		(402,977)	(47,804)
Other assets		6,463	(36,056)
Accounts payable		87,972	(214,506)
Accrued and other expenses		(110,057)	18,860
Due from/to affiliate		(21,450)	(12,305)
Deferred compensation obligation		(39,623)	(38,316)
Deferred revenue		544,420	(160,702)
Net cash provided by operating activities		578,507	31,906
Cash flows from investing activities:			
Increase in cash surrender value of insurance policy		(11,688)	(12,540)
Decrease in assets limited as to use, net		83,313	140,085
Purchases of broadcast facilities and equipment		(270,999)	(104,818)
Net cash provided by (used in) investing activities		(199,374)	22,727
Cash flows from financing activities:			
Proceeds from issuance of long-term debt obligations		1,850,000	-
Payments on long-term debt obligations		(1,860,384)	-
Payments on line of credit, net		(135,000)	(215,000)
Payments on settlement of debt and loan receivable		(194,734)	-
Payment of deferred financing costs from debt proceeds		(25,879)	-
Proceeds from restricted contributions for capital purposes		1,126	171,106
Net cash used in financing activities		(364,871)	(43,894)
Net increase in cash and cash equivalents		14,262	10,739
Cash and cash equivalents at beginning of year		19,334	8,595
Cash and cash equivalents at end of year	$	33,596	19,334
Supplemental disclosures of cash flow information:			
Equipment purchases financed with accounts payable	$	51,746	38,146
Cash paid for interest		170,533	305,026

See accompanying notes to the consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

The Public Broadcasting Council of Central New York, Inc. is a non-profit New York Corporation which operates a non-commercial public television station and a non-commercial public FM radio station in Syracuse, New York, (WUNY) in Utica, New York and (WJNY) in Watertown, New York. The Public Broadcasting Council of Central New York, Inc. (WCNY) maintains its accounting records in conformity with the Principles of Accounting and Financial Reporting for Public Telecommunication Entities mandated by The Corporation for Public Broadcasting (CPB), which is in accordance with accounting principles generally accepted in the United States of America.

WCNY Foundation, Inc. (Foundation) is a non-profit New York Corporation established during 2011 to provide financial and administrative assistance to The Public Broadcasting Council of Central New York, Inc. and to oversee the design and facilitate the establishment, operation and maintenance of a television and radio broadcast facility. The Foundation Board of Directors is elected by the WCNY Board of Directors on an annual basis. Both boards currently consist of the same members.

Joint Master Control Operating Co., Inc. (JMC) is a non-profit organization established to provide operational and technical assistance to WCNY and to oversee the establishment, operations and maintenance of a centrally accessible programming system, for the use of WCNY, as well as other public radio and television broadcasting systems nationwide. The members of the JMC Board of Directors are also members of the WCNY Board of Directors.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of The Public Broadcasting Council of Central New York, Inc., and WCNY Foundation, Inc. (the Council). The activities of JMC are not material to the Council, and therefore, have not been included within the accompanying consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

(1) Summary of Significant Accounting Policies, Continued

(c) New Accounting Pronouncement

On July 1, 2018 the Council adopted *Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which makes targeted changes to the not-for-profit financial reporting model and applied these changes retrospectively, as applicable. The existing three category classification of net assets has been replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property and equipment have also been simplified and clarified. New disclosures have been incorporated to highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. ASU 2016-14 also imposes several new requirements related to reporting expenses. ASU 2016-14 was effective for fiscal years beginning after December 15, 2017. As a result of adopting this standard, certain prior year amounts were reclassified to conform to the presentation requirements.

A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 to the June 30, 2018 financial statements is as follows:

Net assets classifications	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	$ 9,203,525	-	9,203,525
Temporarily restricted	-	102,284	102,284
Permanently restricted	-	-	-
Net assets as reclassified	$ 9,203,525	102,284	9,305,809

(d) Use of Estimates

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

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Cash Equivalents

The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Council maintains cash balances in a financial institution that at times exceeds federally insured limits.

(f) Fair Value of Financial Instruments

The *Fair Value Measurement* Topic of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* requires disclosures that categorize assets and liabilities measured at fair value based on a fair value hierarchy. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Inputs used to measure fair value are classified into the following hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices in active markets for similar assets or liabilities, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 - Significant valuation assumptions not readily observable in a market.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value of all financial instruments approximates their carrying value, determined using Level 1 inputs for assets limited as to use. Cash surrender value of life insurance is classified as Level 2. The value was determined by the underwriting insurance company's valuation models, which take into account the passage of time, mortality tables, interest rates, cash values for paid-up additions and dividend accumulations. The cash surrender value represents the guaranteed value the Council would receive upon surrender of the policy as of June 30, 2019 and 2018, respectively.

