

Financial Statements

FORT WAYNE PUBLIC TELEVISION, INC.

*Years ended September 30, 2019 and 2018
with Independent Auditor's Report*

Fort Wayne Public Television, Inc.

Financial Statements

Years ended September 30, 2019 and 2018

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Independent Auditor's Report

The Board of Directors
Fort Wayne Public Television, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Wayne Public Television, Inc. which comprise the statement of financial position as of September 30, 2019 and 2018 and the related statements of activities and changes in net assets, 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.

Auditor's 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 audit 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 auditor's 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 Fort Wayne Public Television, Inc. as of September 30, 2019 and 2018, 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.

Haines, Asenbarger & Skiba, LLC

October 31, 2019

Fort Wayne Public Television, Inc.

Statements of Financial Position

	September 30	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 571,788	\$ 701,626
Accounts receivable, less allowance of \$1,500 in 2019 and 2018	61,895	180,109
Grants and contributions receivable	201,360	169,367
Prepaid expenses	135,416	111,526
Total current assets	970,459	1,162,628
Property and equipment:		
Land	19,073	37,497
Buildings and improvements	3,740,111	3,740,111
Tower, transmitters and other equipment	6,353,150	5,059,792
Office equipment	515,149	445,538
Vehicles	36,763	36,763
Construction in progress	-	1,083,599
	10,664,246	10,403,300
Less accumulated depreciation	6,926,257	6,204,955
	3,737,989	4,198,345
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	18,025	18,043
Total assets	\$ 4,726,473	\$ 5,379,016
Liabilities and net assets		
Current liabilities:		
Notes payable	\$ -	\$ 260,308
Accounts payable	89,030	228,189
Accrued expenses	103,152	87,037
Total current liabilities	192,182	575,534
Net assets:		
Without donor restriction:		
Undesignated	4,385,712	4,608,535
Board Designated	106,937	93,299
	4,492,649	4,701,834
With donor restrictions	41,642	101,648
Total net assets	4,534,291	4,803,482
Total liabilities and net assets	\$ 4,726,473	\$ 5,379,016

See accompanying notes.

Fort Wayne Public Television, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets						
Support, revenues and gains:						
Contributions	\$ 740,940	\$ -	\$ 740,940	\$ 690,408	\$ 48,000	\$ 738,408
Grants:						
Corporation for Public Broadcasting	800,188	-	800,188	784,786	-	784,786
Indiana Department of Education	400,643	-	400,643	388,624	-	388,624
Empowering Community Connections	-	490	490	-	73,023	73,023
Program and production revenue	438,724	-	438,724	380,061	-	380,061
Contributed goods and services	138,593	-	138,593	157,867	-	157,867
Tower and facility rent	208,139	-	208,139	203,606	-	203,606
TV broadcaster relocation reimbursement	514,401	-	514,401	711,556	-	711,556
Change in beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(18)	-	(18)	1,379	-	1,379
Other	66,891	-	66,891	529,248	-	529,248
Net assets released from restrictions	60,496	(60,496)	-	173,638	(173,638)	-
Total support, revenues and gains	3,368,997	(60,006)	3,308,991	4,021,173	(52,615)	3,968,558
Expenses:						
Program services:						
Broadcast	539,472	-	539,472	528,124	-	528,124
Production	850,409	-	850,409	765,812	-	765,812
Program information and outreach	114,689	-	114,689	107,288	-	107,288
Programming	855,998	-	855,998	867,235	-	867,235
Studio 39	77,695	-	77,695	34,708	-	34,708
Total program expenses	2,438,263	-	2,438,263	2,303,167	-	2,303,167
Support services:						
Fundraising and development	632,175	-	632,175	619,064	-	619,064
Management and general	507,744	-	507,744	485,775	-	485,775
Total expenses	3,578,182	-	3,578,182	3,408,006	-	3,408,006
Increase (decrease) in net assets	(209,185)	(60,006)	(269,191)	613,167	(52,615)	560,552
Net assets at beginning of year	4,701,834	101,648	4,803,482	4,088,667	154,263	4,242,930
Net assets at end of year	\$ 4,492,649	\$ 41,642	\$ 4,534,291	\$ 4,701,834	\$ 101,648	\$ 4,803,482

