

Financial Statements

FORT WAYNE PUBLIC TELEVISION, INC.

*Years ended September 30, 2020 and 2019
with Independent Auditor's Report*

Fort Wayne Public Television, Inc.

Financial Statements

Years ended September 30, 2020 and 2019

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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 statements of financial position as of September 30, 2020 and 2019 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, 2020 and 2019, 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 29, 2020

Fort Wayne Public Television, Inc.

Statements of Financial Position

	September 30	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,147,070	\$ 571,788
Accounts receivable, less allowance of \$1,500 in 2020 and 2019	62,051	61,895
Grants and contributions receivable	101,914	201,360
Prepaid expenses	133,361	135,416
Total current assets	<u>1,444,396</u>	<u>970,459</u>
Property and equipment:		
Land	19,073	19,073
Buildings and improvements	3,751,221	3,740,111
Tower, transmitters and other equipment	6,360,877	6,353,150
Office equipment	521,772	515,149
Vehicles	36,763	36,763
	<u>10,689,706</u>	<u>10,664,246</u>
Less accumulated depreciation	7,491,201	6,926,257
	<u>3,198,505</u>	<u>3,737,989</u>
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	18,303	18,025
Total assets	<u>\$ 4,661,204</u>	<u>\$ 4,726,473</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 45,579	\$ 89,030
Accrued expenses	127,167	103,152
Refundable advance	233,500	-
Total current liabilities	<u>406,246</u>	<u>192,182</u>
Net assets:		
Without donor restriction:		
Undesignated	4,046,048	4,385,712
Board designated	167,268	106,937
	<u>4,213,316</u>	<u>4,492,649</u>
With donor restrictions	41,642	41,642
Total net assets	<u>4,254,958</u>	<u>4,534,291</u>
Total liabilities and net assets	<u>\$ 4,661,204</u>	<u>\$ 4,726,473</u>

See accompanying notes.

Fort Wayne Public Television, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets						
Support, revenues and gains:						
Contributions	\$ 846,662	\$ -	\$ 846,662	\$ 740,940	\$ -	\$ 740,940
Grants:						
Corporation for Public Broadcasting	1,002,525	-	1,002,525	800,188	-	800,188
Indiana Department of Education	340,561	-	340,561	400,643	-	400,643
Empowering Community Connections	-	-	-	-	490	490
Program and production revenue	502,421	-	502,421	438,724	-	438,724
Contributed goods and services	137,893	-	137,893	138,593	-	138,593
Tower and facility rent	212,860	-	212,860	208,139	-	208,139
TV broadcaster relocation reimbursement	3,235	-	3,235	514,401	-	514,401
Change in beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	278	-	278	(18)	-	(18)
Other	22,347	-	22,347	66,891	-	66,891
Net assets released from restrictions	-	-	-	60,496	(60,496)	-
Total support, revenues and gains	3,068,782	-	3,068,782	3,368,997	(60,006)	3,308,991
Expenses:						
Program services:						
Broadcast	523,946	-	523,946	539,472	-	539,472
Production	685,402	-	685,402	850,409	-	850,409
Program information and outreach	123,165	-	123,165	114,689	-	114,689
Programming	863,937	-	863,937	855,998	-	855,998
Studio 39	64,898	-	64,898	77,695	-	77,695
Total program expenses	2,261,348	-	2,261,348	2,438,263	-	2,438,263
Support services:						
Fundraising and development	611,862	-	611,862	632,175	-	632,175
Management and general	474,905	-	474,905	507,744	-	507,744
Total expenses	3,348,115	-	3,348,115	3,578,182	-	3,578,182
Decrease in net assets	(279,333)	-	(279,333)	(209,185)	(60,006)	(269,191)
Net assets at beginning of year	4,492,649	41,642	4,534,291	4,701,834	101,648	4,803,482
Net assets at end of year	\$ 4,213,316	\$ 41,642	\$ 4,254,958	\$ 4,492,649	\$ 41,642	\$ 4,534,291

