

**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, 2021 and 2020

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

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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, 2021 and 2020, 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 Consolidated 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)

The Board of Directors
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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, 2021 and 2020, 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 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

February 10, 2022

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

Consolidated Statements of Financial Position

June 30, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,369,314	236,063
Accounts receivable - underwriting, net of allowance of approximately \$47,000 in 2021 and \$43,000 in 2020	296,401	152,825
Pledges receivable, net	6,000	12,834
Due from affiliate	1,138	252
Other receivables	107,259	39,040
Prepaid broadcasting rights	25,216	30,341
Assets limited as to use	150,266	149,883
Other assets	113,789	125,691
Investment in Centralcast, LLC	705,916	644,535
Broadcast facilities and equipment, net	14,440,675	14,947,842
Prepaid tower lease	105,000	165,000
Cash surrender value of insurance policy	773,520	764,061
	<u>\$ 19,094,494</u>	<u>17,268,367</u>
<u>Liabilities and Net Assets</u>		
Long-term debt obligations	2,219,914	2,268,247
Paycheck Protection Program loan	518,007	593,700
Accounts payable	559,408	168,863
Accrued and other expenses	539,832	200,979
Deferred revenue	259,622	78,932
Deferred compensation obligation	121,462	169,007
	<u>4,218,245</u>	<u>3,479,728</u>
Total liabilities		
Net assets:		
Without donor restrictions	14,781,796	13,698,535
With donor restrictions	94,453	90,104
	<u>14,876,249</u>	<u>13,788,639</u>
Total net assets		
	<u>\$ 19,094,494</u>	<u>17,268,367</u>
Commitments, contingencies and uncertainties (notes 8, 10 and 13)		

See accompanying notes to the consolidated financial statements.

**THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
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Consolidated Statements of Activities and Changes in Net Assets

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues without donor restrictions:		
Contributions:		
Membership	\$ 1,965,112	1,967,749
Donations, grants, events and sales	464,141	543,067
Net assets released from restrictions - membership/ education	10,986	22,748
	<u>2,440,239</u>	<u>2,533,564</u>
Other support and revenue:		
Auctions	237,775	303,680
NYS education department grants	1,057,713	1,076,596
Public Broadcasting funding	1,747,926	1,477,931
Underwriting	595,732	514,304
Other production revenue	88,631	57,544
Rent and facilities	213,630	206,262
Streaming services	558,852	87,896
Investment income	10,673	13,076
In-kind, trade and miscellaneous	557,398	562,017
	<u>5,068,330</u>	<u>4,299,306</u>
Total contributions, other support and revenue without donor restrictions	<u>7,508,569</u>	<u>6,832,870</u>
Expenses:		
Salaries, wages and commissions	2,624,673	2,530,778
Payroll taxes and employee benefits	489,031	545,950
Contracted services, freelance and fees	769,410	439,175
Production and programming	1,049,713	1,158,740
Printing and advertising	222,943	411,701
Building and equipment repairs and maintenance	225,638	248,165
Lease property	132,433	129,056
Utilities	211,765	212,228
Interest and other fees	146,471	139,124
Supplies and other expenses	573,712	540,851
	<u>6,445,789</u>	<u>6,355,768</u>
Expenses before depreciation and tower lease expense		
Net operating activities before depreciation and tower lease expense	1,062,780	477,102
Depreciation	769,194	823,558
Tower lease expense	60,000	60,000
	<u>7,274,983</u>	<u>7,239,326</u>
Total expenses		
Net operating activities	<u>233,586</u>	<u>(406,456)</u>

**THE PUBLIC BROADCASTING COUNCIL
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Consolidated Statements of Activities and Changes in Net Assets, Continued

