

**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, 2017 and 2016

**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:

Report on the Financial Statements

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, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

(Continued)

The Board of Directors
Page 2 of 2

Report on the Financial Statements, Continued

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, 2017 and 2016, 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 Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules 1 through 6 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies. 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fust Charles Chambers LLP

October 18, 2017

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

Consolidated Statements of Financial Position

June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 8,595	18,729
Accounts receivable - underwriting, net of allowance of approximately \$34,000 in 2017 and \$48,000 in 2016	176,408	176,284
Pledges receivable, net - membership	23,169	18,781
Pledges receivable, net - capital campaign	41,477	129,773
Grants and other receivables	93,552	129,546
Prepaid broadcasting rights	23,982	37,856
Assets limited as to use:		
New Market Tax Credit reserve fund (note 1(g))	295,158	456,216
Capital campaign funds	24,869	10,023
Board-designated funds	51,429	48,054
Other assets	100,954	112,373
Investment in Centralcast, LLC	692,847	719,062
Broadcast facilities and equipment, net	16,695,041	17,678,970
Leveraged loan receivable (note 3)	14,696,861	14,696,861
Prepaid tower lease	345,000	405,000
Cash surrender value of insurance policy	728,613	714,692
	<u>\$ 33,997,955</u>	<u>35,352,220</u>
<u>Liabilities and Net Assets</u>		
Long-term debt obligations	21,763,247	21,654,719
Line of credit	550,000	549,000
Accounts payable	669,268	547,706
Accrued and other expenses	333,787	305,971
Due to affiliate	12,305	76,130
Deferred revenue	486,055	286,395
Deferred compensation obligation	290,134	326,436
Total liabilities	<u>24,104,796</u>	<u>23,746,357</u>
Net assets:		
Unrestricted	9,783,085	11,346,981
Temporarily restricted	110,074	258,882
Total net assets	<u>9,893,159</u>	<u>11,605,863</u>
Commitments and contingencies (notes 9 and 11)		
	<u>\$ 33,997,955</u>	<u>35,352,220</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted revenues:		
Contributions:		
Membership	\$ 1,720,201	1,691,801
Donations, grants, events and sales	374,418	255,995
Net assets released from restrictions - membership/education	74,582	100,363
	<u>2,169,201</u>	<u>2,048,159</u>
Other support and revenue:		
Auctions	467,528	452,022
NYS education department grants	1,095,483	1,095,483
Public Broadcasting funding	1,088,562	1,017,883
Underwriting	898,678	868,519
Other production revenue	88,838	68,739
Rent and facilities	201,664	228,878
Investment income	87,414	88,082
In-kind, trade and miscellaneous	570,430	425,315
	<u>4,498,597</u>	<u>4,244,921</u>
Total contributions, other support and revenue	<u>6,667,798</u>	<u>6,293,080</u>
Expenses:		
Salaries, wages and commissions	2,944,759	2,737,489
Payroll taxes and employee benefits	644,039	556,364
Contracted services, freelance and fees	286,214	257,840
Production costs	41,933	44,834
Program acquisition costs	89,537	64,039
Public Broadcasting dues and fees	994,925	959,570
Printing	154,509	151,368
Advertising and promotion	181,867	126,814
Direct mail, postage and shipping	242,227	259,487
Staff and volunteer expenses	127,290	87,593
Human resource expenses	19,126	22,439
Office supplies and other expenses	39,860	35,457
Items for sale and premiums	26,956	33,595
Telephone and internet communications	87,155	89,388
Building and equipment repairs and maintenance	193,613	181,984
Software, internet and data processing	76,103	64,768
Lease property	118,265	118,226
Utilities	235,315	221,693
Business insurance	101,779	95,746
Interest and other fees	430,737	430,299
Vehicle expenses	5,105	3,136
Credit card charges and bad debt expense	42,535	44,910
Expenses before depreciation, loss on assets held for sale and tower lease expense	<u>7,083,849</u>	<u>6,587,039</u>
Net operating activities before depreciation, loss on assets held for sale and tower lease expense	(416,051)	(293,959)
Depreciation	1,167,176	1,267,243
Loss on assets held for sale, net	-	35,349
Tower lease expense	60,000	60,000
Total expenses	<u>8,311,025</u>	<u>7,949,631</u>
Net operating activities	<u>(1,643,227)</u>	<u>(1,656,551)</u>

