

# **Northeastern Pennsylvania Educational Television Association**

Financial Statements and  
Supplementary Information

June 30, 2023 and 2022

# Northeastern Pennsylvania Educational Television Association

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## **Independent Auditors' Report**

To the Board of Directors of  
Northeastern Pennsylvania Educational Television Association

### **Opinion**

We have audited the financial statements of Northeastern Pennsylvania Educational Television Association (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

### **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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activities - TV and FM is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Baker Tilly US, LLP*

Wilkes-Barre, Pennsylvania  
October 9, 2023

# Northeastern Pennsylvania Educational Television Association

## Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 425,794	\$ 1,638,951
Accounts receivable, net	146,414	153,647
Prepaid expenses	152,642	156,793
Pledges receivable, net	16,000	33,500
Accrued interest receivable	-	50,087
Grants receivable	-	2,000
Total current assets	740,850	2,034,978
<b>Other Assets</b>		
Cash escrow	286,645	285,000
Investments	28,672,605	26,690,334
Pledges receivable, net	50,000	65,000
Right-of-use asset, operating	540,474	-
Property and equipment, net	3,205,087	3,759,171
Franchise costs	19,241	19,241
Music and film rights	1,076,000	834,000
Total assets	<u>\$ 34,590,902</u>	<u>\$ 33,687,724</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 126,860	\$ 118,741
Accrued expenses	118,431	68,593
Deferred revenues	71,702	105,826
Operating lease liability, current	21,221	-
Assets held for others	19,991	-
Security deposits	5,000	5,000
Total current liabilities	363,205	298,160
<b>Noncurrent Liabilities</b>		
Operating lease liability, noncurrent	519,253	-
Total liabilities	<u>882,458</u>	<u>298,160</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	434,347	1,770,856
Invested in property and equipment, music and film rights	4,281,087	4,593,171
Designated by Board for endowment	28,012,520	26,073,876
Total net assets without donor restrictions	32,727,954	32,437,903
With donor restrictions	980,490	951,661
Total net assets	<u>33,708,444</u>	<u>33,389,564</u>
Total liabilities and net assets	<u>\$ 34,590,902</u>	<u>\$ 33,687,724</u>

See notes to financial statements

# Northeastern Pennsylvania Educational Television Association

## Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues and Other Additions</b>						
Contributions and memberships	\$ 2,217,282	\$ -	\$ 2,217,282	\$ 2,358,460	\$ -	\$ 2,358,460
In-kind contributions	785,263	-	785,263	451,472	-	451,472
Endowment contributions	-	11,000	11,000	-	15,774	15,774
Grants	369,677	298,414	668,091	1,029,864	265,572	1,295,436
Corporation for Public Broadcasting grant	1,013,112	-	1,013,112	1,624,109	-	1,624,109
Program underwriting	500,607	-	500,607	532,188	-	532,188
Production underwriting	373,400	-	373,400	291,470	-	291,470
Website underwriting	12,233	-	12,233	4,322	-	4,322
Production services	109,343	-	109,343	88,694	-	88,694
Education	181,420	-	181,420	127,915	-	127,915
PBS royalties	5,025	-	5,025	-	-	-
Investment return designated for operations and capital	1,508,135	-	1,508,135	952,599	-	952,599
Rental income	83,051	-	83,051	81,661	-	81,661
(Loss) gain on disposal of assets	(401,861)	-	(401,861)	25,000	-	25,000
Miscellaneous	76,607	-	76,607	68,483	-	68,483
Net assets released from restrictions	337,165	(337,165)	-	584,609	(584,609)	-
Total operating revenues and other additions	7,170,459	(27,751)	7,142,708	8,220,846	(303,263)	7,917,583
<b>Operating Expenses</b>						
Program:						
Television programming and production	1,919,710	-	1,919,710	1,618,465	-	1,618,465
Broadcast operations	1,005,082	-	1,005,082	987,362	-	987,362
Radio programming	1,725,679	-	1,725,679	1,305,822	-	1,305,822
Promotions and marketing	510,732	-	510,732	514,340	-	514,340
Education	187,792	-	187,792	127,869	-	127,869
Supporting services:						
Fundraising	1,440,311	-	1,440,311	1,577,207	-	1,577,207
Management and general	1,160,531	-	1,160,531	1,037,615	-	1,037,615
Total operating expenses	7,949,837	-	7,949,837	7,168,680	-	7,168,680
Change in net assets from operating activities	(779,378)	(27,751)	(807,129)	1,052,166	(303,263)	748,903
<b>Nonoperating Revenues and Expenses</b>						
Investment income (loss), net of amount designated for operations and capital	1,069,429	56,580	1,126,009	(4,437,797)	(88,503)	(4,526,300)
Change in net assets	290,051	28,829	318,880	(3,385,631)	(391,766)	(3,777,397)
<b>Net Assets, Beginning</b>	32,437,903	951,661	33,389,564	35,823,534	1,343,427	37,166,961
<b>Net Assets, Ending</b>	\$ 32,727,954	\$ 980,490	\$ 33,708,444	\$ 32,437,903	\$ 951,661	\$ 33,389,564

