

**LEHIGH VALLEY COMMUNITY
BROADCASTERS ASSOCIATION, INC.**

FINANCIAL REPORT

June 30, 2020

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& COMPANY

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A Professional Corporation

Certified Public Accountants | Business Consultants

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

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Certified Public Accountants | Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lehigh Valley Community Broadcasters Association, Inc.
Bethlehem, Pennsylvania

We have audited the accompanying financial statements of Lehigh Valley Community Broadcasters Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lehigh Valley Community Broadcasters Association, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Buckno Lisicky + Company

Allentown, Pennsylvania
February 7, 2021

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.**Statements of Financial Position****June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 214,587	\$ 75,884
Investments	357,699	384,019
Accounts receivable, trade, net of allowance for bad debts of 2020: \$2,280 2019: \$1,120	19,450	55,199
Prepaid expenses	18,291	14,229
TOTAL CURRENT ASSETS	<u>610,027</u>	<u>529,331</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	61,438	61,438
Radio/electronic equipment	453,253	447,836
Music library	29,183	29,183
Office equipment	50,924	50,924
Furniture and fixtures	14,710	14,710
	<u>609,508</u>	<u>604,091</u>
Less accumulated depreciation	510,966	497,641
TOTAL PROPERTY AND EQUIPMENT, NET	<u>98,542</u>	<u>106,450</u>
NONCURRENT ASSETS		
Deposits	2,064	2,064
Investment restricted for long-term purposes	9,578	10,191
TOTAL NONCURRENT ASSETS	<u>11,642</u>	<u>12,255</u>
TOTAL ASSETS	<u>\$ 720,211</u>	<u>\$ 648,036</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 19,812	\$ -
Accrued expenses and other liabilities	11,148	8,009
Deferred revenue	26,997	56,857
TOTAL CURRENT LIABILITIES	<u>57,957</u>	<u>64,866</u>
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	<u>53,495</u>	<u>-</u>
TOTAL LIABILITIES	<u>111,452</u>	<u>64,866</u>
NET ASSETS		
Without donor restrictions	599,181	554,952
With donor restrictions	9,578	28,218
TOTAL NET ASSETS	<u>608,759</u>	<u>583,170</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 720,211</u>	<u>\$ 648,036</u>

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Statement of Activities

Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions:			
Cash	\$ 268,539	\$ -	\$ 268,539
In kind	4,525	-	4,525
Memberships	225,368	-	225,368
Program underwriting:			
Cash	201,916	-	201,916
In kind	153,152	-	153,152
Special event revenue of \$9,727 net of direct expenses of \$9,157	570	-	570
Investment return	4,101	(321)	3,780
Miscellaneous	360	-	360
Net assets released from restrictions	18,319	(18,319)	-
TOTAL REVENUES AND OTHER SUPPORT	876,850	(18,640)	858,210
EXPENSES			
Program services:			
Programming and production	185,929	-	185,929
Broadcasting and engineering	81,571	-	81,571
Program information and promotion	145,514	-	145,514
Support services:			
Management and general	140,357	-	140,357
Fund raising and membership development	187,304	-	187,304
Underwriting and grant solicitation	91,946	-	91,946
TOTAL EXPENSES	832,621	-	832,621
 CHANGE IN NET ASSETS	 44,229	 (18,640)	 25,589
NET ASSETS, July 1	554,952	28,218	583,170
NET ASSETS, June 30	\$ 599,181	\$ 9,578	\$ 608,759

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.**Statement of Activities****Year Ended June 30, 2019**

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions:			
Cash	\$ 210,876	\$ 14,225	\$ 225,101
In kind	2,649	-	2,649
Memberships	226,221	-	226,221
Program underwriting:			
Cash	223,505	-	223,505
In kind	228,443	-	228,443
Special event revenue of \$13,650 net of direct expenses of \$7,464	6,186	-	6,186
Investment return	14,272	216	14,488
Miscellaneous	522	-	522
Net assets released from restrictions	<u>19,293</u>	<u>(19,293)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>931,967</u>	<u>(4,852)</u>	<u>927,115</u>
EXPENSES			
Program services:			
Programming and production	174,364	-	174,364
Broadcasting and engineering	79,108	-	79,108
Program information and promotion	173,225	-	173,225
Support services:			
Management and general	130,944	-	130,944
Fund raising and membership development	217,431	-	217,431
Underwriting and grant solicitation	<u>77,321</u>	<u>-</u>	<u>77,321</u>
TOTAL EXPENSES	<u>852,393</u>	<u>-</u>	<u>852,393</u>
CHANGE IN NET ASSETS	79,574	(4,852)	74,722
NET ASSETS, July 1	<u>475,378</u>	<u>33,070</u>	<u>508,448</u>
NET ASSETS, June 30	<u>\$ 554,952</u>	<u>\$ 28,218</u>	<u>\$ 583,170</u>