(1) Summary of Significant Accounting Policies, Continued

(g) Assets Limited as to Use

Assets limited as to use consist of cash and cash equivalents and represents donor funds for capital uses, funds held in escrow and board-designated funds. At June 30, 2018, funds held in escrow represented funds used for the construction of the building, interest costs and fees payable to the lenders in conjunction with the New Market Tax Credits (NMTC) transaction described in note 3. Board-designated funds represent funds that have been internally designated and may be utilized at the discretion of the Council's Board of Directors for operations or capital purchases.

(h) Accounts and Pledges Receivable

Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Pledges receivable are discounted using a risk-free interest rate based on the average U.S. treasury rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are subsequently met.

(i) Grants Receivable

Grants are restricted by donors for the purchase of equipment and for the payment of certain operational expenses. When the Council is notified as a recipient of these grants, the amounts are included as grant contributions with donor restrictions or non-operating grants for capital purchases in the accompanying consolidated statements of activities and changes in net assets. Grants received with restrictions that are met in the same year in which the grant notification is received are classified as support without donor restrictions or grants for capital purchases.

(j) Prepaid Broadcasting Rights

Prepaid broadcasting rights represent costs incurred for programs to be broadcast subsequent to fiscal year end. Such rights are amortized over the contract period.

(1) Summary of Significant Accounting Policies, Continued

(k) Deferred Financing Costs

Deferred financing costs relate principally to costs incurred in connection with obtaining long-term financing arrangements. Certain costs were being amortized over a seven-year period consistent with the New Market Tax Credit period (see note 3 and note 7), while other costs were being amortized over the term of the related obligations using a method approximating the effective interest method. On July 27, 2018, the New Market Tax Credit period expired and as part of the closing, the Council wrote-off deferred financing costs of approximately $387,000 included as an offset to the gain on settlement of debt and loan receivable in the statement of activities and changes in net assets for the year ended June 30, 2019.

In March 2019, the Council also refinanced an existing term note payable to a bank with a different lender and recorded deferred financing costs of approximately $26,000. Amortization of approximately $2,000 and $126,000 was charged to operations in 2019 and 2018, respectively, and is included in interest expense within the statements of activities and changes in net assets. Accumulated amortization was approximately $2,000 and $876,000 at June 30, 2019 and 2018, respectively.

(l) Broadcast Facilities and Equipment

Broadcast facilities and equipment are recorded at cost or, in the case of donated facilities and equipment, at their appraised value as of the date of receipt. Depreciation is calculated on the straight-line method over the estimated useful lives of the various classes of assets, using a mid-year convention for all additions ranging from 3 to 45 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment loss has been recorded by the Council for the years ended June 30, 2019 and 2018.

(1) Summary of Significant Accounting Policies, Continued

(m) Classification of Net Assets

Net assets without donor restrictions are not subject to donor-imposed restrictions and are generally expendable for operations. Net assets without donor restrictions may be used at the discretion of the Council's management and Board of Directors and may be subject to self-imposed limits and board designations by action of the Board of Directors. Board-designated net assets may be earmarked for future programs, initiatives and investments, contingencies, purchases or other uses. Board-designated amounts are considered non-expendable for operations without the approval of the Board of Directors. Net assets with donor restrictions are those that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and are limited by donors to a specific time period or purpose. Other donor restrictions may be perpetual in nature, as stipulated by the donor.

(n) Contributions and Other Support and Revenue

Contributions are generally available for unrestricted use in the year received unless specified by the donor. Unconditional promises to give cash and other assets to the Council are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the conditions are removed. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 consolidated statements of activities and changes in net assets as net assets released from restrictions (used for operations or for capital purchases). Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. Amounts received prior to services being performed are recorded as deferred revenue.

A significant portion of the Council's revenues are derived from the New York State Education Department and the Corporation for Public Broadcasting. As such, the Council is dependent on these revenue sources to carry out its operating activities.

Contributed materials, supplies, facilities and property are recorded at their estimated fair value at the date of donation. The Council reports gifts of equipment, professional services, materials and other nonmonetary contributions as revenues without donor restriction in the accompanying consolidated statements of activities and changes in net assets.

(1) Summary of Significant Accounting Policies, Continued

(o) In-kind Contributions and Donated Services

In-kind contributions and donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values at the date of donation. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributed advertising is recorded at the fair value of the contribution portion of the total value received.