	<u>2021</u>	<u>2020</u>
Non-operating activities:		
Paycheck Protection Program loan forgiveness	593,700	-
Contributions and grants for capital purchases	121,476	330,130
Change in investment in Centralcast, LLC	61,381	(11,154)
Net assets released from restrictions - capital	<u>73,118</u>	<u>348,844</u>
Total non-operating activities	<u>849,675</u>	<u>667,820</u>
Increase in net assets without donor restrictions	<u>1,083,261</u>	<u>261,364</u>
Net assets with donor restrictions:		
Restricted contributions - membership/education	45,833	10,986
Restricted contributions - capital	42,620	73,118
Net assets released from restrictions - membership/education	(10,986)	(22,748)
Net assets released from restrictions - capital	<u>(73,118)</u>	<u>(348,844)</u>
Increase (decrease) in net assets with donor restrictions	<u>4,349</u>	<u>(287,488)</u>
Increase (decrease) in net assets	1,087,610	(26,124)
Net assets at beginning of year	<u>13,788,639</u>	<u>13,814,763</u>
Net assets at end of year	<u>\$ 14,876,249</u>	<u>13,788,639</u>

See accompanying notes to the consolidated financial statements.

**THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
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Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ 1,087,610	(26,124)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	769,194	823,558
Amortization of debt issuance costs	8,622	5,464
Lease amortization	60,000	60,000
Provision for bad debts	42,325	28,780
Forgiveness of Paycheck Protection Program loan	(593,700)	-
Restricted contributions for capital purposes	(121,476)	(330,130)
Change in investment in Centralcast, LLC	(61,381)	11,154
Changes in operating assets and liabilities:		
Accounts receivable - underwriting	(185,901)	(1,913)
Pledges receivable - membership	6,834	(4,426)
Prepaid broadcasting rights	5,125	10,095
Grants and other receivables	(38,382)	177,396
Other assets	11,902	(13,026)
Accounts payable	358,610	(323,494)
Accrued and other expenses	338,853	(64,038)
Due from/to affiliate	(886)	21,198
Deferred compensation obligation	(47,545)	(43,188)
Deferred revenue	180,690	(790,841)
Net cash provided by (used in) operating activities	<u>1,820,494</u>	<u>(459,535)</u>
Cash flows from investing activities:		
Increase in cash surrender value of insurance policy	(9,459)	(11,220)
Decrease in assets limited as to use, net	(383)	(1,825)
Purchases of broadcast facilities and equipment	(230,092)	(848,463)
Net cash used in investing activities	<u>(239,934)</u>	<u>(861,508)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt obligations	-	500,000
Payments on long-term debt obligations	(56,955)	(37,741)
Proceeds from Paycheck Protection Program loan	518,007	593,700
Payments on line of credit, net	-	(200,000)
Payment of deferred financing costs from debt proceeds	-	(12,926)
Proceeds from restricted contributions for capital purposes	91,639	680,477
Net cash provided by financing activities	<u>552,691</u>	<u>1,523,510</u>
Net increase in cash and cash equivalents	2,133,251	202,467
Cash and cash equivalents at beginning of year	<u>236,063</u>	<u>33,596</u>
Cash and cash equivalents at end of year	<u>\$ 2,369,314</u>	<u>236,063</u>
Supplemental disclosures of cash flow information:		
Equipment purchases financed with accounts payable	\$ 42,131	10,196
Cash paid for interest	163,204	118,390

See accompanying notes to the consolidated financial statements.

**THE PUBLIC BROADCASTING COUNCIL
OF CENTRAL NEW YORK, INC.
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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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. The Foundation Board currently consists of a subset of the WCNY Board.

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). All significant intercompany accounts and transactions have been eliminated in consolidation. The activities of JMC are not material to the Council, and therefore, have not been included within the accompanying consolidated financial statements.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(c) New Accounting Guidance

In May 2014, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Council adopted ASU 2014-09 effective for the year ended June 30, 2021 following the modified retrospective method of application, and as such the prior period consolidated financial statements have not been adjusted for the adoption of ASU 2014-09. There was no effect on total net assets or change in net assets as a result of implementing ASU 2014-09.

On July 1, 2020, the Council adopted ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The new standard applies to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements. The objective of this ASU is to improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying and adding certain disclosures. The adoption of ASU 2018-13 was applied retrospectively to prior periods and did not have an impact on the consolidated financial statements.

In June 2020, the effective date of ASU 2016-02, *Leases (Topic 842)* was delayed as a result of the issuance of ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. ASU 2014-09 was delayed until the fiscal year beginning after December 15, 2019 and ASU 2016-02 was delayed until the fiscal year beginning after December 15, 2021 for the Council. As a result, the Council elected to delay implementation of ASU 2016-02 and is currently assessing the impact that the adoption of this guidance will have on future consolidated financial statements and disclosures.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(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.