**THE PUBLIC BROADCASTING COUNCIL
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Consolidated Statements of Activities and Changes in Net Assets, Continued
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Non-operating activities:		
Contributions and grants for capital purchases	32,250	1,175,908
Change in investment in Centralcast, LLC	(26,215)	(96,383)
Net assets released from restrictions - capital	73,296	163,935
Other non-operating activities	-	(11,260)
	<u>79,331</u>	<u>1,232,200</u>
Total non-operating activities		
Decrease in unrestricted net assets	<u>(1,563,896)</u>	<u>(424,351)</u>
Temporarily restricted net assets:		
Restricted contributions - membership	29,070	30,619
Restricted contributions - capital	10,000	27,198
Restricted contributions - Enterprise America	-	63,708
Loss on restricted contributions for capital purposes	(40,000)	-
Net assets released from restrictions - membership/education	(74,582)	(100,363)
Net assets released from restrictions - capital	<u>(73,296)</u>	<u>(163,935)</u>
	<u>(148,808)</u>	<u>(142,773)</u>
Decrease in temporarily restricted net assets		
Decrease in net assets	(1,712,704)	(567,124)
Net assets at beginning of year	<u>11,605,863</u>	<u>12,172,987</u>
Net assets at end of year	<u>\$ 9,893,159</u>	<u>11,605,863</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ (1,712,704)	(567,124)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,167,176	1,267,243
Amortization of debt issuance costs	125,843	125,843
Lease amortization	60,000	60,000
Provision for (recovery of) bad debts	(7,898)	1,802
Gain on assets held for sale	-	(1,645)
Restricted contributions for capital purposes	(2,250)	(1,203,106)
Change in investment in Centralcast, LLC	26,215	96,383
Changes in operating assets and liabilities:		
Accounts receivable - underwriting	7,774	59,973
Pledges receivable - membership	(4,388)	9,434
Prepaid broadcasting rights	13,874	(12,918)
Grants and other receivables	35,994	74,582
Other assets	11,419	(26,089)
Accounts payable	83,416	(252,513)
Accrued and other expenses	27,816	(79,755)
Due to affiliate	(63,825)	76,130
Deferred compensation obligation	(36,302)	(34,423)
Deferred revenue	199,660	140,560
Net cash used in operating activities	<u>(68,180)</u>	<u>(265,623)</u>
Cash flows from investing activities:		
Increase in cash surrender value of insurance policy	(13,921)	(14,590)
Decrease in assets limited as to use, net	142,837	101,433
Purchases of broadcast facilities and equipment	(145,101)	(227,571)
Proceeds from sale of broadcast facilities and equipment	-	76,645
Member contribution to Centralcast, LLC	-	(17,977)
Net cash used in investing activities	<u>(16,185)</u>	<u>(82,060)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt obligations	-	2,900,000
Principal payments on long-term debt obligations	(17,315)	(3,950,790)
Proceeds from line of credit, net	1,000	149,000
Proceeds from restricted contributions for capital purposes	90,546	1,262,998
Net cash provided by financing activities	<u>74,231</u>	<u>361,208</u>
Increase (decrease) in cash and cash equivalents	(10,134)	13,525
Cash and cash equivalents at beginning of year	<u>18,729</u>	<u>5,204</u>
Cash and cash equivalents at end of year	<u>\$ 8,595</u>	<u>18,729</u>
Supplemental disclosure of cash flow information:		
Equipment purchases financed with accounts payable	\$ 38,146	-

See accompanying notes to the consolidated financial statements.

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

June 30, 2017 and 2016

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

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

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

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

(b) Principles of Consolidation

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

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(c) New Accounting Pronouncement

In April 2015, the FASB issued ASU 2015-03, “Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs,” which simplifies the presentation of debt issuance costs to be presented as a deduction from the corresponding debt liability. Amortization of debt issuance costs shall be reported as interest expense. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015 and is to be applied on a retrospective basis for all previous periods presented. The Council adopted ASU 2015-03 as of and for the year ended June 30, 2017. The retrospective adoption of ASU 2015-03 resulted in a decrease to assets, and liabilities of approximately \$639,000 on the consolidated statement of financial position as of the year ended June 30, 2016, a reclassification of approximately \$126,000 of amortization of debt issuance costs from depreciation and amortization to interest expense on the consolidated statements of activities and changes in net assets and cash flows (cash flows from operations) for the year ended June 30, 2016, but had no effect on net operating activities as of or for the year ended June 30, 2016.

(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 customarily exceeds federally insured limits.

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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. 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, 2017 and 2016, respectively.

(g) Assets Limited as to Use

Assets limited as to use consist of cash and cash equivalents and represents donor funds for capital uses, funds held in escrow and board-designated funds. Funds held in escrow represents funds used for the construction of the building, interest costs and fees payable to the lenders in conjunction with the New Market Tax Credits (NMTC) transaction described in note 2. Board-designated funds represent funds that have been internally restricted and may be utilized at the discretion of the Council's Board of Directors.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(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

Certain grants are restricted 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 temporarily restricted grant revenue 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 unrestricted or grants for capital purchases.

(j) Prepaid Broadcasting Rights

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

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(k) Deferred Financing Costs

Deferred financing costs relate principally to costs incurred in connection with obtaining the New Market Tax Credit long-term financing arrangement. Certain costs are being amortized over a seven-year period (new market tax credit period) while the remaining costs are amortized over the term of the related obligations using a method approximating the effective interest method. Amortization of approximately \$126,000 was charged to operations in 2017 and 2016, and is included in interest expense within the statements of activities and changes in net assets. Accumulated amortization was approximately \$750,000 and \$624,000 at June 30, 2017 and 2016, 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, 2017 and 2016.