(p) Other Production Revenue and Related Production Costs

The Council uses the percentage-of-completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred.

Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

(q) Program and Production Underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the period covered, and for production underwriting on an estimated percentage-of-completion basis.

(r) Advertising Costs

Advertising costs are expensed in the period in which they are incurred.

(1) Summary of Significant Accounting Policies, Continued

(s) Income Tax Status

WCNY and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. WCNY and the Foundation are subject to federal income taxes on unrelated business income pursuant to Section 511 of the Internal Revenue Code.

As of June 30, 2019 and 2018, the Council did not have any unrecognized tax benefits or any related accrued interest or penalties.

The tax years open to examination by federal and state taxing authorities are 2016 through 2019.

(t) Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

(2) Liquidity and Availability of Financial Assets

As of June 30, 2019, financial assets available within one year for general expenditure are as follows:

Cash and cash equivalents	$	33,596
Accounts receivable and other receivables		398,536
Total	$	432,132

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In the event of an unanticipated liquidity need, the Council could draw upon any unused portion of its $600,000 line-of-credit (note 6). Additionally at June 30, 2019, there are $148,058 of Board-designated funds set aside for future use. The Council does not intend to spend these funds on current operations; however the amounts could be made available upon approval of the Board.

(Continued)

(3) New Market Tax Credits

The Foundation completed the construction of a new 56,000 square foot television and radio broadcasting facility. In order to facilitate the construction of the facility, on July 26, 2011, WCNY and the Foundation closed on a New Market Tax Credit Transaction. The NMTC program permits taxpayers, who have made qualified equity investments in designated community development entities (CDE's), to receive credit against their federal income taxes. The credit was claimed over a seven-year credit allowance period.

WCNY received funds from different sources, comprised of grant proceeds ($10,700,000) and loans from a financial institution ($4,000,000) totalling approximately $14,700,000. WCNY aggregated all such funds to make a leveraged loan to a special purpose investment fund owned substantially by an affiliate of the related financial institution. The special purpose investment fund used the proceeds of the leverage loan, together with equity contributed by the related financial institution to make "qualified equity investments" (QEI) in qualified CDE's. The CDE's used substantially all of each QEI to make "qualified low-income community investments" (QLICI Loan) on favorable terms to the Foundation as a "qualified active low-income community business" (QALICB). The NMTC transaction utilized four promissory notes to the Foundation totalling $20,428,080 (see note 7), collateralized by the related assets. The Foundation used these proceeds to oversee the design and facilitate the establishment, operation and maintenance of the new facility.

As part of the NMTC transaction, WCNY (leveraged lender) and Chase NMTC WCNY Investment Fund, LLC (borrower) (Investment Fund) also entered into a loan agreement and promissory note on July 26, 2011, in the amount of $14,696,861. Interest only payments to WCNY were payable at 0.50% through December 1, 2018. Beginning on December 1, 2018, installments including principal and interest of $152,160 were due quarterly commencing on March 1, 2019 through September 1, 2044.

Built within the agreements were put and call options for WCNY to acquire 100% of the special purpose investment fund at a purchase price in the amount of $1,000, and any transfer taxes or other closing costs paid or payable by the special purpose investment fund attributable to the exercise of the put option and/or sale of the special purpose investment fund interest and any amounts then due and owing from the Council to the special purpose investment fund.

(3) New Market Tax Credits, Continued

The NMTC structure remained in effect for a period of 7 years until July 26, 2018 when the new market tax credit period expired. At that time, WCNY purchased for $1,000 the 99.99% membership interest of Chase Community Equity LLC in the Investment Fund and concurrently Community Development Properties New Markets MM, Inc. resigned as a .01% member of the Investment Fund pursuant to that certain Fund Interest Purchase Agreement and Assignment and Assumption Agreements each dated as of July 27, 2018, leaving WCNY as the sole member of the Investment Fund.

Pursuant to that certain Redemption and Assignment Agreement dated as of July 27, 2018, NDC New Markets Investments LXII, LLC (NDC) redeemed the 99.99% membership interest of the Investment Fund in consideration of a cash payment and the assignment of certain assets of NDC (promissory notes due from the Foundation), specifically (i) Promissory Note A and (ii) Promissory Note B (see note 7).