(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, 2021 and 2020, respectively.

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Notes to Consolidated Financial Statements

(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 board-designated funds. Board-designated funds represent amounts 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.

Receivables are stated at the amount the Council expects to collect from outstanding balances. There are no grant receivables as of June 30, 2021 or 2020.

(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.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(k) Deferred Financing Costs

Deferred financing costs relate to costs incurred in connection with obtaining long-term financing arrangements. Costs are principally being amortized over the term of the related obligations using a method approximating the effective interest method.

In June 2020, the Council entered into a new mortgage and security agreement for an additional \$500,000 in indebtedness, which was then consolidated with an existing note payable and recorded deferred financing costs of approximately \$13,000 related to the transaction. Amortization of approximately \$9,000 and \$5,000 was charged to operations in 2021 and 2020, respectively, and is included in interest expense within the consolidated statements of activities and changes in net assets. Accumulated amortization was approximately \$16,000 and \$7,000 at June 30, 2021 and 2020, 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, 2021 and 2020.

(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.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(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 and grants 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. These revenues are generally considered non-reciprocal transactions and are recognized as revenue when qualifying reimbursable expenses have been incurred and conditions under the agreements have been met. Amounts received prior to services being performed are recorded as deferred revenue.

The Council records membership contributions as revenue when donors' commitments are received, or any conditions have been satisfied.

The Council recognizes all other revenue in accordance with FASB Topic 606 when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Council expects to receive in exchange for satisfying distinct performance obligations. Amounts received in advance of services performed, but not yet earned, are recorded as deferred revenue.

Program and production underwriting revenue consists of sales of advertising services to businesses and organizations in cash or trade for other goods and services. The Council enters into contracts for underwriting services at established rates. Revenue for underwriting contracts are recognized at the point in time that the performance obligations are met. Unearned revenue relating to the portion of underwriting revenue pertaining to the following fiscal year is reported as deferred underwriting revenue in the consolidated statements of financial position.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(n) Contributions and Other Support and Revenue, Continued

Revenue from streaming services is based on a fixed contract price and billed based on the contract provisions. Revenue from streaming services is recognized ratably over the contract period as services are provided and performance obligations are met.

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.

(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) Production and Advertising Costs

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

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(q) 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, 2021 and 2020, 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 2018 through 2021.

(r) Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

(2) Liquidity and Availability of Financial Assets

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,369,314	236,063
Accounts receivable and other receivables	<u>372,447</u>	<u>197,323</u>
Total	<u>\$ 2,741,761</u>	<u>433,386</u>

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 5). Additionally at June 30, 2021 and 2020, there are \$150,266 and \$149,883 of board-designated funds set aside for future use, respectively. The Council does not intend to spend these funds on current operations; however the amounts could be made available upon approval of the Board.

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Notes to Consolidated Financial Statements

(3) 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, 2021 and 2020. 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:

	<u>2021</u>	<u>2020</u>
Total assets	\$ 8,328,344	5,913,244
Total liabilities	3,322,279	1,345,619
Total net assets without donor restrictions	5,006,065	4,567,625
Total revenue and other support	3,771,653	3,615,897
Increase (decrease) in net assets without donor restrictions	438,440	(79,689)

(4) Broadcast Facilities and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 791,159	791,159
Building and improvements	15,641,525	15,506,889
Transmitter building	48,934	48,934
Antenna, tower and transmitter	4,592,152	4,229,514
Translators	252,070	252,070
Studio equipment (TV)	4,156,437	4,123,827
Office furniture and fixtures	1,026,033	1,026,033
Computer hardware/software	1,029,748	1,015,344
Studio equipment (FM)	605,265	605,265
Projects in progress	-	282,261
	<u>28,143,323</u>	<u>27,881,296</u>
Less accumulated depreciation	<u>(13,702,648)</u>	<u>(12,933,454)</u>
	<u>\$ 14,440,675</u>	<u>14,947,842</u>

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(4) Broadcast Facilities and Equipment, Continued

Depreciation expense approximated \$769,000 and \$824,000 for the years ended June 30, 2021 and 2020, 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. The Council received funds of approximately \$121,000 and \$370,000 for 2021 and 2020, respectively, related to the repacking project. This repacking project was completed in fiscal year 2021 and as a result the related assets were placed into service and net assets were released. There were no projects in progress at June 30, 2021.

