

**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, 2022 and 2021

**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:

Opinion

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Public Broadcasting Council of Central New York, Inc. and Affiliate, as of June 30, 2022 and 2021, and the consolidated statements of activities and changes in net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Public Broadcasting Council of Central New York, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Public Broadcasting Council of Central New York, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

(Continued)

The Board of Directors
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Public Broadcasting Council of Central New York, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Public Broadcasting Council of Central New York, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

(Continued)

The Board of Directors
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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 (Schedule 1) 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

January 13, 2023

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

Consolidated Statements of Financial Position

June 30, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,276,799	2,369,314
Accounts receivable - underwriting, net of allowance of approximately \$57,000 in 2022 and \$47,000 in 2021	216,477	296,401
Pledges receivable, net	6,000	6,000
Due from affiliate	3,210	1,138
Other receivables	67,110	107,259
Prepaid broadcasting rights	3,480	25,216
Assets limited as to use	215,952	150,266
Other assets	85,615	113,789
Investment in Centralcast, LLC	776,378	705,916
Broadcast facilities and equipment, net	14,103,691	14,440,675
Prepaid tower lease	45,000	105,000
Cash surrender value of insurance policy	678,267	773,520
	<u>\$ 17,477,979</u>	<u>19,094,494</u>
<u>Liabilities and Net Assets</u>		
Long-term debt obligations	2,388,868	2,219,914
Paycheck Protection Program loan	-	518,007
Accounts payable	367,933	559,408
Accrued and other expenses	249,068	539,832
Deferred revenue	266,757	259,622
Deferred compensation obligation	75,397	121,462
	<u>3,348,023</u>	<u>4,218,245</u>
Total liabilities		
Net assets:		
Without donor restrictions	14,087,290	14,781,796
With donor restrictions	42,666	94,453
	<u>14,129,956</u>	<u>14,876,249</u>
Total net assets		
	<u>\$ 17,477,979</u>	<u>19,094,494</u>
Commitments, contingencies and uncertainties (notes 8 and 10)		

See accompanying notes to the consolidated financial statements.

**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

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues without donor restrictions:		
Contributions:		
Membership	\$ 2,081,275	1,965,112
Donations, grants, events and sales	271,906	464,141
Net assets released from restrictions - membership/ education	29,167	10,986
	<u>2,382,348</u>	<u>2,440,239</u>
Other support and revenue:		
Auctions	225,844	237,775
NYS education department grants	1,059,600	1,057,713
Public Broadcasting funding	1,173,244	1,747,926
Underwriting	724,746	595,732
Other production revenue	11,325	88,631
Rent and facilities	242,413	213,630
Streaming services	99,000	558,852
Investment income	16,286	10,673
Contributions of nonfinancial assets	7,580	625
Trade and miscellaneous	299,968	556,773
	<u>3,860,006</u>	<u>5,068,330</u>
Total contributions, other support and revenue without donor restrictions	<u>6,242,354</u>	<u>7,508,569</u>
Expenses:		
Salaries, wages and commissions	2,409,970	2,624,673
Payroll taxes and employee benefits	558,596	489,031
Contracted services, freelance and fees	982,669	769,410
Production and programming	1,114,129	1,049,713
Printing and advertising	306,834	222,943
Building and equipment repairs and maintenance	237,800	225,638
Lease property	120,530	132,433
Utilities	193,345	211,765
Interest and other fees	123,231	146,471
Supplies and other expenses	540,797	573,712
	<u>6,587,901</u>	<u>6,445,789</u>
Expenses before depreciation and tower lease expense	<u>6,587,901</u>	<u>6,445,789</u>
Net operating activities before depreciation and tower lease expense	(345,547)	1,062,780
Depreciation	794,671	769,194
Tower lease expense	60,000	60,000
	<u>7,442,572</u>	<u>7,274,983</u>
Total expenses	<u>7,442,572</u>	<u>7,274,983</u>
Net operating activities	<u>(1,200,218)</u>	<u>233,586</u>