Pursuant to a second Redemption and Assignment Agreement dated as of July 27, 2018, Enhanced Capital New Market Development Fund IX, LLC (Enhanced) redeemed the 99.99% membership interest of the Investment Fund in consideration of a cash payment and the assignment of certain assets of Enhanced (promissory notes due from the Foundation), specifically (i) Promissory Note A and (ii) Promissory Note B (see note 7).

Included within assets limited as to use, the Council has New Market Tax Credit Reserve accounts to be used for paying interest and fees due and payable to the CDEs pursuant to the respective agreements. The reserve escrow balance was approximately $229,000 at June 30, 2018 and was used in the NMTC unwind transaction during fiscal year 2019.

Certain transactions have been described in the Exit Transfers Memorandum dated as of July 27, 2018. These transactions effectuated the payment of fees to NDC and Enhanced, payment of debt service on the $14,696,861 loan from WCNY to the Investment Fund (the “Leverage Loan”) and distribution of remaining funds of the Investment Fund to WCNY as the sole member of Investment Fund. In connection with the exit of the NMTC transaction, the Council’s reserve funds were utilized and the Council paid approximately $46,000, net of Investment Fund distributions.

(3) New Market Tax Credits, Continued

As a result of the NMTC closing, the Investment Fund was dissolved, Promissory Notes A and Notes B to NDC and Enhanced and the Leveraged Loan were forgiven and the Foundation continues to exist as a legal entity. As a result of these transactions, the Foundation recognized a gain on the settlement of debt of approximately $19,874,000 and WCNY recognized a loss on the settlement of the loan receivable of approximately $14,717,000. The net effect of the NMTC closing transaction for the Council was a gain on settlement of debt and loan receivable of approximately $5,157,000 recognized in non-operating activities in the consolidated statement of activities and changes in net assets for the year ended June 30, 2019.

(4) Investment in Centralcast, LLC

WCNY is a member of Centralcast, LLC (the Company), a not-for-profit corporation, with various other New York State public broadcasting organizations, at various ownership percentages. The Company exists to establish and provide a joint master control facility for the benefit of all members. As the Council has the ability to exert significant influence but not control over the Company, the minority interest investment in the Company has been recorded under the equity method at June 30, 2019 and 2018. The Company rents building space from the Council under a noncancellable operating lease agreement expiring June 2027.

Summarized financial data of the Company as of and for its years ended June 30 is set forth below:

	2019	2018
Total assets	$ 6,044,542	6,863,723
Total liabilities	1,397,228	1,871,468
Total net assets without donor restrictions	4,647,314	4,992,255
Total revenue and other support	2,445,654	3,585,269
Increase (decrease) in net assets without donor restrictions	(344,941)	79,534

(5) Broadcast Facilities and Equipment

Broadcast facilities and equipment at June 30 are comprised of the following:

	2019	2018
Land	$ 791,159	791,159
Building and improvements	15,418,150	15,418,150
Transmitter building	48,934	48,934
Antenna, tower and transmitter	3,579,765	3,579,765
Translators	252,070	252,070
Studio equipment (TV)	4,096,907	4,096,907
Office furniture and fixtures	1,026,033	1,018,104
Computer hardware/software	1,005,978	993,031
Studio equipment (FM)	605,265	605,265
Projects in progress	523,348	-
	27,347,609	26,803,385
Less accumulated depreciation	(12,109,896)	(11,157,399)
	$ 15,237,713	15,645,986

Depreciation expense approximated $952,000 and $1,167,000 for the years ended June 30, 2019 and 2018, respectively.

During 2017, the Council was notified by the Federal Communications Commission that the Council was assigned a new channel in the repacking process associated with the broadcast television spectrum incentive action. As part of this process, the Council is reimbursed for a portion of the related operating and capital expenditures. At June 30, 2019, amounts included in projects in progress and net assets with donor restrictions for capital primarily relate to this repacking project.

A substantial portion of broadcast facilities and equipment were purchased through federal and state grants, and therefore are subject to any liens associated with the grants. The Council has full and continued primary, equitable and/or beneficial interest in the equipment as long as such equipment continues to be used for intended purposes.

(6) Lines of Credit

Through February 2019, the Council maintained a revolving line of credit for borrowings up to $550,000 with interest at the prime rate. In March 2019, the Council entered into an agreement with a different lender for a new line of credit for borrowings up to $600,000 with interest at the prime rate (5.5% at June 30, 2019), and at that time, the existing line of credit was paid in full and terminated. The line of credit is due on demand and subject to periodic review at the financial institution's discretion. At June 30, 2019 and 2018 outstanding borrowings amounted to $200,000 and $335,000, respectively. Amounts available under the line of credit are collateralized by substantially all of the Council's assets, including the cash surrender value of the insurance policy and the agreement contains certain financial covenants with which the Council has agreed to comply.