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2019

	Program Services						Support Services		
	Program Information and Outreach Programming					Total Program Services	Fundraising and Development	Management and General	Total
	Broadcast	Production			Studio 39				
Personnel costs									
Salaries and wages	\$ 80,232	\$ 259,943	\$ 49,733	\$ 153,313	\$ 20,253	\$ 563,474	\$ 253,543	\$ 242,516	\$ 1,059,533
Payroll taxes	5,270	17,439	3,804	11,530	1,421	39,464	22,224	16,067	77,755
Insurance—health/life/LTD	9,446	25,273	330	13,672	-	48,721	33,995	35,859	118,575
Commissions	-	25,558	-	35,778	3,993	65,329	7,105	-	72,434
Other	1,374	6,773	3,133	4,602	-	15,882	19,204	17,796	52,882
	<u>96,322</u>	<u>334,986</u>	<u>57,000</u>	<u>218,895</u>	<u>25,667</u>	<u>732,870</u>	<u>336,071</u>	<u>312,238</u>	<u>1,381,179</u>
Development and fundraising									
Premium supplies	-	-	-	-	-	-	33,649	-	33,649
Credit card processing fees	-	-	-	-	-	-	16,957	-	16,957
Member cards	-	-	-	-	-	-	2,680	-	2,680
Other	-	-	-	-	-	-	106,151	-	106,151
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,437</u>	<u>-</u>	<u>159,437</u>
Facilities and equipment									
Utilities	73,004	35,630	6,741	7,704	-	123,079	25,038	56,067	204,184
Leased land	6,718	20,712	3,919	4,478	-	35,827	14,555	5,598	55,980
Leased equipment	545	1,438	272	311	-	2,566	1,010	404	3,980
Maintenance	44,485	46,110	3,061	4,564	1,673	99,893	15,064	19,666	134,623
	<u>124,752</u>	<u>103,890</u>	<u>13,993</u>	<u>17,057</u>	<u>1,673</u>	<u>261,365</u>	<u>55,667</u>	<u>81,735</u>	<u>398,767</u>
Production costs	-	6,408	-	-	646	7,054	-	-	7,054
Programming									
PBS National Program Service	-	-	-	528,634	-	528,634	-	-	528,634
Programming—other syndication	-	-	-	33,631	-	33,631	-	-	33,631
	<u>-</u>	<u>-</u>	<u>-</u>	<u>562,265</u>	<u>-</u>	<u>562,265</u>	<u>-</u>	<u>-</u>	<u>562,265</u>
Promotion and outreach	-	-	22,533	-	1,022	23,555	17,400	-	40,955
TV Broadcaster Relocation	-	-	-	-	-	-	-	40,507	40,507
General and administrative									
Software maintenance/upgrades	5,722	57,488	689	13,104	7,593	84,596	13,477	3,975	102,048
Membership/dues/subscriptions	145	-	-	37,729	-	37,874	525	15,946	54,345
Liability insurance	-	-	-	-	-	-	-	10,321	10,321
Other	2,977	9,905	16,279	2,154	(2,360)	28,955	34,017	37,029	100,001
	<u>8,844</u>	<u>67,393</u>	<u>16,968</u>	<u>52,987</u>	<u>5,233</u>	<u>151,425</u>	<u>48,019</u>	<u>67,271</u>	<u>266,715</u>
Depreciation	309,554	337,732	4,195	4,794	43,454	699,729	15,581	5,993	721,303
Total expenses	<u>\$ 539,472</u>	<u>\$ 850,409</u>	<u>\$ 114,689</u>	<u>\$ 855,998</u>	<u>\$ 77,695</u>	<u>\$ 2,438,263</u>	<u>\$ 632,175</u>	<u>\$ 507,744</u>	<u>\$ 3,578,182</u>