See notes to financial statements

# Northeastern Pennsylvania Educational Television Association

## Statement of Functional Expenses

Year Ended June 30, 2023 (With Comparative Total for 2022)

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total 2023	Total 2022
	TV Programming and Production	Broadcast Operations	Radio Programming	Promotions and Marketing	Education		Fundraising	Management and General			
<b>Expenses</b>											
Compensation and benefits	\$ 855,799	\$ 257,552	\$ 785,780	\$ 265,469	\$ 111,023	\$ 2,275,623	\$ 770,757	\$ 655,852	\$ 1,426,609	\$ 3,702,232	\$ 3,034,793
Programming, TV	719,571	-	18,140	-	-	737,711	-	-	-	737,711	741,144
Professional services	209,731	8,381	43,342	10,710	11,588	283,752	32,787	346,500	379,287	663,039	369,447
Membership, MSB costs	-	-	141,920	-	-	141,920	230,959	-	230,959	372,879	334,525
Programming, radio	-	-	275,321	-	-	275,321	-	-	-	275,321	280,218
Education projects	-	-	-	-	-	-	-	-	-	-	164,529
Professional development	2,779	730	-	2,920	1,545	7,974	10,674	2,983	13,657	21,631	18,870
Dues and subscriptions	38,468	27,807	19,414	58,058	449	144,196	13,332	25,589	38,921	183,117	221,603
IT services and website	-	8,345	406	6,890	-	15,641	-	-	-	15,641	17,536
Utilities	-	68,210	43,512	-	-	111,722	-	-	-	111,722	95,541
Premiums	-	-	-	-	-	-	53,498	-	53,498	53,498	52,723
Supplies	12,995	24,315	9,456	1,203	24,287	72,256	7,624	10,025	17,649	89,905	94,065
VIA Studios and production costs	22,498	-	2,955	1,972	-	27,425	-	-	-	27,425	104,410
Liability insurance	-	-	35,393	-	-	35,393	-	53,089	53,089	88,482	86,462
Membership costs, non MSB	-	-	23,582	-	79	23,661	38,436	2,634	41,070	64,731	69,044
Publicity and advertising	8	-	2,004	88,846	-	90,858	303	-	303	91,161	86,233
Building maintenance	-	58,046	-	-	-	58,046	-	-	-	58,046	74,668
HR and staff related expenses	-	-	-	-	249	249	1,913	22,069	23,982	24,231	21,389
Telephone	6,413	61,024	539	900	-	68,876	4,800	900	5,700	74,576	63,281
Equipment maintenance	1,295	34,927	7,973	-	-	44,195	-	-	-	44,195	49,441
Postage and freight	2,331	203	18,599	57	335	21,525	30,310	1,465	31,775	53,300	38,677
Channel share expenses	-	15,970	-	-	-	15,970	-	-	-	15,970	15,009
Travel	10,468	7,638	5,483	4,119	7,875	35,583	17,932	5,859	23,791	59,374	24,806
Miscellaneous	1,500	12,847	26,423	-	4,160	44,930	24	10,412	10,436	55,366	102,463
Awards	7,701	-	120	1,375	14,755	23,951	656	-	656	24,607	26,923
Printing	-	-	-	283	159	442	4,826	-	4,826	5,268	6,015
Hospitality (recovery)	9,263	(47)	1,148	1,004	4,553	15,921	13,262	8,394	21,656	37,577	11,833
Vehicle maintenance	5,337	3,910	-	-	-	9,247	-	109	109	9,356	6,811
Bad debt expense	2,450	911	500	-	6,650	10,511	827	-	827	11,338	95
In-kind expenses	-	8,400	256,416	66,799	-	331,615	200,640	11,008	211,648	543,263	451,472
Donor events	-	-	-	-	-	-	2,915	-	2,915	2,915	1,681
Redevelopment building expenses	-	-	-	-	-	-	3,836	-	3,836	3,836	61,979
Depreciation expense	11,103	405,913	7,253	127	85	424,481	-	3,643	3,643	428,124	440,994
<b>Total expenses</b>	<b>\$ 1,919,710</b>	<b>\$ 1,005,082</b>	<b>\$ 1,725,679</b>	<b>\$ 510,732</b>	<b>\$ 187,792</b>	<b>\$ 5,348,995</b>	<b>\$ 1,440,311</b>	<b>\$ 1,160,531</b>	<b>\$ 2,600,842</b>	<b>\$ 7,949,837</b>	<b>\$ 7,168,680</b>