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2020

	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	\$ 74,442	\$ 269,152	\$ 50,581	\$ 157,217	\$ 9,659	\$ 561,051	\$ 283,801	\$ 238,203	\$ 1,083,055
Payroll taxes	4,782	17,632	3,869	11,871	700	38,854	25,359	15,514	79,727
Insurance—health/life/LTD	11,871	29,836	260	12,629	(6)	54,590	40,562	39,361	134,513
Commissions	-	17,403	-	43,682	2,068	63,153	6,729	-	69,882
Other	2,125	4,672	2,324	1,370	-	10,491	326	7,980	18,797
	93,220	338,695	57,034	226,769	12,421	728,139	356,777	301,058	1,385,974
Development and fundraising									
Premium supplies	-	-	-	-	-	-	34,647	-	34,647
Credit card processing fees	-	-	-	-	-	-	19,063	-	19,063
Member cards	-	-	-	-	-	-	6,122	-	6,122
Other	-	-	-	-	-	-	52,388	-	52,388
	-	-	-	-	-	-	112,220	-	112,220
Facilities and equipment									
Utilities	69,535	37,183	7,035	8,039	-	121,792	26,129	57,456	205,377
Leased land	6,718	20,712	3,919	4,478	-	35,827	14,555	5,598	55,980
Leased equipment	460	1,852	268	307	-	2,887	996	383	4,266
Maintenance	21,055	25,297	2,756	3,044	2,491	54,643	11,371	34,320	100,334
	97,768	85,044	13,978	15,868	2,491	215,149	53,051	97,757	365,957
Production costs	-	6,559	-	-	3,707	10,266	-	-	10,266
Programming									
PBS National Program Service	-	-	-	517,582	-	517,582	-	-	517,582
Programming—other syndication	-	-	-	39,517	-	39,517	-	-	39,517
	-	-	-	557,099	-	557,099	-	-	557,099
Promotion and outreach	-	-	35,378	-	36	35,414	32,665	-	68,079
TV broadcaster relocation	-	-	-	-	-	-	-	3,385	3,385
General and administrative									
Software maintenance/upgrades	10,505	57,917	651	16,330	4,795	90,198	19,329	3,766	113,293
Membership/dues/subscriptions	20	453	25	44,761	-	45,259	400	20,225	65,884
Liability insurance	-	-	-	-	-	-	-	7,198	7,198
Other	2,194	7,356	14,487	1,278	(2,009)	23,306	31,474	39,036	93,816
	12,719	65,726	15,163	62,369	2,786	158,763	51,203	70,225	280,191
Depreciation	320,239	189,378	1,612	1,832	43,457	556,518	5,946	2,480	564,944
Total expenses	\$ 523,946	\$ 685,402	\$ 123,165	\$ 863,937	\$ 64,898	\$ 2,261,348	\$ 611,862	\$ 474,905	\$ 3,348,115

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2019

	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	\$ 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
	96,322	334,986	57,000	218,895	25,667	732,870	336,071	312,238	1,381,179
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
	-	-	-	-	-	-	159,437	-	159,437
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
	124,752	103,890	13,993	17,057	1,673	261,365	55,667	81,735	398,767
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
	-	-	-	562,265	-	562,265	-	-	562,265
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
	8,844	67,393	16,968	52,987	5,233	151,425	48,019	67,271	266,715
Depreciation	309,554	337,732	4,195	4,794	43,454	699,729	15,581	5,993	721,303
Total expenses	\$ 539,472	\$ 850,409	\$ 114,689	\$ 855,998	\$ 77,695	\$ 2,438,263	\$ 632,175	\$ 507,744	\$ 3,578,182

See accompanying notes.

Fort Wayne Public Television, Inc.