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

	<u>2022</u>	<u>2021</u>
Non-operating activities:		
Paycheck Protection Program loan forgiveness	518,007	593,700
Contributions and grants for capital purchases	46,000	121,476
Change in investment in Centralcast, LLC	70,462	61,381
Net assets released from restrictions - capital	42,620	73,118
Other non-operating activities, net	<u>(171,377)</u>	<u>-</u>
Total non-operating activities	<u>505,712</u>	<u>849,675</u>
Increase (decrease) in net assets without donor restrictions	<u>(694,506)</u>	<u>1,083,261</u>
Net assets with donor restrictions:		
Restricted contributions - membership/education	-	45,833
Restricted contributions - capital	20,000	42,620
Net assets released from restrictions - membership/education	(29,167)	(10,986)
Net assets released from restrictions - capital	<u>(42,620)</u>	<u>(73,118)</u>
Increase (decrease) in net assets with donor restrictions	<u>(51,787)</u>	<u>4,349</u>
Increase (decrease) in net assets	(746,293)	1,087,610
Net assets at beginning of year	<u>14,876,249</u>	<u>13,788,639</u>
Net assets at end of year	<u>\$ 14,129,956</u>	<u>14,876,249</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ (746,293)	1,087,610
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	794,671	769,194
Amortization of debt issuance costs	8,623	8,622
Lease amortization	60,000	60,000
Provision for bad debts	9,767	42,325
Forgiveness of Paycheck Protection Program loan	(518,007)	(593,700)
Restricted contributions for capital purposes	(66,000)	(121,476)
Change in investment in Centralcast, LLC	(70,462)	(61,381)
Changes in operating assets and liabilities:		
Accounts receivable - underwriting	70,157	(185,901)
Pledges receivable - membership	-	6,834
Prepaid broadcasting rights	21,736	5,125
Other receivables	8,936	(38,382)
Other assets	28,174	11,902
Accounts payable	(160,846)	358,610
Accrued and other expenses	(290,764)	338,853
Due from/to affiliate	(2,072)	(886)
Deferred compensation obligation	(46,065)	(47,545)
Deferred revenue	7,135	180,690
Net cash provided by (used in) operating activities	<u>(891,310)</u>	<u>1,820,494</u>
Cash flows from investing activities:		
(Increase) decrease in cash surrender value of insurance policy	95,253	(9,459)
Increase in assets limited as to use, net	(65,686)	(383)
Purchases of broadcast facilities and equipment	(488,316)	(230,092)
Net cash used in investing activities	<u>(458,749)</u>	<u>(239,934)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt obligations	240,300	-
Payments on long-term debt obligations	(79,969)	(56,955)
Proceeds from Paycheck Protection Program loan	-	518,007
Proceeds from restricted contributions for capital purposes	97,213	91,639
Net cash provided by financing activities	<u>257,544</u>	<u>552,691</u>
Net increase (decrease) in cash and cash equivalents	(1,092,515)	2,133,251
Cash and cash equivalents at beginning of year	<u>2,369,314</u>	<u>236,063</u>
Cash and cash equivalents at end of year	\$ <u><u>1,276,799</u></u>	<u><u>2,369,314</u></u>
Supplemental disclosures of cash flow information:		
Equipment purchases financed with accounts payable	\$ 11,502	42,131
Cash paid for interest	120,974	163,204

See accompanying notes to the consolidated financial statements.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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. Effective February 28, 2022, an agreement was executed whereby JMC ceased operations and the operating activities and master control functions of JMC were assumed by Centralcast, LLC (note 3). The members of the JMC Board of Directors were also members of the WCNY Board of Directors through the transaction date.

(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.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(c) New Accounting Guidance

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which amends the presentation and disclosure requirements for contributed nonfinancial assets by modifying and adding certain disclosures. Effective July 1, 2021, the Council adopted ASU No. 2020-07 and applied the provisions retrospectively to all periods presented in the consolidated financial statements. The adoption of ASU No. 2020-07 did not have a material impact on the Council's 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 2016-02 was delayed until fiscal years 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.

(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.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(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 and beneficial interest in funds held by others is classified as Level 3. 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, 2022 and 2021, respectively.

(g) Assets Limited as to Use

Assets limited as to use primarily consist of cash and cash equivalents which 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. Board-designated funds amounted to \$150,552 and \$150,266 at June 30, 2022 and 2021, respectively.