See notes to financial statements

# Northeastern Pennsylvania Educational Television Association

## Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total
	TV Programming and Production	Broadcast Operations	Radio Programming	Promotions and Marketing	Education		Fundraising	Management and General		
<b>Expenses</b>										
Compensation and benefits	\$ 588,106	\$ 223,890	\$ 617,026	\$ 210,889	\$ 65,479	\$ 1,705,390	\$ 834,938	\$ 494,465	\$ 1,329,403	\$ 3,034,793
Programming, TV	723,403	-	15,350	2,254	-	741,007	137	-	137	741,144
Professional services	38,533	10,379	13,235	7,964	1,901	72,012	750	296,685	297,435	369,447
Membership, MSB costs	-	-	-	-	-	-	334,525	-	334,525	334,525
Programming, radio	-	-	280,218	-	-	280,218	-	-	-	280,218
Education projects	149,519	-	13,606	300	342	163,767	640	122	762	164,529
Professional development	3,419	2,692	-	450	1,494	8,055	1,510	9,305	10,815	18,870
Dues and subscriptions	24,207	25,677	6,655	109,673	5,652	171,864	14,905	34,834	49,739	221,603
IT services and website	199	11,380	1,044	4,913	-	17,536	-	-	-	17,536
Utilities	-	61,677	33,864	-	-	95,541	-	-	-	95,541
Premiums	33	-	-	-	-	33	52,690	-	52,690	52,723
Supplies	17,098	16,885	26,089	-	28,511	88,583	2,041	3,441	5,482	94,065
VIA Studios and production costs	29,824	476	-	391	9	30,700	-	73,710	73,710	104,410
Liability insurance	-	-	34,585	-	-	34,585	-	51,877	51,877	86,462
Membership costs, non MSB	-	-	15,919	-	-	15,919	53,098	27	53,125	69,044
Publicity and advertising	6,179	-	2,346	74,245	578	83,348	364	2,521	2,885	86,233
Building maintenance	-	74,668	-	-	-	74,668	-	-	-	74,668
HR and staff related expenses	398	-	3	65	-	466	1,317	19,606	20,923	21,389
Telephone	677	57,775	1,342	150	-	59,944	2,962	375	3,337	63,281
Equipment maintenance	911	37,377	11,153	-	-	49,441	-	-	-	49,441
Postage and freight	425	40	30	29	98	622	37,131	924	38,055	38,677
Channel share expenses	-	15,009	-	-	-	15,009	-	-	-	15,009
Travel	5,280	5,056	164	835	1,174	12,509	5,764	6,533	12,297	24,806
Miscellaneous	18,279	5,027	29,837	-	130	53,273	24,900	24,290	49,190	102,463
Awards	5,597	-	-	-	21,326	26,923	-	-	-	26,923
Printing	-	-	-	-	601	601	5,414	-	5,414	6,015
Hospitality	265	-	-	439	574	1,278	3,694	6,861	10,555	11,833
Vehicle maintenance	1,750	5,061	-	-	-	6,811	-	-	-	6,811
Bad debt expense	-	-	-	-	-	-	95	-	95	95
In-kind expenses	-	4,200	197,737	101,743	-	303,680	136,672	11,120	147,792	451,472
Donor events	-	-	-	-	-	-	1,681	-	1,681	1,681
Redevelopment building expenses	-	-	-	-	-	-	61,979	-	61,979	61,979
Depreciation expense	4,363	430,093	5,619	-	-	440,075	-	919	919	440,994
<b>Total expenses</b>	<u>\$ 1,618,465</u>	<u>\$ 987,362</u>	<u>\$ 1,305,822</u>	<u>\$ 514,340</u>	<u>\$ 127,869</u>	<u>\$ 4,553,858</u>	<u>\$ 1,577,207</u>	<u>\$ 1,037,615</u>	<u>\$ 2,614,822</u>	<u>\$ 7,168,680</u>