Statements of Cash Flows

	Year ended September 30	
	2020	2019
Operating activities		
Decrease in net assets	\$ (279,333)	\$ (269,191)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	564,944	721,303
Gain on sale of property and equipment	-	(43,417)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(278)	18
Changes in operating assets and liabilities:		
Accounts receivable	(156)	118,214
Prepaid expenses	2,055	(23,890)
Grants and contributions receivable	99,446	(31,993)
Accounts payable	(43,451)	(139,159)
Accrued expenses	24,015	16,115
Refundable advance	233,500	-
Net cash provided by operating activities	600,742	348,000
Investing activities		
Proceeds from sale of property and equipment	-	61,840
Purchases of property and equipment	(25,460)	(279,370)
Net cash used in investing activities	(25,460)	(217,530)
Financing activities		
Borrowings on notes payable	30,000	311,130
Repayments of notes payable	(30,000)	(571,438)
Net cash used in financing activities	-	(260,308)
Increase (decrease) in cash and cash equivalents	575,282	(129,838)
Cash and cash equivalents at beginning of year	571,788	701,626
Cash and cash equivalents at end of year	\$ 1,147,070	\$ 571,788
Supplemental disclosures		
Interest paid	\$ 121	\$ 8,852
Income taxes paid	\$ -	\$ 3,258

See accompanying notes.

Fort Wayne Public Television, Inc.

Notes to Financial Statements

September 30, 2020

1. Organization

For 45 years, Fort Wayne Public Television, Inc. (PBS Fort Wayne) has been the only public television station in northeast Indiana and remains the only locally owned and operated full power television service in the region. Digital technology provides PBS Fort Wayne the ability to align its mission with programming across five broadcast channels that reach more than 800,000 persons in 11 northeast Indiana and three northwest Ohio counties. This highly rural area includes 6.8 percent of persons who live below the poverty level. To its varied audiences, PBS Fort Wayne is a free, over the air broadcast service, including closed captioning broadcasts for the hearing impaired, descriptive video service for the sight impaired, and carriage of Allen County Public Library's Audio Reading service on a secondary audio channel of PBS FW Explore (39-4).

In addition to the station's main High Definition channel (39-1), viewers can receive PBS FW Kids (39-2), a 24-hour free service dedicated to quality, non-commercial, educational children's programming. Beyond broadcast, PBS FW Kids streams live online for children and families to watch on a variety of devices over the free PBS FW mobile app. PBS FW Create (39-3) offers a national schedule of "How To..." and travel programs. PBS FW Explore (39-4) airs local and Indiana-centric programs, international news, public affairs, and the best of PBS. PBS FW WX (39.5) provides continuous near real-time (within 30-seconds) National Weather Service Doppler weather radar, weather warnings and NWS audio.

PBS Fort Wayne is a 501(c)(3), non-profit, tax-exempt organization chartered by the state of Indiana and licensed by the Federal Communications Commission (FCC) to operate as a non-commercial educational public television station. *PBS Fort Wayne engages our community through content and collaborations that educate, inform, inspire and entertain* (mission statement). *As a trusted community partner, PBS Fort Wayne will be a primary focal point for the advancement of arts and culture, history, education and quality of life in our community* (vision statement).

PBS Fort Wayne is organized as a community licensee and is governed by a 23-member board of directors. A 12-member community advisory board meets quarterly. PBS Fort Wayne is staffed by 19 full-time and 19 part-time employees. PBS Fort Wayne is a member of the Public Broadcasting Stations. Station information, videos and streaming are available through PBS Fort Wayne's website, pbsfortwayne.org.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

PBS Fort Wayne is a community collaborator, partnering with area organizations to create new opportunities for sharing cultural performances and civic engagement experiences with regional audiences. Meeting the broad range of needs and interests of the community is the heart of PBS Fort Wayne's mission. Public service is achieved, and public trust is earned as PBS Fort Wayne continues to deliver significant programming and services and as the community values the station for its responsiveness and relevance.