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

(1) Summary of Significant Accounting Policies, Continued

(g) Assets Limited as to Use, Continued

During fiscal year 2022, the Council transferred \$75,000 to the Central New York Community Foundation, Inc. (CNYCF) to establish a WCNY Sustainability Fund. The CNYCF manages and invests the fund and retains variance power with respect to the fund. The Council is the beneficiary of the fund and distributions from the fund are in accordance with the spending policy established by the Board of Directors of the CNYCF. CNYCF has the right to make distributions to another not-for-profit entity of its choice if the Council ceases to exist or if CNYCF's Board of Directors determines that the purposes for which the fund was created become (a) unnecessary, (b) incapable of fulfillment or (c) inconsistent with the charitable needs of the community served by CNYCF. Amounts transferred from the Council to the funds held by CNYCF are recorded as assets, at fair value, on the books of the Council even though CNYCF retains variance power, as the Council named itself as the beneficiary of the amounts transferred. Income or loss generated from the fund is credited or charged to the fund and recorded within other non-operating activities, net in the consolidated statements of activities and changes in net assets. At June 30, 2022, the Council's beneficial interest in assets held by others is \$65,400.

(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) 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.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(j) 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.

Amortization of approximately \$9,000 was charged to operations in 2022 and 2021, and is included in interest expense within the consolidated statements of activities and changes in net assets. Accumulated amortization was approximately \$25,000 and \$16,000 at June 30, 2022 and 2021, respectively.

(k) 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, 2022 and 2021.

(l) 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.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(m) 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.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(m) 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.

(n) Contributions of Nonfinancial Assets

Contributions of nonfinancial assets 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 personnel 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. During 2022 and 2021, contributions of nonfinancial assets recognized within the consolidated statements of activities and changes in net assets primarily consist of advertising and tickets received by the Council. The Council estimated the fair value of contributed advertising based on the contribution portion of the total value received and the fair value of the tickets received based on the actual cost of the tickets.

(o) Cash Surrender Value of Insurance Policy

The cash surrender value of insurance policy is stated in the consolidated financial statements at fair market value. Annual increases (decreases) in value are reflected in the consolidated statements of activities and changes in net assets.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(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.

(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, 2022 and 2021, 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 2019 through 2022.

(r) Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,276,799	2,369,314
Accounts receivable and other receivables	<u>283,587</u>	<u>372,447</u>
Total	<u>\$ 1,560,386</u>	<u>2,741,761</u>

**THE PUBLIC BROADCASTING COUNCIL
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(2) Liquidity and Availability of Financial Assets, Continued

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, 2022 and 2021, there are \$150,552 and \$150,266 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.

(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 of March 1, 2022, the Company also operates the master control previously operated by JMC for its members as well as other public radio and television broadcasting systems nationwide. 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, 2022 and 2021. The Company rents building space from the Council under a noncancellable operating lease agreement expiring June 2027. In 2022, the Council also executed a separate agreement with the Company to provide ongoing administrative support services to the Company through June 2027.

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

	<u>2022</u>	<u>2021</u>
Total assets	\$ 9,105,563	8,328,344
Total liabilities	3,604,520	3,322,279
Total net assets without donor restrictions	5,501,043	5,006,065
Total revenue and other support	3,841,357	3,771,653
Increase in net assets without donor restrictions	494,978	438,440

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(4) Broadcast Facilities and Equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 791,159	791,159
Building and improvements	15,656,789	15,641,525
Antenna, tower and transmitter	4,611,494	4,592,152
Translators	254,405	252,070
Studio equipment (TV)	4,280,817	4,156,437
Office furniture and fixtures	1,043,433	1,026,033
Computer hardware/software	1,283,024	1,029,748
Studio equipment (FM)	618,259	605,265
Projects in progress	<u>12,697</u>	<u>-</u>
	28,552,077	28,094,389
Less accumulated depreciation	<u>(14,448,386)</u>	<u>(13,653,714)</u>
	<u>\$ 14,103,691</u>	<u>14,440,675</u>

Depreciation expense approximated \$795,000 and \$769,000 for the years ended June 30, 2022 and 2021, 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 approximately \$121,000 during 2021, 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 funds received or additions to the project during 2022.

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.