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2018

	Program Services						Support Services		
	Broadcast	Production	Program Information and Outreach	Programming	Studio 39	Total Program Services	Fundraising and Development	Management and General	Total
Personnel costs									
Salaries and wages	\$ 70,547	\$ 254,787	\$ 48,262	\$ 144,103	\$ 15,095	\$ 532,794	\$ 216,114	\$ 221,004	\$ 969,912
Payroll taxes	4,764	17,236	3,692	10,825	881	37,398	18,827	15,513	71,738
Insurance—health/life/LTD	6,346	29,984	253	12,580	(241)	48,922	35,504	26,309	110,735
Commissions	-	18,947	-	36,370	11,058	66,375	9,013	-	75,388
Other	1,454	3,748	3,982	4,298	-	13,482	11,349	11,035	35,866
	83,111	324,702	56,189	208,176	26,793	698,971	290,807	273,861	1,263,639
Development and fundraising									
Premium supplies	-	-	-	-	-	-	36,717	-	36,717
Credit card processing fees	-	-	-	-	-	-	16,581	-	16,581
Member cards	-	-	-	-	-	-	4,567	-	4,567
Other	-	-	-	-	-	-	100,496	-	100,496
	-	-	-	-	-	-	158,361	-	158,361
Facilities and equipment									
Utilities	91,046	35,874	6,787	7,355	-	141,062	25,226	26,313	192,601
Leased land	6,718	20,712	3,919	4,478	-	35,827	14,555	5,598	55,980
Leased equipment	460	1,417	268	306	-	2,451	996	383	3,830
Maintenance	23,244	33,055	1,574	3,509	38	61,420	22,131	22,493	106,044
	121,468	91,058	12,548	15,648	38	240,760	62,908	54,787	358,455
Production costs	-	3,701	-	-	7,864	11,565	-	-	11,565
Programming									
PBS National Program Service	-	-	-	522,790	-	522,790	-	-	522,790
Programming—other syndication	-	-	-	58,815	-	58,815	-	-	58,815
	-	-	-	581,605	-	581,605	-	-	581,605
Promotion and outreach	-	-	21,051	-	13	21,064	15,303	-	36,367
TV Broadcaster Relocation	-	-	-	-	-	-	-	54,223	54,223
General and administrative									
Software maintenance/upgrades	6,600	35,531	701	12,888	-	55,720	26,992	3,128	85,840
Membership/dues/subscriptions	20	27	-	40,967	-	41,014	1,678	25,108	67,800
Liability insurance	-	-	-	-	-	-	-	9,668	9,668
Other	5,525	11,711	11,527	1,872	-	30,635	43,434	57,469	131,538
	12,145	47,269	12,228	55,727	-	127,369	72,104	95,373	294,846
Depreciation	311,400	299,082	5,272	6,079	-	621,833	19,581	7,531	648,945
Total expenses	\$ 528,124	\$ 765,812	\$ 107,288	\$ 867,235	\$ 34,708	\$ 2,303,167	\$ 619,064	\$ 485,775	\$ 3,408,006

See accompanying notes.

Fort Wayne Public Television, Inc.

Statements of Cash Flows

	Year ended September 30	
	2019	2018
Operating activities		
Increase (decrease) in net assets	\$ (269,191)	\$ 560,552
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	721,303	648,945
(Gain) loss on sale of property and equipment	(43,417)	1,600
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	18	(1,379)
Changes in operating assets and liabilities:		
Accounts receivable	118,214	(109,054)
Prepaid expenses	(23,890)	(4,548)
Grants and contributions receivable	(31,993)	115,801
Accounts payable	(139,159)	203,145
Accrued expenses	16,115	(15,033)
Net cash provided by operating activities	348,000	1,400,029
Investing activities		
Proceeds from sale of property and equipment	61,840	-
Purchases of property and equipment	(279,370)	(1,380,700)
Net cash used in investing activities	(217,530)	(1,380,700)
Financing activities		
Borrowings on notes payable	311,130	953,010
Repayments of notes payable	(571,438)	(692,702)
Net cash provided by (used in) financing activities	(260,308)	260,308
Increase (decrease) in cash and cash equivalents	(129,838)	279,637
Cash and cash equivalents at beginning of year	701,626	421,989
Cash and cash equivalents at end of year	\$ 571,788	\$ 701,626
Supplemental disclosures		
Interest paid	\$ 8,852	\$ 8,310
Income taxes paid	\$ 3,258	\$ 7,746

See accompanying notes.