(7) Long-Term Debt Obligations

Long-term debt obligations consisted of the following at June 30:

	2019	2018
Mortgage note payable to a bank in monthly payments including interest at 5.75% into 2024 and then adjusts (and adjusts every three years thereafter) to a rate equal to the Federal Home Loan Bank of New York three-year advance rate plus 2.75%, not to fall below 5.50% maturing in 2039. The mortgage loan agreement contains certain financial covenants with which the Council has agreed to comply and is collateralized by substantially all the Council's assets. The Council was in compliance with the financial covenants at June 30, 2019	$ 1,837,604	-
Term loan note payable to a bank which was satisfied with the proceeds from a new $1,850,000 mortgage in 2019	-	1,847,988
Promissory note A payable to the CDE - Enhanced Capital New Market Development Fund IX, LLC. Promissory note was satisfied with the closing of the NMTC transaction on July 27, 2018 (see note 3)	-	5,492,534
Promissory note B payable to the CDE - Enhanced Capital New Market Development Fund IX, LLC. Promissory note was satisfied with the closing of the NMTC transaction on July 27, 2018 (see note 3)	-	4,257,466

(Continued)

(7) Long-Term Debt Obligations, Continued

	2019	2018
Promissory note A payable to the CDE - NDC New Markets Investments LXII, LLC. Promissory note was satisfied with the closing of the NMTC transaction on July 27, 2018 (see note 3)	-	6,015,356
Promissory note B payable to the CDE - NDC New Markets Investments LXII, LLC. Promissory note was satisfied with the expiration of the closing of the NMTC transaction on July 27, 2018 (see note 3)	-	4,662,724
	1,837,604	22,276,068
Less unamortized debt issuance costs	(24,154)	(386,978)
	$ 1,813,450	21,889,090

Annual required principal payments are as follows:

2020	$ 50,825
2021	54,163
2022	57,406
2023	60,844
2024	64,321
Thereafter	1,550,045
	$ 1,837,604

(8) Leases

WCNY rents tower space and building space to various companies under noncancellable operating leases. Minimum future rental income is approximately as follows:

		Other	Related party
2020	$	37,000	156,000
2021		37,000	160,000
2022		37,000	165,000
2023		29,000	170,000
2024		-	174,000

Rental income earned on operating leases approximated $188,000 and $177,000 for 2019 and 2018, respectively.

WCNY has executed leases with private television stations for the use of transmitter tower facilities. Minimum future rental expense under noncancellable operating leases is approximately as follows:

2020	$	127,000
2021		130,000
2022		102,000
2023		90,000
2024		94,000

Rental expense on operating leases approximated $123,000 and $120,000 for 2019 and 2018, respectively.

WCNY executed a 20-year prepaid lease for $1,200,000 with a private television station for the use of the transmitter tower and related facilities. This lease prepayment amounting to $225,000 and $285,000 at June 30, 2019 and 2018, respectively, is being amortized on a straight-line basis over 20 years through 2023.

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

		2019	2018
Membership/education	$	6,082	47,298
Capital		354,844	17,126
Enterprise America		16,666	37,860
	$	377,592	102,284

(10) Commitments and Contingencies

Purchase commitments outstanding of approximately $888,000 and $861,000 at June 30, 2019 and 2018, respectively, relate to programming rights for programs not available for showing until subsequent periods.

At times the Council may be party to various legal proceedings arising in the ordinary course of business. The Council's management and legal counsel review the probable outcome of these proceedings and the costs and expenses reasonably expected to be incurred. While the outcome of legal proceedings cannot be predicted with certainty, based on its review, management believes that the liabilities that may result are not likely to have a material effect on the Council's liquidity, financial condition or change in net assets.

(11) Retirement Benefits

WCNY participates in contributory retirement plans administered by the Teachers Insurance Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF) covering substantially all employees. Total pension expense charged to operations relating to these plans was approximately $29,000 and $30,000 for 2019 and 2018, respectively.

WCNY maintains a retirement agreement with its former president and chief executive officer, under a deferred compensation plan. Upon the officer's retirement, WCNY began making monthly payments of $4,583 for life with right of survivorship (20 years certain through 2023). Accordingly, WCNY has recorded a liability based upon the present value of the estimated payments.