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(5) Line of Credit

WCNY maintains a revolving line of credit for borrowings up to \$600,000 with interest at the prime rate (4.75% at June 30, 2022). The line of credit is due on demand and subject to periodic review at the financial institution's discretion. At June 30, 2022 and 2021 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.

(6) Long-Term Debt Obligations

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

	<u>2022</u>	<u>2021</u>
Mortgage note 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. 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, 2022 and 2021. (a)	\$ 2,162,939	2,242,908
Note payable to bank, due in monthly installments of \$1,079 including interest at 2.75% beginning October 2024 through April 2052. Interest has accrued from inception and will continue to accrue through October 2024, at which point interest-only payments will be made until all accrued interest has been extinguished. The note is an Economic Injury Disaster Loan (EIDL) entered into by the Council. The note is secured by substantially all of the Council's assets.	240,300	-
Less unamortized debt issuance costs	<u>(14,371)</u>	<u>(22,994)</u>
	<u>\$ 2,388,868</u>	<u>2,219,914</u>

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(6) Long-Term Debt Obligations, Continued

Annual required principal payments are as follows:

2023	\$	83,802
2024		87,866
2025		92,710
2026		97,521
2027		104,048
Thereafter		<u>1,937,292</u>
	\$	<u><u>2,403,239</u></u>

- (a) In September 2022, the Council restructured their existing mortgage note payable. The current principal balance of the mortgage note payable at the transaction date was \$1,753,778. The restructuring resulted in the establishment of two separate notes payable (Note A and Note B). Note A amounted to \$1,453,778 and Note B amounted to \$300,000. The Council used proceeds from their EIDL loan as well as draws from the cash surrender value of their insurance policy to reduce the original mortgage note payable prior to the transaction date and Note B was paid in full as of the transaction date. As a result of these payments, the Council reduced their total mortgage note payable balance by approximately \$689,000 as of the transaction date. Under the new structure of the Council's mortgage note payable (Note A), the mortgage is payable to a bank in monthly payments, including interest at 5.00% through September 2027 (and adjusts every five years thereafter) to a rate equal to the Federal Home Loan Bank of New York five-year advance rate plus 3.50%, not to fall below 5.00% maturing in 2039. The payout schedule above does not reflect the pay down of principal and new debt service obligations for the restructured mortgage note payable (Note A).

As a result of this restructuring, the Council's existing line of credit with a bank for \$600,000 was reduced to \$300,000. There were no other changes to the terms of the existing line of credit other than the reduction of available borrowings (note 5). In addition, a second line of credit was established (formerly Note B) and available to the Council amounting to \$300,000, which bears interest at the applicable prime rate plus 0.50% and is collateralized by substantially all the Council's assets.

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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”), 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 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 (SBA) in November 2020. As of the forgiveness date, the Council reduced the liability and recognized the corresponding revenue for the loan amount.

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 SBA in October 2021. As of the forgiveness date, the Council reduced the liability and recognized the corresponding revenue for the loan amount.

Revenue of \$518,007 and \$593,700 related to loan forgiveness was recognized within non-operating activities on the consolidated statements of activities and changes in net assets for the year ended June 30, 2022 and 2021, respectively.

(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>
2023	\$ 49,000	170,000
2024	2,000	174,000
2025	-	180,000
2026	-	185,000
2027	-	190,000

Rental income earned on operating leases approximated \$242,000 and \$214,000 for 2022 and 2021, respectively.

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(8) Leases, Continued

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:

2023	\$ 90,000
2024	94,000
2025	99,000
2026	103,000
2027	17,000

Rental expense on operating leases approximated \$119,000 and \$130,000 for 2022 and 2021, 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 \$45,000 and \$105,000 at June 30, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Capital	\$ 26,000	48,620
Enterprise America	<u>16,666</u>	<u>45,833</u>
	<u>\$ 42,666</u>	<u>94,453</u>

(10) Commitments and Contingencies

Purchase commitments outstanding of approximately \$800,000 and \$801,000 at June 30, 2022 and 2021, 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.

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(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. Beginning July 1, 2021, the employer match contributions were reinstated. Total pension expense charged to operations relating to these plans was approximately \$30,000 for 2022.

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.