Fort Wayne Public Television, Inc.

Notes to Financial Statements

September 30, 2019

1. Organization

The mission of Fort Wayne Public Television, Inc. (Station) is:

PBS39 engages our community through content and collaborations that educate, inform, inspire and entertain.

The Station operates northeast Indiana's only locally owned-and-operated non-commercial public television station. It is an affiliated member of the nationwide network of public television stations known as the Public Broadcasting Service (PBS). The Station is also a member of the statewide network of public media stations known as Indiana Public Broadcasting Stations (IPBS).

PBS39 broadcasts daily over five channels: PBS39/Channel 39.1; PBS39Kids/Channel 39.2; PBSCreate/Channel 39.3, PBS39Explore/Channel 39.4 and PBS39WX/Channel 39.5. PBS39 produces, promotes and broadcasts public television educational, informational, cultural and/or entertaining programming to the viewing area. This includes but is not limited to nationally distributed programming, as well as local call-in shows, documentaries and arts programs.

The Station's strategic plan provides direction for departmental activities contributing to the success of the entire organization in its work to connect national programming with local audiences, educational programming with students and teachers, and community arts, events, issues and ideas with audiences regionally and statewide. As a trusted community partner, PBS39 strives to be a primary focal point for the advancement of arts and culture, history, education and quality of life in our community.

The Federal Communications Commission (FCC) completed its broadcast incentive auction during the year ended September 30, 2017, which repurposed broadcast airwaves for nationwide wireless mobile use. The FCC then began a process called "repacking" to move TV stations to new channels. The Station submitted \$711,556 to the FCC for reimbursement pursuant to this program during the year ended September 30, 2018. The remaining costs of the "repack," \$514,401, were paid, submitted and reimbursed during the year ended September 30, 2019.

The Station is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contributions deduction. The Station has been classified as an organization that is not a private foundation under the provisions of Section 509(a)(1) of the Internal Revenue Code. The Station is also exempt from state income taxes.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

The Station provides liabilities for uncertain income tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions taken or expects to be taken and as such, does not have any uncertain tax positions that should be recognized, measured or disclosed in the financial statements. Management also believes the Station is no longer subject to examination by tax authorities for years prior to September 30, 2016.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. All cash and cash equivalents are held at local financial institutions. The Station periodically has cash and cash equivalents in excess of federally insured limits.

Accounts Receivable

Accounts receivable are stated at the amount billed to underwriters and other supporters. The Station provides an allowance for doubtful accounts for estimated losses in the collection of accounts receivable which is based on an analysis of outstanding receivables, taking into consideration the age of past due accounts, an assessment of the customer's ability to pay and historical collection information. When specific accounts are deemed uncollectible, in whole or in part, such amounts are removed from the accounts although collection efforts may continue.

Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast relate to programs produced and purchased by the Station that will be broadcast in subsequent periods. These costs are included in prepaid expenses and were \$12,502 and \$7,121 at September 30, 2019 and 2018, respectively.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation, except for property and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired property or equipment assets as of September 30, 2019 or 2018. Items which cost \$1,000 or more and have a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Buildings and improvements	5 – 39 years
Tower, transmitters and other equipment	3 – 30 years
Office equipment	5 – 7 years
Vehicles	5 years

Expenses for normal repairs and maintenance are expensed as incurred.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. 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 (or certain grantor) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been filled or both.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted. During the year ended September 30, 2016, the Board of Directors initiated a program to accumulate funds to be used for future information technology needs. These funds have been included in Board Designated net assets without donor restrictions on the statement of financial position.

Contributions and Grants and Contributions Receivable

Contributions, including grants, are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants and contributions receivable represent unconditional and legally enforceable promises to give and are recorded at the present value of future cash flows. The Station uses the allowance method to determine uncollectible grants and contributions receivable. The allowance for uncollectible receivables is based on historical collection experience and management's analysis of specific receivables.

Contributions of assets other than cash are recorded at their fair market value. Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation.

During the years ended September 30, 2019 and 2018, the fair market value of contributed goods and services recognized as revenue and expense in the accompanying statements of activities and changes in net assets were \$138,593 and \$157,867, respectively.