(m) Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations.

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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 specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give are recorded at the present value of their net realizable value, net of discounts.

Grants and other contributions of cash and other assets are reported as temporarily restricted or permanently restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Amounts received prior to services being performed are recorded as deferred revenue.

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

Contributed materials, supplies, facilities and property are recorded at their estimated fair value at the date of donation. The Council reports gifts of equipment, professional services, materials and other nonmonetary contributions as unrestricted revenue 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.

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Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(p) Other Production Revenue and Related Production Costs

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

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

(q) Program and Production Underwriting

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

(r) Advertising Costs

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

(s) Income Tax Status

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

As of June 30, 2017 and 2016, 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 2014 through 2017.

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Notes to Consolidated Financial Statements

(2) New Market Tax Credits

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

WCNY received funds from different sources, comprised of grant proceeds (\$10,700,000) and loans from a financial institution (\$4,000,000) totalling approximately \$14,700,000. WCNY aggregated all such funds to make a leveraged loan to a special purpose investment fund owned substantially by an affiliate of the related financial institution. The special purpose investment fund used the proceeds of the leverage loan, together with equity contributed by the related financial institution to make "qualified equity investments" (QEI) in qualified CDE's. The CDE's used substantially all of each QEI to make "qualified low-income community investments" (QLICI Loan) on favorable terms to the Foundation as a "qualified active low-income community business" (QALICB). The NMTC transaction utilized four promissory notes to the Foundation totalling \$20,428,080 (note 8), collateralized by the related assets. The Foundation used these proceeds to oversee the design and facilitate the establishment, operation and maintenance of the new facility. The Foundation began leasing the facility to WCNY during 2013.

The NMTC structure will remain in effect for a period of 7 years until July 26, 2018 when the new market tax credit period expires. Built within the agreements are put and call options for WCNY to acquire 100% of the special purpose investment fund at a purchase price in the amount of \$1,000, and any transfer taxes or other closing costs paid or payable by the special purpose investment fund attributable to the exercise of the put option and/or sale of the special purpose investment fund interest and any amounts then due and owing from the Council to the special purpose investment fund.

Included within assets limited as to use, the Council has New Market Tax Credit Reserve accounts to be used for paying interest and fees due and payable to the CDEs pursuant to the respective agreements. The reserve escrow balances were approximately \$295,000 and \$456,000 at June 30, 2017 and 2016, respectively.

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Notes to Consolidated Financial Statements

(3) Leveraged Loan Receivable

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

(4) Investment in Centralcast, LLC

WCNY is a member of Centralcast, LLC (the Company), a not-for-profit corporation, with various other New York State public broadcasting organizations, at various ownership percentages. The Company exists to establish and provide a joint master control facility for the benefit of all members. As the Council has the ability to exert significant influence but not control over the Company, the minority interest investment in the Company has been recorded under the equity method at June 30, 2017 and 2016. During 2016, members contributed approximately \$129,000 to the Company, of which the Council's share was approximately \$18,000. No additional member contributions were made during fiscal year 2017. 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>2017</u>	<u>2016</u>
Total assets	\$ 7,422,114	6,582,616
Total liabilities	2,509,393	1,483,666
Total net assets	4,912,721	5,098,950
Total revenue and other support	2,699,240	1,890,392
Decrease in net assets	(186,229)	(560,038)

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Notes to Consolidated Financial Statements

(5) Pledges Receivable

Pledges receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Pledges receivable - membership	\$ 29,070	30,619
Pledges receivable - capital campaign	81,876	131,052
	<hr/>	<hr/>
Gross pledges receivable	110,946	161,671
Less:		
Allowance for uncollectible pledges	(45,901)	(11,838)
Present value discount on pledges	(399)	(1,279)
	<hr/>	<hr/>
Total pledges	\$ <u>64,646</u>	<u>148,554</u>

The expected collection of pledges receivable is as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 43,906	87,074
One to five years	20,740	61,480
	<hr/>	<hr/>
	\$ <u>64,646</u>	<u>148,554</u>

(6) Broadcast Facilities and Equipment

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

	<u>2017</u>	<u>2016</u>
Land	\$ 791,159	791,159
Building and improvements	15,277,902	15,277,902
Transmitter building	48,934	48,934
Antenna, tower and transmitter	3,579,764	3,556,722
Translators	252,070	252,070
Studio equipment (TV)	4,022,112	3,995,488
Office furniture and fixtures	1,018,105	1,012,704
Computer hardware/software	993,031	987,591
Vehicles and equipment	28,177	71,287
Studio equipment (FM)	605,265	579,154
Projects in progress	96,625	-
	<hr/>	<hr/>
	26,713,144	26,573,011
Less accumulated depreciation	(10,018,103)	(8,894,041)
	<hr/>	<hr/>
	\$ <u>16,695,041</u>	<u>17,678,970</u>

**THE PUBLIC BROADCASTING COUNCIL
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Notes to Consolidated Financial Statements

(6) Broadcast Facilities and Equipment, Continued

Depreciation expense approximated \$1,167,000 and \$1,267,000 for the years ended June 30, 2017 and 2016, respectively.