See notes to financial statements



# Northeastern Pennsylvania Educational Television Association

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 318,880	\$ (3,777,397)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	428,124	440,994
Realized loss (gain) on disposal of assets	401,861	(25,000)
Net realized and unrealized (gains) losses on investments	(1,663,234)	4,339,215
Contributions restricted for long-term purposes	(11,000)	(15,774)
In-kind contributions of music and film rights	(242,000)	-
(Increase) decrease in operating assets:		
Receivables	91,820	539,475
Prepaid expenses	4,151	33,077
Increase (decrease) in operating liabilities:		
Accounts payable	8,119	(165,535)
Accrued expenses	49,838	(24,294)
Assets held for others	19,991	-
Deferred revenues	(34,124)	31,303
Refundable advances	-	(626,292)
Net cash (used in) provided by operating activities	<u>(627,574)</u>	<u>749,772</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(277,401)	(215,127)
Proceeds from sale of property and equipment	1,500	25,000
Proceeds from contributions for long-term purposes	11,000	15,774
Purchase of investments	(7,930,610)	(5,933,243)
Proceeds from sale of investments	<u>7,611,573</u>	<u>5,770,997</u>
Net cash used in investing activities	<u>(583,938)</u>	<u>(336,599)</u>
Net change in cash and cash equivalents and restricted cash	(1,211,512)	413,173
<b>Cash and Cash Equivalents and Restricted Cash, Beginning</b>	<u>1,923,951</u>	<u>1,510,778</u>
<b>Cash and Cash Equivalents and Restricted Cash, Ending</b>	<u><u>\$ 712,439</u></u>	<u><u>\$ 1,923,951</u></u>
<b>Reconciliation of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 425,794	\$ 1,638,951
Cash escrow	<u>286,645</u>	<u>285,000</u>
Total cash and cash equivalents and restricted cash	<u><u>\$ 712,439</u></u>	<u><u>\$ 1,923,951</u></u>
<b>Supplemental Cash Flow Information</b>		
Capitalized noncash contribution of music and film rights	<u><u>\$ 242,000</u></u>	<u><u>\$ -</u></u>

See notes to financial statements

# Northeastern Pennsylvania Educational Television Association

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Notes to Financial Statements

June 30, 2023 and 2022

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

The Northeastern Pennsylvania Educational Television Association (the Organization) is a Pennsylvania Nonprofit Corporation that is exempt from tax under §501(c)(3) of the Internal Revenue Code (IRC). The Organization operates a public television station (WVIA-TV) and public radio station (WVIA-FM) which broadcast to households located primarily in Northeastern Pennsylvania and the Central Susquehanna Valley.

The Organization continues to extend its offerings to include multi-channel public media programming, including television, radio, and digital platforms. The Organization is the PBS and NPR affiliate for Northeast and Central Pennsylvania. The Organization focuses on providing news, arts, culture, local production and educational programming to the community it serves.

### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions, as applicable. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or those required to be maintained in perpetuity as a source of investment income, are accounted for in net assets with donor restrictions. 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. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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 include short-term deposits with original maturities of three months or less. Cash equivalents consist of funds held in money market accounts.

### Accounts Receivable

The Organization extends credit to underwriters and school districts in the form of uncollateralized accounts receivable. An allowance for doubtful accounts is recorded by management based on prior experience and the customer's financial condition and credit history. Accounts are written off when deemed uncollectible. The Organization maintained an allowance of \$10,000 at June 30, 2023 and 2022.

# **Northeastern Pennsylvania Educational Television Association**

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## **Notes to Financial Statements**

June 30, 2023 and 2022

### **Music and Film Rights**

At June 30, 2023 and 2022, the Organization had music and film rights not subject to amortization. Music and film rights are recorded at their fair value at the time of donation or acquisition.

### **Investments**

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statements of activities.

The cost of investments received as gifts is recorded at fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations.

### **Property and Equipment**

Land, buildings and equipment purchases are capitalized at cost. Donations of land, buildings or equipment are recorded at estimated fair value and are included in support unless restricted to a specific purpose. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

### **Impairment**

The Organization reviews the carrying value of long-lived assets and other identifiable intangibles for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable.

### **Revenue Recognition**

#### **Program Underwriting and Production Services**

The Organization recognizes revenues and expenses on projects as work progresses. Deferred revenues on uncompleted projects represent project billings for which revenues have not been earned.