The 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. Costs of the "repack" of \$3,235 and \$514,401 were paid, submitted and reimbursed during the years ended September 30, 2020 and 2019, respectively.

PBS Fort Wayne 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. PBS Fort Wayne 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. PBS Fort Wayne is also exempt from state income taxes.

PBS Fort Wayne 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 PBS Fort Wayne is no longer subject to examination by tax authorities for years prior to September 30, 2017.

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. PBS Fort Wayne periodically has cash and cash equivalents in excess of federally insured limits.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at the amount billed to underwriters and other supporters. PBS Fort Wayne 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 PBS Fort Wayne that will be broadcast in subsequent periods. These costs are included in prepaid expenses and were \$18,255 and \$12,502 at September 30, 2020 and 2019, respectively.

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, 2020 or 2019. 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.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

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. PBS Fort Wayne received a Paycheck Protection Program loan from the Small Business Administration during the year ended September 30, 2020. Management expects the loan to be fully forgiven in accordance with the terms of the Coronavirus Aid Relief and Economic Security Act and has accounted for the forgivable loan as a conditional contribution. Accordingly, PBS Fort Wayne has recorded a refundable advance of \$233,500 for the forgivable loan as of September 30, 2020 and will recognize contribution revenue when the loan has been forgiven.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contributions and Grants and Contributions Receivable (continued)

Grants and contributions receivable represent unconditional and legally enforceable promises to give and are recorded at the present value of future cash flows. PBS Fort Wayne 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, 2020 and 2019, 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 \$137,893 and \$138,593, respectively.

Program and Production Revenue

Revenue for program underwriting is recognized on a pro-rata basis over the period the programming is broadcast. Production revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. PBS Fort Wayne recognizes production revenue when it satisfies a performance obligation. Performance obligations are generally satisfied over time, using an input model.

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 \$17,932 and \$13,743 for the years ended September 30, 2020 and 2019, respectively.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

PBS Fort Wayne'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 33 percent and 24 percent of revenue during the years ended September 30, 2020 and 2019, respectively. Revenue from the Indiana Department of Education was 11 percent of revenue and 12 percent of revenue during the years ended September 30, 2020 and 2019, 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.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The extent of the impact of the COVID-19 outbreak on the financial performance of PBS Fort Wayne will depend on future developments, including the duration and severity of the outbreak and its impact on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, PBS Fort Wayne's financial performance may be materially adversely affected.

A prolonged widespread epidemic could adversely impact global economies and financial markets resulting in an economic downturn that may negatively affect PBS Fort Wayne's ability to obtain contributions and/or grants. Such disruptions could adversely impact cash flows and financial results for 2021.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Newly Adopted 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. PBS Fort Wayne implemented ASU 2018-08 prospectively on October 1, 2019 with no impact on its financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Consumers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that any entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. PBS Fort Wayne adopted ASU 2014-09 on October 1, 2019 using the modified retrospective method. The adoption did not result in a change to the accounting for any of PBS Fort Wayne's revenue streams; as such, no cumulative effect adjustment was recorded.

Recently Issued Accounting Pronouncement

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, 2021, including interim periods within those fiscal years, with early adoption permitted. PBS Fort Wayne 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.

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:

	September 30	
	2020	2019
Cash and cash equivalents	\$ 1,147,070	\$ 571,788
Accounts receivable	62,051	61,895
Grants and contributions receivable	101,914	201,360
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	18,303	18,025
Financial assets at year-end	1,329,338	853,068
Less board-designated funds for future technology needs	(167,268)	(106,937)
Less donor-imposed restrictions for endowment making financial assets unavailable for general expenditure	(46,318)	(46,040)
Financial assets available to meet general expenditure within one year	\$ 1,115,752	\$ 700,091

PBS Fort Wayne 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 PBS Fort Wayne's liquidity management plan, excess cash is invested in short-term investments, including certificates of deposit.