(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:

	2022			
	<u>Program services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages and commissions	\$ 1,809,566	412,939	187,465	2,409,970
Payroll taxes and employee benefits	381,673	130,553	46,370	558,596
Contracted services, freelance and professional fees	473,386	63,593	445,690	982,669
Production costs	1,114,129	-	-	1,114,129
Printing, advertising and mailing	263,975	7,504	35,355	306,834
Building and equipment repairs and maintenance	199,677	38,123	-	237,800
Leased property	120,530	-	-	120,530
Utilities	180,968	12,377	-	193,345
Interest and other fees	122,091	1,140	-	123,231
Supplies and other expense	393,400	75,150	72,247	540,797
Depreciation	715,204	79,467	-	794,671
Tower lease expense	60,000	-	-	60,000
Total expenses	\$ 5,834,599	820,846	787,127	7,442,572

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(12) Functional Expenses, Continued

	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>

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) Subsequent Events

Subsequent events have been evaluated through January 13, 2023, 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, 2022

	<u>FM</u>	<u>TV</u>	<u>Total 2022</u>
Revenues without donor restrictions:			
Contributions:			
Membership	\$ 312,191	1,769,084	2,081,275
Donations, grants, events and sales	-	271,906	271,906
Net assets released from restrictions - membership/education	-	29,167	29,167
	<u>312,191</u>	<u>2,070,157</u>	<u>2,382,348</u>
Other support and revenue:			
Auctions	-	225,844	225,844
NYS education department grants	52,718	1,006,882	1,059,600
Public Broadcasting funding	76,348	1,096,896	1,173,244
Underwriting	132,288	592,458	724,746
Other production revenue	-	11,325	11,325
Rent and facilities	-	242,413	242,413
Streaming services	-	99,000	99,000
Investment income	-	16,286	16,286
Contributions of nonfinancial assets	-	7,580	7,580
Trade and miscellaneous	30,747	269,221	299,968
	<u>292,101</u>	<u>3,567,905</u>	<u>3,860,006</u>
Total contributions, other support and revenue without donor restrictions	<u>604,292</u>	<u>5,638,062</u>	<u>6,242,354</u>
Program services expense:			
Programming and production	320,242	1,791,920	2,112,162
Broadcasting and engineering	373,199	2,114,796	2,487,995
Program information and promotion	16,360	92,705	109,065
Total program services expense	<u>709,801</u>	<u>3,999,421</u>	<u>4,709,222</u>
Support services expense:			
Management and general	111,207	630,172	741,379
Fundraising and membership development	118,069	669,058	787,127
Underwriting and grant solicitation	52,526	297,647	350,173
Depreciation and amortization	128,201	726,470	854,671
Total support services expense	<u>410,003</u>	<u>2,323,347</u>	<u>2,733,350</u>
Total expenses	<u>1,119,804</u>	<u>6,322,768</u>	<u>7,442,572</u>
Net operating activities	\$ <u>(515,512)</u>	<u>(684,706)</u>	<u>(1,200,218)</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 2022</u>
Non-operating activities:			
Paycheck Protection Program loan forgiveness	-	518,007	518,007
Contributions and grants for capital purchases	-	46,000	46,000
Change in investment in Centralcast, LLC	-	70,462	70,462
Net assets released from restrictions - capital	-	42,620	42,620
Other non-operating activities, net	-	(171,377)	(171,377)
	<u>-</u>	<u>505,712</u>	<u>505,712</u>
Total non-operating activities			
Decrease in net assets without donor restrictions	<u>(515,512)</u>	<u>(178,994)</u>	<u>(694,506)</u>
Net assets with donor restrictions:			
Restricted contributions - membership/education	-	-	-
Restricted contributions - capital	-	20,000	20,000
Net assets released from restrictions - membership/education	-	(29,167)	(29,167)
Net assets released from restrictions - capital	-	(42,620)	(42,620)
	<u>-</u>	<u>(51,787)</u>	<u>(51,787)</u>
Decrease in net assets with donor restrictions			
Decrease in net assets	<u>(515,512)</u>	<u>(230,781)</u>	<u>(746,293)</u>
Net assets at beginning of year	<u>1,773,642</u>	<u>13,102,607</u>	<u>14,876,249</u>
Net assets at end of year	<u>\$ 1,258,130</u>	<u>12,871,826</u>	<u>14,129,956</u>

See accompanying independent auditor's report.