#### **Education Services**

Revenues are recognized by the Organization when the services are provided.

#### **Grants and Contributions**

The Organization engages in fundraising campaigns manifested by offering some special television programs and on-air and mail appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Organization for enhancement of program offerings and other operating expenses. Financial contributions are sometimes evidenced by pledges received from responding viewers.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

# Northeastern Pennsylvania Educational Television Association

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## Notes to Financial Statements

June 30, 2023 and 2022

A portion of the Organization's revenues are derived from cost-reimbursed federal and state contracts (grant programs), which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenues when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization had no refundable advances at June 30, 2023 and 2022. The Organization reports these cost-reimbursable grants as changes in net assets without donor restrictions when restrictions are met in the same period.

### **In-Kind Contributions**

In-kind contributions are recorded as revenues and expenses in the period received at their estimated fair values. In-kind contributions include donated professional services, programming services, rents, advertising, materials and supplies.

### **Cash Flows**

For purposes of the statements of cash flows, cash and cash equivalents includes cash and highly liquid money market funds.

### **Income Taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the IRC.

In accordance with the Financial Accounting Standards Board (FASB) guidance on accounting for uncertainty in income taxes, management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2019.

### **Cost Allocations**

The financial statements report certain expense categories that are attributable to more than one function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and occupancy costs, are allocated to a functional region based on square-footage. Salaries and wages, employee benefits and other expenses are allocated to a functional region based on estimated time and effort.

### **Nonoperating Activities**

The Organization records investment return net of the amount designated for operations and capital as nonoperating activities.

### **Accounting Standards Adopted in the Current Year**

Effective July 1, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (as amended) (Topic 842)*. ASC 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the provisions of ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statement of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Organization's leasing activities. The Organization also elected the package of practical expedients, which permits the Organization to not reassess its prior conclusions about lease identification, classification and initial direct costs. In addition, the Organization elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

# Northeastern Pennsylvania Educational Television Association

Notes to Financial Statements

June 30, 2023 and 2022

The Organization is adopting the standard using the modified retrospective approach, with prior periods not being restated and any net resulting impact from the transition adjustment reflected as an adjustment to net assets as of July 1, 2022. Disclosures required are under the new guidance for all periods presented, and legacy lease accounting disclosures are required for periods presented prior to the adoption of ASC 842. The adoption of ASU No. 2016-02 (as amended) resulted in the recognition of right-of-use assets, operating and lease liabilities, operating, on the statement of financial position in the amount of \$573,322 at July 1, 2022.

## Subsequent Events

The Organization has evaluated subsequent events through October 9, 2023, the date the financial statements were available to be issued, and concluded no events or transactions occurred during the period requiring recognition or disclosure.

## 2. Investments and Fair Value Measurements

Investments consisted of the following at June 30, 2023 and 2022:

	<b>2023 Fair Value</b>	<b>2022 Fair Value</b>
Money market funds	\$ 1,387,092	\$ 30,940
Corporate bonds	6,323,494	4,542,807
Mutual funds	15,895,789	19,192,716
U.S. Treasury bonds	5,066,230	2,923,871
Total	<u>\$ 28,672,605</u>	<u>\$ 26,690,334</u>

The following schedules summarize the investment return in the statements of activities:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Dividends and interest	\$ 1,015,253	\$ 21,940	\$ 1,037,193
Net unrealized gains	1,627,134	36,100	1,663,234
Investment fees	(64,823)	(1,460)	(66,283)
Total	<u>\$ 2,577,564</u>	<u>\$ 56,580</u>	<u>\$ 2,634,144</u>

  

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Dividends and interest	\$ 828,908	\$ 12,477	\$ 841,385
Net realized gains (losses)	6,082	(4,353)	1,729
Net unrealized losses	(4,245,573)	(95,371)	(4,340,944)
Investment fees	(74,615)	(1,256)	(75,871)
Total	<u>\$ (3,485,198)</u>	<u>\$ (88,503)</u>	<u>\$ (3,573,701)</u>

The Organization 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 as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization 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 other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 need to 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.

U.S. Treasury bonds, mutual funds and money market funds are valued at the closing price reported on the active market on which the individual securities are traded and are Level 1.

Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available and are Level 2.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Northeastern Pennsylvania Educational Television Association

## Notes to Financial Statements

June 30, 2023 and 2022

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2023 and 2022:

Assets at Fair Value as of June 30, 2023				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis:				
U.S. Treasury bonds	\$ 5,066,230	\$ -	\$ -	\$ 5,066,230
Corporate bonds:				
U.S. companies	-	6,323,494	-	6,323,494
Mutual funds:				
Equity/growth	10,103,466	-	-	10,103,466
Global/international	5,270,023	-	-	5,270,023
Fixed income	522,300	-	-	522,300
Total mutual funds	15,895,789	-	-	15,895,789
Money market funds	1,387,092	-	-	1,387,092
Total	\$ 22,349,111	\$ 6,323,494	\$ -	\$ 28,672,605
Assets at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis:				
U.S. agencies	\$ 2,923,871	\$ -	\$ -	\$ 2,923,871
Corporate bonds:				
U.S. companies	-	4,542,807	-	4,542,807
Mutual funds:				
Equity/growth	10,247,671	-	-	10,247,671
Global/international	5,153,648	-	-	5,153,648
Fixed income	3,791,397	-	-	3,791,397
Total mutual funds	19,192,716	-	-	19,192,716
Money market funds	30,940	-	-	30,940
Total	\$ 22,147,527	\$ 4,542,807	\$ -	\$ 26,690,334

## Northeastern Pennsylvania Educational Television Association

Notes to Financial Statements  
June 30, 2023 and 2022

### 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	Depreciable Lives	2023	2022
Land improvements and buildings	10-50 years	\$ 3,783,042	\$ 3,779,309
Television equipment	3-10 years	4,487,074	6,569,301
Radio equipment	3-10 years	1,472,759	1,563,693
Transportation	5-10 years	119,314	214,462
Office furniture and equipment	5-10 years	361,312	574,103
Construction in progress	N/A	123,513	112,513
		10,347,014	12,813,381
Less accumulated depreciation		7,141,927	9,054,210
Property and equipment, net		\$ 3,205,087	\$ 3,759,171

### 4. Short-Term Debt

In 2022, the Organization opened a margin line of credit with its investment manager, secured by the investment portfolio. The line bears interest at a variable rate based on the Secured Overnight Financing Rate. The rate was 5.09% at June 30, 2023, and has a maximum borrowing limit of \$9,000,000. No borrowings were outstanding at June 30, 2023 and 2022.

### 5. Leases

The Organization leases the right to use transmission towers for their radio and television broadcasting from various parties in the northeastern region of Pennsylvania. The leases have initial term leases ranging from 5-10 years, some including extension terms. For leases where the Organization is reasonably certain to utilize the extension, the extension periods are included within the lease term, and therefore, the measurement of the right-of-use asset and lease liability. The payment structure of the Organization's leases often includes annual escalation clauses that are fixed in nature. Leases with an initial term of 12 months or less are not recorded on the statements of financial position.

The Organization has adopted the following policy: Leases with either no formal end date, or that have auto-renewal options where the Organization has no intent to terminate, are treated as having a 30-year life.

The Organization makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The Organization uses the risk-free rate based on information available at the adoption date in determining the present value of lease payments. A portfolio approach was utilized to group assets based on similar lease terms in a manner whereby the Organization reasonably expects that the application of the portfolio approach does not differ materially from application to individual leases.

Subsequent to the lease commencement date, the Organization reassesses lease classifications when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.



## Northeastern Pennsylvania Educational Television Association

### Notes to Financial Statements

June 30, 2023 and 2022

The Organization has an informal sublease agreement with another television broadcasting entity to share space at one of the tower locations. The other broadcasting entity reimburses the Organization \$1,110 per month for the shared space. These payments are recorded as a reduction to lease expense.

At June 30, 2023, future aggregate minimum lease payments due under lease agreements are as follows:

Years ending June 30:	
2024	\$ 37,543
2025	37,892
2026	35,905
2027	29,411
2028	29,198
Thereafter	628,788

Lease-related expenses are included in miscellaneous expense in the accompanying statements of functional expense. Lease expense for the Organization for the year ended June 30, 2023 was as follows:

Operating lease expense	\$ 36,680
Short-term lease expense	6,643
Reimbursements	<u>(13,320)</u>
Total lease expense	<u>\$ 30,003</u>

#### Lease Term and Discount Rate

Weighted-average remaining lease term (years):	
Operating leases	27.00
Weighted-average discount rate:	
Operating leases	3.09%

## 6. Net Assets With Donor Restrictions

At June 30, 2023 and 2022, donor-restricted net assets are available as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Program	\$ 320,405	\$ 335,203
Not subject to appropriation or expenditure:		
Endowment	<u>660,085</u>	<u>616,458</u>
Total donor-restricted net assets	<u>\$ 980,490</u>	<u>\$ 951,661</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for programs, including endowment.