PBS Fort Wayne 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, PBS Fort Wayne 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 \$18,303 and \$18,025 at September 30, 2020 and 2019, respectively, is the result of an agreement whereby PBS Fort Wayne 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 \$19,021 and \$17,837 at September 30, 2020 and 2019, respectively, for the benefit of PBS Fort Wayne. PBS Fort Wayne is precluded from recognizing these assets held by the Community Foundation because the donors explicitly granted variance power to the Community Foundation. Accordingly, PBS Fort Wayne 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. PBS Fort Wayne 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 PBS Fort Wayne's ability to spend the whole fund. PBS Fort Wayne's endowment consists of an individual donor-restricted endowment fund.

Endowment

PBS Fort Wayne has interpreted the Indiana 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 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, PBS Fort Wayne 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)

Endowment (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by PBS Fort Wayne in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, PBS Fort Wayne 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 PBS Fort Wayne 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 PBS Fort Wayne.
- The investment policies of PBS Fort Wayne.

Endowment net asset composition by type of fund as of September 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 4,676	\$ 13,627	\$ 18,303

Changes in endowment net assets for the year ended September 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds at beginning of year	\$ 4,398	\$ 13,627	\$ 18,025
Net investment return	278	-	278
Endowment funds at end of year	\$ 4,676	\$ 13,627	\$ 18,303

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Endowment (continued)

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

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). PBS Fort Wayne has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2020 and 2019, there were no deficiencies in donor restricted endowment funds.

Investment and Spending Policies

PBS Fort Wayne 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-

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

5. Endowment Funds (continued)

Investment and Spending Policies (continued)

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.

PBS Fort Wayne 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, PBS Fort Wayne 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.

6. Debt Arrangements

Pursuant to a line of credit arrangement with a bank, PBS Fort Wayne 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 (4.00 percent at September 30, 2020). There were no borrowings pursuant to this line of credit arrangement at September 30, 2020 and 2019.

Pursuant to a second revolving line of credit arrangement with a bank, PBS Fort Wayne 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 (4.00 percent at September 30, 2020). There were no borrowings pursuant to this line of credit arrangement at September 30, 2020 and 2019.

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

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

7. Net Assets

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

	September 30	
	2020	2019
Subject to expenditure for specified purpose:		
Empowering Community Connections	\$ 28,015	\$ 28,015
Subject to PBS Fort Wayne endowment spending policy and appropriation—Any activity of PBS Fort Wayne	13,627	13,627
	\$ 41,642	\$ 41,642

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	
	2020	2019
Satisfaction of purpose restrictions:		
Empowering Community Connections	\$ -	\$ 12,496
Collaborative software	-	48,000
	\$ -	\$ 60,496

8. Employee Benefit Plan

PBS Fort Wayne maintains a defined contribution benefit plan for the benefit of eligible employees. The plan allows for discretionary employer matching contributions. PBS Fort Wayne's contributions to the plan were \$5,260 and \$14,264 for the year ended September 30, 2020 and 2019, respectively.

9. Leases

PBS Fort Wayne 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, 2020

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

9. Leases (continued)

and 2019, respectively and was recorded as contributed goods and services. PBS Fort Wayne leases office equipment pursuant to an operating lease that expires in 2021. Total lease expense was \$60,246 and \$59,960 for the years ended September 30, 2020 and 2019, respectively.

Future minimum lease payments as of September 30, 2020 pursuant to operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

Year ended September 30, 2021	\$ 3,300
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10. Facility and Tower Leases

PBS Fort Wayne leases space on its tower and in its former facility pursuant to operating leases which expire at various dates in 2021 through 2032. Future minimum lease receipts as of September 30, 2020 pursuant to operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

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
Year ended September 30, 2025	19,347
Thereafter	128,978
Total minimum payments	<u>\$ 630,614</u>

11. Related Party Transactions

Certain members of the Board of Directors are employed by companies that provide services to PBS Fort Wayne. 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 29, 2020, the date on which the financial statements were available to be issued.