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.

(5) Line of Credit

WCNY maintains a revolving line of credit for borrowings up to \$600,000 with interest at the prime rate (3.25% at June 30, 2021). The line of credit is due on demand and subject to periodic review at the financial institution's discretion. At June 30, 2021 and 2020 there were no borrowings outstanding on the line of credit. 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. The agreement contains certain financial covenants with which the Council has agreed to comply.

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(6) Long-Term Debt Obligations

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

	<u>2021</u>	<u>2020</u>
<p>On June 12, 2020, the Council entered into a new mortgage and security agreement for an additional \$500,000 in indebtedness, which was then consolidated with the existing mortgage note payable. The consolidated mortgage note is payable to a bank in monthly payments, including interest at 5.00% through June 30, 2023 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 3.50%, not to fall below 5.00% maturing in 2039. In April 2020, during the Coronavirus pandemic, the Council received approval from the bank to defer principal and interest payments on the mortgage note payable for May 2020 through July 2020. The principal payments accrued during this period will be due at the maturity date of the mortgage note. The interest accrued during the period was paid during fiscal year 2021. 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, 2021 and 2020</p>	\$ 2,242,908	2,299,863
<p>Less unamortized debt issuance costs</p>	<u>(22,994)</u>	<u>(31,616)</u>
	<u>\$ 2,219,914</u>	<u>2,268,247</u>

Annual required principal payments are as follows:

2022	\$	79,668
2023		83,802
2024		87,866
2025		92,710
2026		97,521
Thereafter		<u>1,801,341</u>
	<u>\$</u>	<u>2,242,908</u>

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(7) Paycheck Protection Program Loan

During 2020, the Council received loan proceeds in the amount of \$593,700 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) (note 13), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower does not incur eligible expenditures within a twenty four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Council submitted its forgiveness application and subsequently received approval for loan forgiveness in full from its financial institution and the U.S. Small Business Administration in November 2020. As of the forgiveness date, the Council reduced the liability and recognized the corresponding revenue for the loan amount. This revenue is recognized within non-operating activities on the consolidated statements of activities and changes in net assets for the year ended June 30, 2021.

During 2021, the Council applied for and received additional loan proceeds in the amount of \$518,007 under the PPP. The Council utilized the proceeds for eligible expenditures in accordance with the terms of the agreement. The Council submitted its forgiveness application and subsequently received approval for loan forgiveness in full from its financial institution and the U.S. Small Business Administration in October 2021. As of the forgiveness date, the Council reduced the liability and recognized the corresponding revenue for the loan amount.

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(8) Leases

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

	<u>Other</u>	<u>Related party</u>
2022	\$ 56,000	165,000
2023	25,000	170,000
2024	-	174,000
2025	-	180,000
2026	-	185,000

Rental income earned on operating leases approximated \$214,000 and \$193,000 for 2021 and 2020, 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:

2022	\$ 139,000
2023	90,000
2024	94,000
2025	99,000
2026	103,000

Rental expense on operating leases approximated \$130,000 and \$126,000 for 2021 and 2020, 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 \$105,000 and \$165,000 at June 30, 2021 and 2020, respectively, is being amortized on a straight-line basis over 20 years through 2023.

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(9) Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Membership/education	\$ -	10,986
Capital	48,620	79,118
Enterprise America	<u>45,833</u>	<u>-</u>
	<u>\$ 94,453</u>	<u>90,104</u>

(10) Commitments and Contingencies

Purchase commitments outstanding of approximately \$801,000 and \$781,000 at June 30, 2021 and 2020, 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. The Council elected to cease employer match contributions for the year ended June 30, 2021. Total pension expense charged to operations relating to these plans was approximately \$23,000 for 2020. Beginning July 1, 2021, the employer match contributions were reinstated.

WCNY maintains a retirement agreement with a 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.