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.

(7) Lines of Credit

WCNY maintains a revolving line of credit for borrowings up to \$550,000 with interest at prime (4.25% at June 30, 2017), expiring February 28, 2018. Amounts available under the line of credit are available for operations and are collateralized by all the Council's personal property, pledge payments for the on-going capital campaign and the cash surrender value of the Council's insurance policy.

(8) Long-Term Debt Obligations

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

	<u>2017</u>	<u>2016</u>
Promissory note A payable to the CDE - Enhanced Capital New Market Development Fund IX, LLC with a maturity date of September 1, 2051 and interest only at .437% payable quarterly through December 1, 2018, with quarterly installments including principal and interest of \$45,022 commencing on March 1, 2019	\$ 5,492,534	5,492,534
Promissory note B payable to the CDE - Enhanced Capital New Market Development Fund IX, LLC with a maturity date of September 1, 2051 and interest only at .437% payable quarterly through December 1, 2018, with quarterly installments including principal and interest of \$34,899 commencing on March 1, 2019	4,257,466	4,257,466
Promissory note A payable to the CDE - NDC New Markets Investments LXII, LLC and a maturity date of September 1, 2051 with interest only at .437% payable quarterly through December 1, 2018, with quarterly installments including principal and interest of \$49,308 commencing on March 1, 2019	6,015,356	6,015,356

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(8) Long-Term Debt Obligations, Continued

	<u>2017</u>	<u>2016</u>
Promissory note B payable to the CDE - NDC New Markets Investments LXII, LLC and a maturity date of September 1, 2051 with interest only at .437% payable quarterly through December 1, 2018, with a one-time principal payment of \$166,845 due on July 27, 2018. Quarterly installments including principal and interest of \$36,853 commence on March 1, 2019	4,662,724	4,662,724
A \$2,900,000 term loan note payable to a bank with a maturity date of March 31, 2019. The note bears interest at prime less 0.5% (3.75% at June 30, 2017), with quarterly principal payments of \$100,000 commencing December 31, 2017. During 2016, WCNY used proceeds from a \$1,000,000 contribution to prepay quarterly principal payments through March 31, 2019. The note is collateralized by all the Council's personal property, pledge payments for the on-going capital campaign and the cash surrender value of the Council's insurance policy. The note payable agreement contains certain financial covenants with which the Council has agreed to comply. At June 30, 2017 and 2016, the Council was in compliance with the terms of the agreement	1,847,988	1,865,303
	22,276,068	22,293,383
Less unamortized debt issuance costs	(512,821)	(638,664)
	<u>\$ 21,763,247</u>	<u>21,654,719</u>

Annual required principal payments are as follows:

2018	\$ -
2019	2,303,220
2020	578,016
2021	580,524
2022	583,066
Thereafter	<u>18,231,242</u>
	<u>\$ 22,276,068</u>

Cash paid for interest for the years ended June 30, 2017 and 2016 amounted to approximately \$315,000 and \$314,000, respectively.

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(9) 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>
2018	\$ 30,000	147,000
2019	30,000	151,000
2020	30,000	156,000
2021	30,000	160,000
2022	30,000	165,000

Rental income earned on operating leases approximated \$173,000 and \$169,000 for 2017 and 2016, 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:

2018	\$ 120,000
2019	123,000
2020	127,000
2021	130,000
2022	134,000

Rental expense on operating leases approximated \$117,000 and \$113,000 in 2017 and 2016, 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 \$345,000 and \$405,000 at June 30, 2017 and 2016, respectively, is amortized on a straight-line basis over 20 years through 2023.

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Notes to Consolidated Financial Statements

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Membership	\$ 29,070	30,619
Capital	51,477	154,773
Enterprise America	<u>29,527</u>	<u>73,490</u>
	<u>\$ 110,074</u>	<u>258,882</u>

(11) Commitments and Contingencies

Purchase commitments outstanding of approximately \$808,000 and \$797,000 at June 30, 2017 and 2016, 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.

(12) 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. WCNY's policy is to recognize the costs of these defined contribution plans currently. Total pension expense charged to operations relating to these plans was approximately \$41,000 and \$40,000 for 2017 and 2016, respectively.

WCNY maintains a retirement agreement with its former president and chief executive officer, under a deferred compensation plan. In April of 2001, upon the officer's retirement, WCNY began making monthly payments of \$4,583 for life with right of survivorship (20 years certain). Accordingly, WCNY has recorded a liability based upon the present value of the estimated minimum payments.

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Notes to Consolidated Financial Statements

(13) 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 operations are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Programming	\$ 7,340,086	6,998,538
Fundraising activities	533,116	518,564
General and administrative	<u>437,823</u>	<u>432,529</u>
	<u>\$ 8,311,025</u>	<u>7,949,631</u>

(14) Subsequent Events

Subsequent events have been evaluated through October 18, 2017, which is the date the consolidated financial statements were available to be issued.