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

**Statements of Functional Expenses
Years Ended June 30, 2020 and 2019**

	Year Ended June 30, 2020						
	Program Services			Support Services			
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Management and General	Fund Raising and Membership Development	Underwriting and Grant Solicitation	Total
Salaries and benefits	\$ 66,485	\$ 14,944	\$ 60,094	\$ 104,596	\$ 67,098	\$ 67,760	\$ 380,977
Professional fees	941	6,997	941	12,679	941	941	23,440
Occupancy	13,950	4,950	5,400	7,200	9,450	4,050	45,000
Office	11,434	4,461	4,924	8,267	21,507	3,931	54,524
Depreciation	676	9,493	676	1,127	676	676	13,324
Insurance	1,817	2,262	1,682	3,543	1,797	1,775	12,876
Broadcast	89,966	37,840	-	-	-	-	127,806
Marketing and promotion	-	-	70,751	-	80,134	-	150,885
Bad debt expense	-	-	-	-	-	12,155	12,155
Miscellaneous	660	624	1,046	2,945	5,701	658	11,634
	<u>\$ 185,929</u>	<u>\$ 81,571</u>	<u>\$ 145,514</u>	<u>\$ 140,357</u>	<u>\$ 187,304</u>	<u>\$ 91,946</u>	<u>\$ 832,621</u>

	Year Ended June 30, 2019						
	Program Services			Support Services			
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Management and General	Fund Raising and Membership Development	Underwriting and Grant Solicitation	Total
Salaries and benefits	\$ 58,999	\$ 13,087	\$ 50,596	\$ 90,601	\$ 57,590	\$ 64,632	\$ 335,505
Professional fees	564	5,149	564	10,989	564	564	18,394
Occupancy	13,950	4,950	5,400	7,200	9,450	4,050	45,000
Office	9,655	4,123	4,480	7,654	19,818	3,697	49,427
Depreciation	493	9,228	493	822	493	493	12,022
Insurance	2,071	3,337	1,936	4,389	2,038	2,119	15,890
Broadcast	87,995	38,597	-	-	-	-	126,592
Marketing and promotion	-	-	107,974	-	122,717	-	230,691
Bad debt expense	-	-	-	-	-	1,035	1,035
Miscellaneous	637	637	1,782	9,289	4,761	731	17,837
	<u>\$ 174,364</u>	<u>\$ 79,108</u>	<u>\$ 173,225</u>	<u>\$ 130,944</u>	<u>\$ 217,431</u>	<u>\$ 77,321</u>	<u>\$ 852,393</u>

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.**Statements of Cash Flows****Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,589	\$ 74,722
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	12,155	1,035
Depreciation	13,325	12,022
Donated investments	(1,835)	-
Unrealized (gain) loss on investments	2,431	(10,155)
Realized (gain) loss on investments	(1,228)	(25)
Reinvested investment dividends and interest	(4,798)	(3,840)
(Increase) decrease in assets:		
Accounts receivable	23,594	3,097
Unconditional promises to give	-	200,000
Prepaid expenses	(4,062)	2,302
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	3,139	(11,762)
Deferred revenue	(29,860)	1,381
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>38,450</u>	<u>268,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(20,000)	(370,000)
Proceeds from sale of investments	51,750	-
Decrease in investment restricted for long-term purposes	613	6,528
Purchase of property and equipment	(5,417)	(8,675)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>26,946</u>	<u>(372,147)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	73,307	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>73,307</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	138,703	(103,370)
CASH		
Beginning	75,884	179,254
Ending	<u>\$ 214,587</u>	<u>\$ 75,884</u>

See Notes to Financial Statements.