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(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:

	2021			
	<u>Program services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages and commissions	\$ 1,861,387	315,330	447,956	2,624,673
Payroll taxes and employee benefits	369,621	94,011	25,399	489,031
Contracted services, freelance and professional fees	359,173	37,957	372,280	769,410
Production costs	1,049,713	-	-	1,049,713
Printing, advertising and mailing	204,901	-	18,042	222,943
Building and equipment repairs and maintenance	224,422	797	419	225,638
Leased property	132,433	-	-	132,433
Utilities	198,295	13,470	-	211,765
Interest and other fees	145,488	983	-	146,471
Supplies and other expense	424,513	43,482	105,717	573,712
Depreciation	692,275	76,919	-	769,194
Tower lease expense	60,000	-	-	60,000
	<u>\$ 5,722,221</u>	<u>582,949</u>	<u>969,813</u>	<u>7,274,983</u>
Total expenses	<u>\$ 5,722,221</u>	<u>582,949</u>	<u>969,813</u>	<u>7,274,983</u>

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(12) Functional Expenses, Continued

	2020			
	<u>Program services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages and commissions	\$ 2,081,451	225,761	223,566	2,530,778
Payroll taxes and employee benefits	450,563	55,740	39,647	545,950
Contracted services, freelance and professional fees	356,295	58,075	24,805	439,175
Production costs	1,158,474	-	266	1,158,740
Printing, advertising and mailing	221,100	-	190,601	411,701
Building and equipment repairs and maintenance	229,548	447	18,170	248,165
Leased property	128,006	1,050	-	129,056
Utilities	198,827	13,401	-	212,228
Interest and other fees	135,450	3,674	-	139,124
Supplies and other expense	375,046	52,359	113,446	540,851
Depreciation	741,202	82,356	-	823,558
Tower lease expense	60,000	-	-	60,000
	<u>\$ 6,135,962</u>	<u>492,863</u>	<u>610,501</u>	<u>7,239,326</u>

The consolidated 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) Coronavirus Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

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(13) Coronavirus Pandemic, Continued

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted. The CARES Act is an approximate \$2 trillion emergency economic stimulus package passed in response to the COVID-19 pandemic. The CARES Act includes broad sweeping provisions including direct financial assistance to Americans in the form of one-time payments to individuals; aid to small businesses in the form of loans and grants; and efforts to stabilize the U.S. economy and keep Americans employed in general. The CARES Act was amended by the Paycheck Protection Program Flexibility Act enacted on June 5, 2020. The CARES Act included appropriated funds for the Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. The Council applied for, and received, funds under the Paycheck Protection Program of \$518,007 and \$593,700 for the years ended June 30, 2021 and 2020, respectively, as outlined in note 7 to the consolidated financial statements.

In response to the COVID-19 pandemic, on March 19, 2020 the New York State Department of Financial Services (DFS) urged all mortgage servicers to support mortgage borrowers in various ways, including forbearance on mortgage payments for ninety days. The Council received approval to defer principal and interest payments on their mortgage note payable to a bank, as outlined in note 6 to the consolidated financial statements.

In April 2020, the CPB Board of Directors approved a distribution plan for \$75 million of emergency stabilization funds for public media included in the CARES Act. These funds are unrestricted, have no expenditure period, and are not subject to single audit requirements. The distribution plan split the \$75 million stabilization funds equally between television and radio grantees and is based on comparisons of current revenues and costs of both systems. Grantees are required to report these funds as revenue in the appropriate year's Annual Financial Report. As a result of this distribution the Council received \$335,205, and these funds are reported within Public Broadcasting funding on the consolidated statements of activities and changes in net assets for the year ended June 30, 2020.

On March 11, 2021, the American Rescue Plan Act of 2021 was enacted. This provided the CPB with \$175 million and authorized fiscal stabilization grants to public telecommunications entities to maintain their programming and services and to prevent, prepare for and respond to the COVID-19 outbreak. Grantees are required to report these funds as revenue in the appropriate year's Annual Financial Report. In 2021, the Council received \$643,688 in stabilization grants. These funds are reported within Public Broadcasting funding on the consolidated statements of activities and changes in net assets for the year ended June 30, 2021.