**THE PUBLIC BROADCASTING COUNCIL
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Consolidating Statement of Financial Position

June 30, 2017

<u>Assets</u>	<u>WCNY</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 7,743	852	-	8,595
Accounts receivable - underwriting, net of allowance of approximately \$34,000 in 2017	176,408	-	-	176,408
Pledges receivable, net - membership	23,169	-	-	23,169
Pledges receivable, net - capital campaign	41,477	-	-	41,477
Due from affiliate	95,700	41,527	(137,227)	-
Grants and other receivables	93,552	-	-	93,552
Prepaid broadcasting rights	23,982	-	-	23,982
Assets limited as to use:				
New Market Tax Credit reserve fund (note 1(g))	708	294,450	-	295,158
Capital campaign funds	24,869	-	-	24,869
Board-designated funds	51,429	-	-	51,429
Other assets	100,954	-	-	100,954
Investment in Centralcast, LLC	692,847	-	-	692,847
Broadcast facilities and equipment, net	1,775,791	14,919,250	-	16,695,041
Leveraged loan receivable (note 3)	14,696,861	-	-	14,696,861
Prepaid tower lease	345,000	-	-	345,000
Cash surrender value of insurance policy	728,613	-	-	728,613
	<u>\$ 18,879,103</u>	<u>15,256,079</u>	<u>(137,227)</u>	<u>33,997,955</u>
<u>Liabilities and Net Assets</u>				
Long-term debt obligations	1,847,988	19,915,259	-	21,763,247
Line of credit	550,000	-	-	550,000
Accounts payable	667,179	2,089	-	669,268
Accrued and other expenses	263,751	70,036	-	333,787
Due to affiliates	53,832	95,700	(137,227)	12,305
Deferred revenue	486,055	-	-	486,055
Deferred compensation obligation	290,134	-	-	290,134
Total liabilities	<u>4,158,939</u>	<u>20,083,084</u>	<u>(137,227)</u>	<u>24,104,796</u>
Net assets (deficit):				
Unrestricted	14,610,090	(4,827,005)	-	9,783,085
Temporarily restricted	110,074	-	-	110,074
Total net assets (deficit)	<u>14,720,164</u>	<u>(4,827,005)</u>	<u>-</u>	<u>9,893,159</u>
Commitments and contingencies (notes 9 and 11)				
	<u>\$ 18,879,103</u>	<u>15,256,079</u>	<u>(137,227)</u>	<u>33,997,955</u>

See accompanying independent auditor's report.

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

For the year ended June 30, 2017

	<u>WCNY</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Unrestricted revenues:				
Contributions:				
Membership	\$ 1,720,201	-	-	1,720,201
Donations, grants, events and sales	374,418	-	-	374,418
Net assets released from restrictions - membership/education	74,582	-	-	74,582
	<u>2,169,201</u>	<u>-</u>	<u>-</u>	<u>2,169,201</u>
Other support and revenue:				
Auctions	467,528	-	-	467,528
NYS education department grants	1,095,483	-	-	1,095,483
Public Broadcasting funding	1,088,562	-	-	1,088,562
Underwriting	898,678	-	-	898,678
Other production revenue	88,838	-	-	88,838
Rent and facilities	201,664	89,500	(89,500)	201,664
Investment income	87,414	-	-	87,414
In-kind, trade and miscellaneous	569,742	688	-	570,430
	<u>4,497,909</u>	<u>90,188</u>	<u>(89,500)</u>	<u>4,498,597</u>
Total contributions, other support and revenue	<u>6,667,110</u>	<u>90,188</u>	<u>(89,500)</u>	<u>6,667,798</u>
Expenses:				
Salaries, wages and commissions	2,944,759	-	-	2,944,759
Payroll taxes and employee benefits	644,039	-	-	644,039
Contracted services, freelance and fees	286,214	-	-	286,214
Production costs	41,933	-	-	41,933
Program acquisition costs	89,537	-	-	89,537
Public Broadcasting dues and fees	994,925	-	-	994,925
Printing expenses	154,509	-	-	154,509
Advertising and promotion	181,867	-	-	181,867
Direct mail, postage and shipping	242,227	-	-	242,227
Staff and volunteer expenses	127,290	-	-	127,290
Human resource expenses	19,126	-	-	19,126
Office supplies and other expenses	39,860	-	-	39,860
Items for sale and premiums	26,956	-	-	26,956
Telephone and internet communications	87,155	-	-	87,155
Building and equipment repairs and maintenance	193,613	-	-	193,613
Software, internet and data processing	76,103	-	-	76,103
Lease property	207,765	-	(89,500)	118,265
Utilities	235,315	-	-	235,315
Business insurance	101,779	-	-	101,779
Interest and other fees	102,258	328,479	-	430,737
Vehicle expenses	5,105	-	-	5,105
Credit card charges and bad debt expense	42,535	-	-	42,535
Expenses before depreciation, loss on assets held for sale and tower lease expense	<u>6,844,870</u>	<u>328,479</u>	<u>(89,500)</u>	<u>7,083,849</u>
Net operating activities before depreciation and tower lease expense	(177,760)	(238,291)	-	(416,051)
Depreciation	260,967	906,209	-	1,167,176
Tower lease expense	60,000	-	-	60,000
Total expenses	<u>7,165,837</u>	<u>1,234,688</u>	<u>(89,500)</u>	<u>8,311,025</u>
Net operating activities	<u>(498,727)</u>	<u>(1,144,500)</u>	<u>-</u>	<u>(1,643,227)</u>