NOTE 1. ORGANIZATION AND PURPOSE

The Lehigh Valley Community Broadcasters Association, Inc. is established to operate WDIY-FM 88.1 as a community-run public radio station and to promote community access to and involvement in public radio. The Association's Board of Directors appoints committees to assist in the establishment of policies and budgets, the hiring of paid staff, and overseeing the development and operation of the radio station through the use of donations, grants, program underwriting, and the use of volunteer services.

The Association has three types of program service activities as follows:

Programming and production - This function consists of the production and/or acquisition of programming and conducting program operations.

Broadcasting and engineering - This function includes program transmission, interconnection and engineering.

Program information and promotion - This function consists of informing the listening public of specific available program services.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared on the accrual basis of accounting. The significant accounting policies followed are described below:

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under these standards, the Association is required to report information regarding its financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents, for the purposes of the Statements of Cash Flows, includes short-term, highly liquid financial instruments with original maturities of 90 days or less.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements

June 30, 2020 and 2019

Accounts Receivable, Program Underwriting

Accounts receivable is stated at unpaid balances net of an allowance for doubtful accounts. The accounts receivable is related to underwriting contracts for station programming. It is the Association's policy to charge off uncollectible accounts receivable to the allowance when management determines the receivable will not be collected. Management periodically reviews underwriting contract receivables for collectability and estimates the allowance based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay.

Program underwriting revenue is recognized over the life of the related contract. Deferred revenue is established for the unearned portion of the underwriting contract revenue.

Unconditional Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. As of June 30, 2020 and 2019, there were no unconditional promises to give.

Investments

The Association carries investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position. Unrealized and realized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment

The Association capitalizes all property and equipment that has an estimated useful life of greater than one year. Property and equipment are stated at cost for purchased items and fair value for contributed items and depreciated using the straight-line method over the estimated useful lives of the assets and considering the estimated salvage value of the assets. The useful lives range from five to fifteen years for equipment, furniture and fixtures and the music library to twenty years for leasehold improvements.

Support and Expenses

Contributions are recorded as revenue at their fair value in the period received. The Association reports gifts of cash and other assets as contributions 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 of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions for which the donor restrictions are

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements

June 30, 2020 and 2019

completely met in the same fiscal period are reported as contributions without donor restrictions.

The Association reports gifts of land, buildings and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributed Services and Materials

The Association receives a substantial amount of donated services and materials in the form of promotional expenses, supplies and other expenses. Some of these services and materials are received in exchange for on-air underwriting acknowledgement announcements and memberships. The value of these items, which is reflected in the statement of activities at their fair value, is \$157,677 and \$231,092 for the years ended June 30, 2020 and 2019.

Income Taxes

The Association is a nonprofit corporation established under Pennsylvania law and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Association has adopted the provisions of FASB ASC 740-10 related to accounting for uncertainty in income taxes. The Association continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions.

The Association files a Return of Organization Exempt From Income Tax annually. The Association's returns for 2016, 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Date of Management's Review

The Association has evaluated subsequent events through February 7, 2021, the date which the financial statements were available to be issued.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management and Board of Directors regularly monitors liquidity needed to meet the Association's operating needs and other contractual commitments. The Association

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements

June 30, 2020 and 2019

regularly manages cash resources to maximize any interest earnings. It also has various sources of liquidity at its disposal, including its cash and investments.

For the purposes of analyzing short-term liquidity needs, the Association strives to maintain sufficient liquid financial assets to cover up to several months of operating expenses. In addition to the financial assets available, the Association operates with a balanced budget and anticipates collecting sufficient revenues to cover general operating expenditures.

As of June 30, 2020 and 2019, the Association has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures:

	<u>2020</u>	<u>2019</u>
Cash	\$ 214,587	\$ 75,884
Investments	357,699	384,019
Accounts receivable	<u>19,450</u>	<u>55,199</u>
	591,736	515,102
Less those unavailable for general expenditures due to donor restrictions	<u>-</u>	<u>(14,475)</u>
	<u>\$ 591,736</u>	<u>\$ 500,627</u>

In addition, to help manage unanticipated liquidity needs, the Association has a secured line of credit available which can provide borrowings up to \$100,000.