## Northeastern Pennsylvania Educational Television Association

Notes to Financial Statements

June 30, 2023 and 2022

### 7. In-Kind Contributions

The Organization recognized in-kind contributions for certain services received at the fair value of those services for the years ended June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Television programming:		
Professional services	\$ 16,907	\$ 14,120
Communications:		
Advertising	95,973	159,308
Television and radio engineering:		
Rents	29,400	4,200
Music and film rights	242,000	-
Membership development	400,983	273,844
	<u>          </u>	<u>          </u>
Total	<u>\$ 785,263</u>	<u>\$ 451,472</u>

The Organization recognizes contributed nonfinancial assets in its revenues, including services, advertising, translator rentals, building space, music and film rights, and membership development. The contributed services were recognized at their estimated fair market value only if they created or enhanced a nonfinancial asset belonging to the Organization and that it would otherwise have to purchase the services if they were not donated.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor restrictions associated with the donated services and assets.

The Organization's Underwriting department accepts in-kind contributions in exchange for advertising. In exchange for the value of the services or goods provided by the contributing entity, the contributing entity receives advertising placements. The value of the in-kind contributions is based on the value of the goods or services provided by the contributing entity. Any trade messages issued as part of this arrangement must be FCC-compliant and must be approved by the Organization's Director of Corporate Support before airing.

The music and film rights assets donated to the Organization are recorded at fair value based on an appraisal at the time of donation.

The Organization hosts membership appreciation days free of charge to its members through in-kind contributions from local participating businesses, including amusement parks, ski resorts and other local attractions. In-kind contributions for these events are valued based on how many members attend each event multiplied by the current season individual rates for each venue.

### 8. FCC Broadcast Television Spectrum Incentive Auction and Cash Escrow

In April 2017, the Organization was notified by the Federal Communications Commission (FCC) that it was the subject of a winning bid in the broadcast television spectrum incentive auction. The compensation to be received was \$51,934,668, with 50% of the proceeds to be paid to another station through a channel sharing and facilities agreement. The Organization received this amount in July 2017. As part of the agreement, the Organization was required to establish a cash escrow account in an amount equal to its portion of one year's estimated operating costs. The escrow account is to be maintained for the term of the agreement, and has a balance of \$286,645 at June 30, 2023 and \$285,000 at June 30, 2022.

# Northeastern Pennsylvania Educational Television Association

Notes to Financial Statements

June 30, 2023 and 2022

## 9. Pension and Employee Benefits

The Organization has a defined contribution pension plan. The Plan operates under Section 403(b) of the IRC. Participants are allowed to contribute an amount equal to the maximum allowed by the Internal Revenue Service. The Organization makes an annual safe harbor matching contribution of 100% of the participant's elective deferral up to 3% of a participant's compensation plus 50% of the participant's elective deferral between 3% and 5% of the participant's compensation.

The pension expense for the plan for the years ended June 30, 2023 and 2022 was \$97,878 and \$79,251, respectively.

## 10. Endowments

The Organization's endowment fund was established to support programming now and in the future. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds without donor restrictions designed to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions. The Organization classifies these funds to be maintained in perpetuity: (a) the original value of the gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. The remaining portion of the fund is classified as restricted net assets until those funds are appropriated for expenditure for programming.

The Organization has adopted investment and spending policies for endowment assets that is consistent with its investment objective of achieving long-term real growth in its assets. In order to achieve such long-term growth, the Organization's expenditures should be less than the Organization's total inflation-adjusted return on investments. Consistent with the Organization's long-term investment objectives, the Organization's spending policy is to multiply 4% times the preceding rolling 12 quarters average market value of the Portfolio. The Board of Directors is responsible for setting this spending rate from time to time on the recommendation of its Audit and Finance Committee.