**THE PUBLIC BROADCASTING COUNCIL
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Consolidating Statement of Activities and Changes in Net Assets, Continued

For the year ended June 30, 2017

	<u>WCNY</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Non-operating activities:				
Contributions and grants for capital purchases	32,250	-	-	32,250
Change in investment in Centralcast, LLC	(26,215)	-	-	(26,215)
Net assets released from restrictions - capital	<u>73,296</u>	<u>-</u>	<u>-</u>	<u>73,296</u>
Total non-operating activities	<u>79,331</u>	<u>-</u>	<u>-</u>	<u>79,331</u>
Decrease in unrestricted net assets	<u>(419,396)</u>	<u>(1,144,500)</u>	<u>-</u>	<u>(1,563,896)</u>
Temporarily restricted net assets:				
Restricted contributions - membership	29,070	-	-	29,070
Restricted contributions - capital	10,000	-	-	10,000
Loss on restricted contributions for capital purposes	(40,000)	-	-	(40,000)
Net assets released from restrictions - membership/education	(74,582)	-	-	(74,582)
Net assets released from restrictions - capital	<u>(73,296)</u>	<u>-</u>	<u>-</u>	<u>(73,296)</u>
Decrease in temporarily restricted net assets	<u>(148,808)</u>	<u>-</u>	<u>-</u>	<u>(148,808)</u>
Decrease in net assets	(568,204)	(1,144,500)	-	(1,712,704)
Net assets (deficit) at beginning of year	<u>15,288,368</u>	<u>(3,682,505)</u>	<u>-</u>	<u>11,605,863</u>
Net assets (deficit) at end of year	<u>\$ 14,720,164</u>	<u>(4,827,005)</u>	<u>-</u>	<u>9,893,159</u>

See accompanying independent auditor's report.

**THE PUBLIC BROADCASTING COUNCIL
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AND AFFILIATE**

Consolidating Statement of Cash Flows

For the year ended June 30, 2017

	<u>WCNY</u>	<u>Foundation</u>	<u>Consolidated</u>
Reconciliation of change in net assets to net cash used in operating activities:			
Change in net assets	\$ (568,204)	(1,144,500)	(1,712,704)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation	260,967	906,209	1,167,176
Amortization of debt issuance costs	-	125,843	125,843
Lease amortization	60,000	-	60,000
Recovery of bad debts	(7,898)	-	(7,898)
Restricted contributions for capital purposes	(2,250)	-	(2,250)
Change in investment in Centralcast, LLC	26,215	-	26,215
Changes in operating assets and liabilities:			
Accounts receivable - underwriting	7,774	-	7,774
Pledges receivable - membership	(4,388)	-	(4,388)
Prepaid broadcasting rights	13,874	-	13,874
Grants and other receivables	35,994	-	35,994
Other assets	11,419	-	11,419
Accounts payable	83,416	-	83,416
Accrued and other expenses	36,891	(9,075)	27,816
Due to/from affiliates, net	(159,525)	95,700	(63,825)
Deferred compensation obligation	(36,302)	-	(36,302)
Deferred revenue	199,660	-	199,660
Net cash used in operating activities	<u>(42,357)</u>	<u>(25,823)</u>	<u>(68,180)</u>
Cash flows from investing activities:			
Increase in cash surrender value of insurance policy	(13,921)	-	(13,921)
Decrease in assets limited as to use, net	22,634	120,203	142,837
Purchases of broadcast facilities and equipment	(48,475)	(96,626)	(145,101)
Net cash provided by (used in) investing activities	<u>(39,762)</u>	<u>23,577</u>	<u>(16,185)</u>
Cash flows from financing activities:			
Principal payments on long-term debt obligations	(17,315)	-	(17,315)
Proceeds from line of credit, net	1,000	-	1,000
Proceeds from restricted contributions for capital purposes	90,546	-	90,546
Net cash provided by financing activities	<u>74,231</u>	<u>-</u>	<u>74,231</u>
Net decrease in cash and cash equivalents	(7,888)	(2,246)	(10,134)
Cash and cash equivalents at beginning of year	15,631	3,098	18,729
Cash and cash equivalents at end of year	<u>\$ 7,743</u>	<u>852</u>	<u>8,595</u>

See accompanying independent auditor's report.