NOTE 4. INVESTMENTS

The Association investments as of June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Money market funds	\$ 170,524	\$ 177,431
Mutual funds:		
Stock mutual funds	5,577	6,162
Exchange traded equity	66,470	76,515
Exchange traded fixed income	<u>115,128</u>	<u>123,911</u>
	357,699	384,019
With donor restrictions:		
Money market funds	<u>9,578</u>	<u>10,191</u>
	<u>\$ 367,277</u>	<u>\$ 394,210</u>

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements

June 30, 2020 and 2019

prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2—Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis.

- *Mutual funds:* Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

All of the Association's investments as of June 30, 2020 and 2019 are valued using Level 1 measurements.

The components of investment return as of June 30, 2020 and 2019 are as follows:

<u>June 30, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 6,292	\$ -	\$ 6,292
Net realized gains	1,228	-	1,228
Net unrealized losses	(2,431)	(321)	(2,752)
Investment expenses	(988)	-	(988)
	<u>\$ 4,101</u>	<u>\$ (321)</u>	<u>\$ 3,780</u>

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.**Notes to the Financial Statements****June 30, 2020 and 2019**

<u>June 30, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 4,622	\$ -	\$ 4,622
Net realized gains	25	-	25
Net unrealized gains	10,155	216	10,371
Investment expenses	(530)	-	(530)
	<u>\$ 14,272</u>	<u>\$ 216</u>	<u>\$ 14,488</u>

NOTE 5. LINE OF CREDIT

The Association has available a line of credit in the amount of \$100,000 for operational uses. The note is secured by the Association's accounts receivable and equipment. Interest is at a variable rate at the Bank's prime rate plus 1.0% with a minimum rate of 5%. There was no outstanding balance on the line of credit as of June 30, 2020 and June 30, 2019.

NOTE 6 LONG-TERM DEBT

Long-term debt as of June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Paycheck Protection Program (PPP) Loan	\$ 73,307	\$ -
Less current maturities	(19,812)	-
	<u>\$ 53,495</u>	<u>\$ -</u>

On April 21, 2020, the Association received loan proceeds in the amount of \$73,307 under the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act. The 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 after a maximum of twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months.

The Association intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. It is, at least, reasonably possible that this belief could change in the near term and cause the Association to be ineligible for forgiveness of the loan, in whole or part.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements

June 30, 2020 and 2019

Future maturities of long-term debt as of June 30, 2020 is as follows:

<u>Year Ending June 30,</u>	
2021	\$ 19,812
2022	53,495
	<u>\$ 73,307</u>

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Federally funded equipment for use in accordance with a grant agreement, net of accumulated depreciation	\$ -	\$ 3,552
Youth media program	-	5,000
Equipment	-	9,475
Building-to-endowment	9,578	10,191
	<u>\$ 9,578</u>	<u>\$ 28,218</u>

NOTE 8. OPERATING LEASES

The Association rents building space and antenna space on a transmission tower under operating lease agreements.

Rent expense, including the utility reimbursement, under the operating lease agreements is \$65,973 and \$65,626 for the years ended June 30, 2020 and 2019, respectively. The minimum future lease payments, including utilities reimbursement, under the operating leases are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 60,814
2022	65,429
2023	67,144
2024	68,908
2025	70,721
2026	46,149
	<u>\$ 379,165</u>

NOTE 9. FUNCTIONAL EXPENSE ALLOCATIONS

The costs of providing the various programs, fund raising and other activities have been presented on a functional basis in statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and other occupancy expenses, which are allocated on a square footage basis.

NOTE 10. CONCENTRATIONS

Cash in Bank:

At times, the Association's cash in bank can exceed amounts insured by the federal deposit insurance. The Association has not incurred any losses because of uninsured cash balances.

Accounts receivable:

The Association has accounts receivable from program underwriting contracts with various businesses located primarily in the Lehigh Valley area of Pennsylvania.

Revenue:

Approximately 21% and 11% of the Association's revenue and other support for the years ended June 30, 2020 and 2019, respectively, came from the Corporation for Public Broadcasting. The current level of the Association's operations and program services may be impacted if the above funding would be reduced.

NOTE 11 CONTINGENCY

The Association's operations have been affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The actions taken to mitigate the pandemic have had, and are expected to continue to have, an adverse impact on the economy, financial markets, public support, and the geographical area in which the Association operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Association. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.