Endowment net assets as of June 30, 2023 and 2022, and the changes in endowment net assets for the years then ended are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 26,073,876	\$ 616,458	\$ 26,690,334
Investment return:			
Investment income, net of fees	950,434	20,480	970,914
Net realized and unrealized gains	1,596,345	36,100	1,632,445
Total investment return	2,546,779	56,580	2,603,359
Contributions	900,000	11,000	911,000
Appropriation of endowment assets for expenditure	(1,508,135)	(23,953)	(1,532,088)
Endowment net assets, end of year	\$ 28,012,520	\$ 660,085	\$ 28,672,605

# Northeastern Pennsylvania Educational Television Association

Notes to Financial Statements

June 30, 2023 and 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 29,569,695	\$ 1,297,608	\$ 30,867,303
Investment return:			
Investment income, net of fees	754,293	11,221	765,514
Net realized and unrealized losses	(4,239,491)	(99,724)	(4,339,215)
Total investment return	(3,485,198)	(88,503)	(3,573,701)
Contributions	662,596	15,774	678,370
Release of endowment restrictions	279,382	(279,382)	-
Appropriation of endowment assets for expenditure	(952,599)	(329,039)	(1,281,638)
Endowment net assets, end of year	\$ 26,073,876	\$ 616,458	\$ 26,690,334

The donor-restricted endowment assets are invested with Goldman Sachs in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a balanced level of investment risk. The Organization expects its endowment funds, over time, to provide a rate of return commensurate with the portfolio risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. The Organization has interpreted the relevant law to permit spending from such endowments in accordance with the prudent measures described in the spending policy. There were no material underwater endowments at June 30, 2023 or 2022.

## 11. Concentration of Credit Risk

The Organization maintains its cash accounts in various commercial banks located in Northeastern Pennsylvania. Accounts at each bank are insured, in aggregate, by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

## 12. Related-Party Transactions

Members of the Organization's Board of Directors and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the Organization. The Organization has a written conflict of interest policy that requires such associations be disclosed in writing on an annual basis and updated as appropriate during the year. When such associations exist, measures are taken to mitigate any actual or perceived conflict.

The financial statements include transactions with related parties of approximately \$32,590 and \$27,000 of contributions for the years ended June 30, 2023 and 2022, respectively. All related-party activity is conducted in accordance with the Organization's normal policies and procedures.

## Northeastern Pennsylvania Educational Television Association

Notes to Financial Statements

June 30, 2023 and 2022

### 13. Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2023 and 2022, the following financial assets are available to meet annual operating needs for the upcoming fiscal year:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 425,794	\$ 1,638,951
Accounts receivable, net	146,414	153,647
Other receivables	16,000	85,587
Investments available for expenditure	1,424,878	1,283,128
Investments approved for expenditure	<u>1,146,275</u>	<u>1,083,146</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 3,159,361</u>	 <u>\$ 4,244,459</u>

The Organization has various sources of liquidity at its disposal including cash, receivables and certain investments. In addition, the Organization has access to a line of credit as discussed in Note 4 to the financial statements. Spending from the investment portfolio beyond the annual endowment draw discussed in Note 10 or as noted above is subject to Board approval.

# Northeastern Pennsylvania Educational Television Association

Schedule of Activities - TV and FM

Year Ended June 30, 2023

	TV	FM	Total
<b>Revenues and Other Additions</b>			
Contributions and memberships	\$ 1,475,518	\$ 741,764	\$ 2,217,282
In-kind contributions	528,848	256,415	785,263
Endowment contributions	11,000	-	11,000
Grants	638,414	29,677	668,091
Corporation for Public Broadcasting	914,096	99,016	1,013,112
Program underwriting	324,814	175,793	500,607
Production underwriting	373,400	-	373,400
Website underwriting	12,233	-	12,233
Production services	109,343	-	109,343
Education	181,420	-	181,420
PBS royalties	5,025	-	5,025
Net investment income	2,634,144	-	2,634,144
Rental income	83,051	-	83,051
Loss on disposal of assets	(401,861)	-	(401,861)
Miscellaneous	23,397	53,210	76,607
	<u>6,912,842</u>	<u>1,355,875</u>	<u>8,268,717</u>
Total revenues and other additions			
<b>Expenses</b>			
Program:			
Television programming and production	1,919,710	-	1,919,710
Broadcast operations	1,005,082	-	1,005,082
Radio programming	-	1,725,679	1,725,679
Promotions and marketing	510,732	-	510,732
Education	187,792	-	187,792
Supporting services:			
Fundraising	1,440,311	-	1,440,311
Management and general	1,160,531	-	1,160,531
	<u>6,224,158</u>	<u>1,725,679</u>	<u>7,949,837</u>
Total expenses			
Change in net assets	<u>\$ 688,684</u>	<u>\$ (369,804)</u>	<u>\$ 318,880</u>