**THE PUBLIC BROADCASTING COUNCIL
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Consolidating Statement of Financial Position

June 30, 2016

<u>Assets</u>	<u>WCNY</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 15,631	3,098	-	18,729
Accounts receivable - underwriting, net of allowance of approximately \$48,000 in 2016	176,284	-	-	176,284
Pledges receivable, net - membership	18,781	-	-	18,781
Pledges receivable, net - capital campaign	129,773	-	-	129,773
Due from affiliate	-	41,527	(41,527)	-
Grants and other receivables	129,546	-	-	129,546
Prepaid broadcasting rights	37,856	-	-	37,856
Assets limited as to use:				
New Market Tax Credit reserve fund (note 1(g))	41,563	414,653	-	456,216
Capital campaign funds	10,023	-	-	10,023
Board-designated funds	48,054	-	-	48,054
Other assets	112,373	-	-	112,373
Investment in Centralcast, LLC	719,062	-	-	719,062
Broadcast facilities and equipment, net	1,950,137	15,728,833	-	17,678,970
Leveraged loan receivable (note 3)	14,696,861	-	-	14,696,861
Prepaid tower lease	405,000	-	-	405,000
Cash surrender value of insurance policy	714,692	-	-	714,692
	<u>\$ 19,205,636</u>	<u>16,188,111</u>	<u>(41,527)</u>	<u>35,352,220</u>
<u>Liabilities and Net Assets</u>				
Long-term debt obligations	1,865,303	19,789,416	-	21,654,719
Line of credit	549,000	-	-	549,000
Accounts payable	545,617	2,089	-	547,706
Accrued and other expenses	226,860	79,111	-	305,971
Due to affiliate	117,657	-	(41,527)	76,130
Deferred revenue	286,395	-	-	286,395
Deferred compensation obligation	326,436	-	-	326,436
Total liabilities	<u>3,917,268</u>	<u>19,870,616</u>	<u>(41,527)</u>	<u>23,746,357</u>
Net assets (deficit):				
Unrestricted	15,029,486	(3,682,505)	-	11,346,981
Temporarily restricted	258,882	-	-	258,882
Total net assets (deficit)	<u>15,288,368</u>	<u>(3,682,505)</u>	<u>-</u>	<u>11,605,863</u>
Commitments and contingencies (notes 9 and 11)				
	<u>\$ 19,205,636</u>	<u>16,188,111</u>	<u>(41,527)</u>	<u>35,352,220</u>

See accompanying independent auditor's report.

**THE PUBLIC BROADCASTING COUNCIL
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Consolidating Statement of Activities and Changes in Net Assets

For the year ended June 30, 2016

	<u>WCNY</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Unrestricted revenues:				
Contributions:				
Membership	\$ 1,691,801	-	-	1,691,801
Donations, grants, events and sales	255,995	-	-	255,995
Net assets released from restrictions - membership/education	100,363	-	-	100,363
	<u>2,048,159</u>	<u>-</u>	<u>-</u>	<u>2,048,159</u>
Other support and revenue:				
Auctions	452,022	-	-	452,022
NYS education department grants	1,095,483	-	-	1,095,483
Public Broadcasting funding	1,017,883	-	-	1,017,883
Underwriting	868,519	-	-	868,519
Other production revenue	68,739	-	-	68,739
Rent and facilities	228,878	89,000	(89,000)	228,878
Investment income	88,082	-	-	88,082
In-kind, trade and miscellaneous	424,666	649	-	425,315
	<u>4,244,272</u>	<u>89,649</u>	<u>(89,000)</u>	<u>4,244,921</u>
Total contributions, other support and revenue	<u>6,292,431</u>	<u>89,649</u>	<u>(89,000)</u>	<u>6,293,080</u>
Expenses:				
Salaries, wages and commissions	2,737,489	-	-	2,737,489
Payroll taxes and employee benefits	556,364	-	-	556,364
Contracted services, freelance and fees	257,840	-	-	257,840
Production costs	44,834	-	-	44,834
Program acquisition costs	64,039	-	-	64,039
Public Broadcasting dues and fees	959,570	-	-	959,570
Printing expenses	151,368	-	-	151,368
Advertising and promotion	126,814	-	-	126,814
Direct mail, postage and shipping	259,487	-	-	259,487
Staff and volunteer expenses	87,593	-	-	87,593
Human resource expenses	22,439	-	-	22,439
Office supplies and other expenses	35,457	-	-	35,457
Items for sale and premiums	33,595	-	-	33,595
Telephone and internet communications	89,388	-	-	89,388
Building and equipment repairs and maintenance	181,984	-	-	181,984
Software, internet and data processing	64,768	-	-	64,768
Lease property	207,226	-	(89,000)	118,226
Utilities	221,693	-	-	221,693
Business insurance	95,746	-	-	95,746
Interest and other fees	105,210	325,089	-	430,299
Vehicle expenses	3,136	-	-	3,136
Credit card charges and bad debt expense	44,910	-	-	44,910
Expenses before depreciation, loss on assets held for sale and tower lease expense	<u>6,350,950</u>	<u>325,089</u>	<u>(89,000)</u>	<u>6,587,039</u>
Net operating activities before depreciation, loss on assets held for sale and tower lease expense	(58,519)	(235,440)	-	(293,959)
Depreciation	265,541	1,001,702	-	1,267,243
Loss on assets held for sale	35,349	-	-	35,349
Tower lease expense	60,000	-	-	60,000
Total expenses	<u>6,711,840</u>	<u>1,326,791</u>	<u>(89,000)</u>	<u>7,949,631</u>
Net operating activities	<u>(419,409)</u>	<u>(1,237,142)</u>	<u>-</u>	<u>(1,656,551)</u>