THE PUBLIC BROADCASTING COUNCIL
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AND AFFILIATE

Notes to Consolidated Financial Statements

(12) Functional Expenses

The Council primarily operates a non-commercial public television station, a non-commercial public FM radio station and a supporting foundation. Expenses related to providing these services are as follows at June 30:

	2019			
	Program services	Administrative	Fundraising	Total
Salaries, wages and commissions	$ 2,066,168	207,369	205,967	2,479,504
Payroll taxes and employee benefits	440,568	55,573	44,564	540,705
Contracted services, freelance and professional fees	444,604	71,501	4,500	520,605
Production costs	1,140,189	-	350	1,140,539
Printing, advertising and mailing	274,179	-	206,916	481,095
Building and equipment repairs and maintenance	185,417	240	-	185,657
Leased property	124,531	25	-	124,556
Utilities	209,526	13,100	-	222,626
Interest and other fees	157,637	14,107	-	171,744
Supplies and other expense	450,564	70,399	55,512	576,475
Depreciation	857,248	95,250	-	952,498
Tower lease expense	60,000	-	-	60,000
Total expenses	$ 6,410,631	527,564	517,809	7,456,004

	2018			
	Program services	Administrative	Fundraising	Total
Total expenses	$ 7,164,442	373,567	511,955	8,049,964

(Continued)

(12) Functional Expenses, Continued

The financial statements report certain categories of expenses that are attributable to more than one functional expense category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization on a basis of space and moveable equipment utilized, as well as employee benefits which are allocated based on salary expense.

(13) Subsequent Events

Subsequent events have been evaluated through November 27, 2019, which is the date the consolidated financial statements were available to be issued.

THE PUBLIC BROADCASTING COUNCIL
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Statement of Activities and Changes in Net Assets by Broadcast Entity

For the year ended June 30, 2019

	FM	TV	Total 2019
Revenues without donor restrictions:			
Contributions:			
Membership	$ 203,904	1,649,769	1,853,673
Donations, grants, events and sales	110	278,233	278,343
Net assets released from restrictions - membership/education	7,534	60,958	68,492
	211,548	1,988,960	2,200,508
Other support and revenue:			
Auctions	-	440,091	440,091
NYS education department grants	58,470	999,242	1,057,712
Public Broadcasting funding	87,352	1,052,472	1,139,824
Underwriting	153,478	427,209	580,687
Other production revenue	-	45,529	45,529
Rent and facilities	-	219,973	219,973
Investment income	2,567	20,770	23,337
In-kind, trade and miscellaneous	12,514	770,606	783,120
	314,381	3,975,892	4,290,273
Total contributions, other support and revenue without donor restrictions	525,929	5,964,852	6,490,781
Program services expense:			
Programming and production	297,362	1,834,725	2,132,087
Broadcasting and engineering	297,004	2,403,030	2,700,034
Program information and promotion	27,894	225,686	253,580
Total program services expense	622,260	4,463,441	5,085,701
Support services expense:			
Management and general	47,555	384,759	432,314
Fundraising and membership development	56,959	460,850	517,809
Underwriting and grant solicitation	44,845	362,837	407,682
Depreciation and amortization	111,375	901,123	1,012,498
Total support services expense	260,734	2,109,569	2,370,303
Total expenses	882,994	6,573,010	7,456,004
Net operating activities	$ (357,065)	(608,158)	(965,223)

(Continued)

THE PUBLIC BROADCASTING COUNCIL
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Statement of Activities and Changes in Net Assets by Broadcast Entity, Continued

	FM	TV	Total 2019
Non-operating activities:			
Gain on settlement of debt and loan receivable	565,848	4,578,227	5,144,075
Change in investment in Centralcast, LLC	-	(48,292)	(48,292)
Net assets released from restrictions - capital	-	1,126	1,126
Other non-operating activities	-	101,960	101,960
Total non-operating activities	565,848	4,633,021	5,198,869
Increase in net assets without donor restrictions	208,783	4,024,863	4,233,646
Net assets with donor restrictions:			
Restricted contributions - membership/education	669	5,413	6,082
Restricted contributions - capital	15,000	323,844	338,844
Net assets released from restrictions - membership/education	(7,534)	(60,958)	(68,492)
Net assets released from restrictions - capital	-	(1,126)	(1,126)
Increase in net assets with donor restrictions	8,135	267,173	275,308
Increase in net assets	216,918	4,292,036	4,508,954
Net assets at beginning of year	2,166,607	7,139,202	9,305,809
Net assets at end of year	$ 2,383,525	11,431,238	13,814,763

See accompanying independent auditor's report.