Program and Production Revenue

Revenue for program underwriting is recognized on a pro-rata basis over the period the programming is broadcast. The Station utilizes the percentage-of-completion method of accounting for production revenue.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

Preparation of the 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 in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising Expenses

Advertising costs are charged to operations when incurred. Advertising costs were \$13,743 and \$21,940 for the years ended September 30, 2019 and 2018, respectively.

Concentration of Credit Risk

The Station's major sources of recurring operating revenue are the Corporation for Public Broadcasting and the Indiana Department of Education. Revenue from the Corporation for Public Broadcasting was 24 percent and 20 percent of revenue during the years ended September 30, 2019 and 2018, respectively. Revenue from the Indiana Department of Education was 12 percent of revenue and 10 percent of revenue during the years ended September 30, 2019 and 2018, respectively. Other significant sources of revenue include foundations and individual viewers.

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, office and other expenses, which are allocated on the basis of estimates of time and effort.

Reclassification

Certain 2018 amounts have been reclassified to conform with 2019 presentation.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from FASB ASU No. 2014-09, *Revenue from Contracts with Customers*, regarding its implications on the grants and contracts of not-for-profit organizations. The guidance clarifies how entities determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution. The new guidance also clarifies that a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. ASU 2018-08 applies to resource providers and resource recipients. The new standard is effective for the Station in the year ending September 30, 2020. Early adoption of the amendments is permitted. The Station is currently evaluating the impact of the adoption of the standard on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to require a lessee to recognize a right-of-use asset and a lease liability for both operating and finance leases, whereas previous U.S. GAAP require the asset and liability be recognized only for capital leases. The amendment also requires qualitative and specific quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. The Station is evaluating the guidance of ASU 2016-02 and the impact that the adoption of this update will have on the presentation of its financial statements.

Newly Adopted Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14 *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Station has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 571,788
Accounts receivable	61,895
Grants and contributions receivable	201,360
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	<u>18,025</u>
Financial assets at year-end	<u>853,068</u>
Less board-designated funds for future technology needs	(106,937)
Less donor-imposed restrictions for endowment making financial assets unavailable for general expenditure	<u>(18,025)</u>
Financial assets available to meet general expenditure within one year	<u>\$ 728,106</u>

The Station manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged. As part of the Station's liquidity management plan, excess cash is invested in short-term investments, including certificates of deposit.

The Station receives grants from the Corporation for Public Broadcasting and the Indiana Department of Education, contributions from donors, program and production revenue and rental income which are available to help meet its cash needs for general expenditures.

Additionally, the Station has a line of credit of \$200,000 available to meet short-term needs. See *Note 6* for information about this arrangement.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

4. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc.

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) of \$18,025 and \$18,043 at September 30, 2019 and 2018, respectively, is the result of an agreement whereby the Station has transferred assets to the Community Foundation and has specified itself as the beneficiary of the assets. The beneficial interest in funds held by the Community Foundation is valued at the fair market value of the underlying investments as reported by the Community Foundation at year-end.

Additionally, the Community Foundation holds investment assets with a value of \$17,837 and \$16,904 at September 30, 2019 and 2018, respectively, for the benefit of the Station. The Station is precluded from recognizing these assets held by the Community Foundation because the donors explicitly granted variance power to the Community Foundation. Accordingly, the Station only recognizes annual grants by the Community Foundation from these funds as contributions.

5. Endowment Funds

ASC 958, *Not-for-Profit Entities*, requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Indiana General Assembly has adopted UPMIFA. The Station may hold donor restricted endowment funds where the gift instrument clearly stipulates that it is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede the Station's ability to spend the whole fund. The Station's endowment consists of an individual donor-restricted endowment fund.

Endowment

The Station has interpreted the Indiana Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At September 30 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Station retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Station considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Station and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of the Station.
- The investment policies of the Station.