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

Consolidating Statement of Activities and Changes in Net Assets, Continued

For the year ended June 30, 2016

	<u>WCNY</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Non-operating activities:				
Contributions and grants for capital purchases	1,008,182	167,726	-	1,175,908
Change in investment in Centralcast, LLC	(96,383)	-	-	(96,383)
Net assets released from restrictions - capital	163,935	-	-	163,935
Other non-operating activities	(11,260)	-	-	(11,260)
	<u>1,064,474</u>	<u>167,726</u>	<u>-</u>	<u>1,232,200</u>
Total non-operating activities				
Increase (decrease) in unrestricted net assets	<u>645,065</u>	<u>(1,069,416)</u>	<u>-</u>	<u>(424,351)</u>
Temporarily restricted net assets:				
Restricted contributions - membership	30,619	-	-	30,619
Restricted contributions - capital	27,198	-	-	27,198
Restricted contributions - Enterprise America	63,708	-	-	63,708
Net assets released from restrictions - membership/education	(100,363)	-	-	(100,363)
Net assets released from restrictions - capital	(163,935)	-	-	(163,935)
	<u>(142,773)</u>	<u>-</u>	<u>-</u>	<u>(142,773)</u>
Decrease in temporarily restricted net assets				
Increase (decrease) in net assets	502,292	(1,069,416)	-	(567,124)
Net assets (deficit) at beginning of year	<u>14,786,076</u>	<u>(2,613,089)</u>	<u>-</u>	<u>12,172,987</u>
Net assets (deficit) at end of year	<u>\$ 15,288,368</u>	<u>(3,682,505)</u>	<u>-</u>	<u>11,605,863</u>

See accompanying independent auditor's report.

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

Consolidating Statement of Cash Flows

For the year ended June 30, 2016

	<u>WCNY</u>	<u>Foundation</u>	<u>Consolidated</u>
Reconciliation of change in net assets to net cash used in operating activities:			
Change in net assets	\$ 502,292	(1,069,416)	(567,124)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization	265,541	1,001,702	1,267,243
Amortization of debt issuance costs	-	125,843	125,843
Lease amortization	60,000	-	60,000
Provision for bad debts	1,802	-	1,802
Gain on assets sold	(1,645)	-	(1,645)
Restricted contributions for capital purposes	(1,035,380)	(167,726)	(1,203,106)
Change in investment in Centralcast, LLC	96,383	-	96,383
Changes in operating assets and liabilities:			
Accounts receivable - underwriting	59,973	-	59,973
Pledges receivable - membership	9,434	-	9,434
Prepaid broadcasting rights	(12,918)	-	(12,918)
Grants and other receivables	74,582	-	74,582
Other assets	(26,089)	-	(26,089)
Accounts payable	(245,472)	(7,041)	(252,513)
Accrued and other expenses	(79,755)	-	(79,755)
Change in due to/from affiliate, net	16,286	59,844	76,130
Deferred compensation obligation	(34,423)	-	(34,423)
Deferred revenue	140,560	-	140,560
Net cash used in operating activities	<u>(208,829)</u>	<u>(56,794)</u>	<u>(265,623)</u>
Cash flows from investing activities:			
Increase in cash surrender value of insurance policy	(14,590)	-	(14,590)
Decrease in assets limited as to use, net	(6,429)	107,862	101,433
Capital expenditures	(11,563)	(216,008)	(227,571)
Proceeds from sale of broadcast facilities and equipment	76,645	-	76,645
Contribution to Centralcast, LLC	(17,977)	-	(17,977)
Net cash provided by (used in) investing activities	<u>26,086</u>	<u>(108,146)</u>	<u>(82,060)</u>
Cash flows from financing activities:			
Proceeds from issuance of long-term debt obligations	2,900,000	-	2,900,000
Principal payments on long-term debt obligations	(3,950,790)	-	(3,950,790)
Proceeds from line of credit, net	149,000	-	149,000
Proceeds from restricted contributions for capital purposes	1,095,272	167,726	1,262,998
Net cash provided by financing activities	<u>193,482</u>	<u>167,726</u>	<u>361,208</u>
Net increase in cash and cash equivalents	10,739	2,786	13,525
Cash and cash equivalents at beginning of year	4,892	312	5,204
Cash and cash equivalents at end of year	<u>\$ 15,631</u>	<u>3,098</u>	<u>18,729</u>

See accompanying independent auditor's report.