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(13) Coronavirus Pandemic, Continued

Given the daily evolution of the COVID-19 outbreak and the global and local responses to curb its spread, the Council is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity. Management continues to monitor the situation and has taken actions in an effort to mitigate adverse consequences. These include strong planning and fiscal management.

(14) Subsequent Events

Subsequent events have been evaluated through February 10, 2022, which is the date the consolidated financial statements were available to be issued.

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Statement of Activities and Changes in Net Assets by Broadcast Entity

For the year ended June 30, 2021

	<u>FM</u>	<u>TV</u>	<u>Total 2021</u>
Revenues without donor restrictions:			
Contributions:			
Membership	\$ 294,767	1,670,345	1,965,112
Donations, grants, events and sales	-	464,141	464,141
Net assets released from restrictions - membership/education	1,205	9,781	10,986
	<u>295,972</u>	<u>2,144,267</u>	<u>2,440,239</u>
Other support and revenue:			
Auctions	-	237,775	237,775
NYS education department grants	58,470	999,243	1,057,713
Public Broadcasting funding	197,480	1,550,446	1,747,926
Underwriting	105,065	490,667	595,732
Other production revenue	-	88,631	88,631
Rent and facilities	-	213,630	213,630
Streaming services	-	558,852	558,852
Investment income	1,601	9,072	10,673
In-kind, trade and miscellaneous	9,369	548,029	557,398
	<u>371,985</u>	<u>4,696,345</u>	<u>5,068,330</u>
Total contributions, other support and revenue without donor restrictions	<u>667,957</u>	<u>6,840,612</u>	<u>7,508,569</u>
Program services expense:			
Programming and production	257,147	1,660,949	1,918,096
Broadcasting and engineering	379,662	2,151,414	2,531,076
Program information and promotion	27,936	158,302	186,238
Total program services expense	<u>664,745</u>	<u>3,970,665</u>	<u>4,635,410</u>
Support services expense:			
Management and general	75,904	430,126	506,030
Fundraising and membership development	145,472	824,341	969,813
Underwriting and grant solicitation	50,180	284,356	334,536
Depreciation and amortization	124,379	704,815	829,194
Total support services expense	<u>395,935</u>	<u>2,243,638</u>	<u>2,639,573</u>
Total expenses	<u>1,060,680</u>	<u>6,214,303</u>	<u>7,274,983</u>
Net operating activities	\$ <u>(392,723)</u>	<u>626,309</u>	<u>233,586</u>

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Statement of Activities and Changes in Net Assets by Broadcast Entity, Continued

	<u>FM</u>	<u>TV</u>	<u>Total 2021</u>
Non-operating activities:			
Paycheck Protection Program loan forgiveness	-	593,700	593,700
Contributions and grants for capital purchases	-	121,476	121,476
Change in investment in Centralcast, LLC	-	61,381	61,381
Net assets released from restrictions - capital	<u>73,118</u>	<u>-</u>	<u>73,118</u>
 Total non-operating activities	 <u>73,118</u>	 <u>776,557</u>	 <u>849,675</u>
 Increase (decrease) in net assets without donor restrictions	 <u>(319,605)</u>	 <u>1,402,866</u>	 <u>1,083,261</u>
Net assets with donor restrictions:			
Restricted contributions - membership/education	-	45,833	45,833
Restricted contributions - capital	-	42,620	42,620
Net assets released from restrictions - membership/education	(1,205)	(9,781)	(10,986)
Net assets released from restrictions - capital	<u>(73,118)</u>	<u>-</u>	<u>(73,118)</u>
 Increase (decrease) in net assets with donor restrictions	 <u>(74,323)</u>	 <u>78,672</u>	 <u>4,349</u>
 Increase (decrease) in net assets	 <u>(393,928)</u>	 <u>1,481,538</u>	 <u>1,087,610</u>
 Net assets at beginning of year	 <u>2,167,570</u>	 <u>11,621,069</u>	 <u>13,788,639</u>
 Net assets at end of year	 <u>\$ <u>1,773,642</u></u>	 <u><u>13,102,607</u></u>	 <u><u>14,876,249</u></u>

See accompanying independent auditor's report.