Endowment net asset composition by type of fund as of September 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 4,398	\$ 13,627	\$ 18,025

Changes in endowment net assets for the year ended September 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds at beginning of year	\$ 4,416	\$ 13,627	\$ 18,043
Net investment return	(18)	-	(18)
Endowment funds at end of year	\$ 4,398	\$ 13,627	\$ 18,025

Endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 4,416	\$ 13,627	\$ 18,043

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Changes in endowment net assets for the year ended September 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds at beginning of year	\$ 3,037	\$ 13,627	\$ 16,664
Net investment return	1,379	-	1,379
Endowment funds at end of year	<u>\$ 4,416</u>	<u>\$ 13,627</u>	<u>\$ 18,043</u>

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 (underwater endowments). The Station has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2019 and 2018, there were no deficiencies in donor restricted endowment funds.

Investment and Spending Policies

The Station has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Station uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate is determined and adjusted from time to time by the Board of Directors. In establishing this policy, the Station considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

6. Debt Arrangements

Pursuant to a line of credit arrangement with a bank, the Station may borrow up to \$200,000, subject to certain terms and conditions. The line of credit arrangement expires on April 1, 2022. Interest is payable monthly at the bank's prime rate plus 0.75 percent (5.75 percent at September 30, 2019). There were no borrowings pursuant to this line of credit arrangement at September 30, 2019 and 2018.

Pursuant to a second revolving line of credit arrangement with a bank, the Station may borrow up to \$500,000 (\$1,500,000 before April 1, 2019), subject to certain terms and conditions. The line of credit arrangement expires on April 1, 2022. Interest is payable monthly at the bank's prime rate plus 0.75 percent (5.75 percent at September 30, 2019). There were no borrowings pursuant to this line of credit arrangement at September 30, 2019. Borrowings pursuant to this line of credit arrangement were \$260,308 at September 30, 2018.

Substantially all of the Station's receivables, equipment and certain other assets are pledged as collateral pursuant to the terms of the loan agreements.

7. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods:

	September 30	
	2019	2018
Subject to expenditure for specified purpose:		
Empowering Community Connections	\$ 28,015	\$ 40,021
Collaborative software	-	48,000
Subject to the Station endowment spending policy and appropriation—		
Any activity of the Station	<u>13,627</u>	<u>13,627</u>
	<u>\$ 41,642</u>	<u>\$ 101,648</u>

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

7. Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	September 30	
	2019	2018
Satisfaction of purpose restrictions:		
Empowering Community Connections	\$ 12,496	\$ 173,638
Collaborative software	48,000	-
	\$ 60,496	\$ 173,638

8. Employee Benefit Plan

The Station maintains a defined contribution benefit plan for the benefit of eligible employees. The plan allows for discretionary employer matching contributions. These contributions were suspended in February 2009 and reinstated in July 2016. The Station's contributions to the plan were \$14,264 and \$9,848 for the year ended September 30, 2019 and 2018, respectively.

9. Leases

The Station leases land on the campus of Purdue University Fort Wayne pursuant to an operating lease which expires on October 1, 2051. Pursuant to the lease agreement, annual rent is \$1. The fair market value of the lease was \$55,980 for the years ended September 30, 2019 and 2018, respectively and was recorded as contributed goods and services. The Station leases office equipment pursuant to an operating lease that expires in 2021. Total lease expense was \$59,960 and \$59,810 for the years ended September 30, 2019 and 2018, respectively.

Future minimum lease payments as of September 30, 2019 pursuant to operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

Year ended September 30, 2020	\$ 3,600
Year ended September 30, 2021	3,300
	\$ 6,900

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

10. Facility and Tower Leases

The Station leases space on its tower and in its former facility pursuant to operating leases which expire at various dates in 2020 through 2032. Future minimum lease receipts as of September 30, 2019 pursuant to operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

Year ended September 30, 2020	\$ 212,737
Year ended September 30, 2021	198,655
Year ended September 30, 2022	162,239
Year ended September 30, 2023	102,048
Year ended September 30, 2024	19,347
Thereafter	148,324
Total minimum payments	<u>\$ 843,350</u>

11. Related Party Transactions

Certain members of the Board of Directors are employed by companies that provide services to the Station. The fees paid to these companies were based on customary and reasonable rates for such services.

12. Subsequent Events

Management has evaluated subsequent events through October 31, 2019, the date on which the financial statements were available to be issued.