

**WSKG PUBLIC TELECOMMUNICATIONS
COUNCIL**

**FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
AND FOR THE YEARS THEN ENDED**

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

JUNE 30, 2014 AND 2013

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
WSKG Public Telecommunications Council

Report on the Financial Statements

We have audited the accompanying statement of financial position of WSKG Public Telecommunications Council (a nonprofit New York corporation) as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WSKG Public Telecommunications Council as of June 30, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited WSKG Public Telecommunications Council's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Davidson, Fox + Company, LLP

Binghamton, New York
November 19, 2014

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 164,729	\$ 403,515
Receivables		
Business sponsorship accounts, net	147,826	77,067
Grants and other promises to give	229,698	36,425
Pledges, net	137,540	87,710
Programming rights - current	37,570	32,231
Other current assets	<u>48,466</u>	<u>23,835</u>
 TOTAL CURRENT ASSETS	 <u>765,829</u>	 <u>660,783</u>
 OTHER ASSETS		
Investment in Centralcast, LLC	644,680	716,414
Investments, endowment fund	47,114	-
Programming rights, net of current portion	17,280	12,016
Broadcasting facilities and equipment, net	3,480,403	4,064,106
Aquisitions in progress	<u>3,142</u>	<u>13,947</u>
 TOTAL OTHER ASSETS	 <u>4,192,619</u>	 <u>4,806,483</u>
	 \$ <u>4,958,448</u>	 \$ <u>5,467,266</u>

See accompanying notes to financial statements

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Line of credit	\$ 227,885	\$ -
Current portion of long-term debt	97,515	91,438
Accounts payable	216,038	135,097
Accrued expenses	98,685	84,800
Deferred revenues - current	<u>83,413</u>	<u>95,615</u>
TOTAL CURRENT LIABILITIES	<u>723,536</u>	<u>406,950</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	430,609	517,670
Deferred revenues, net of current portion	75,331	143,464
Lease deposits	<u>12,469</u>	<u>15,969</u>
TOTAL LONG-TERM LIABILITIES	<u>518,409</u>	<u>677,103</u>
NET ASSETS		
Unrestricted	3,669,389	4,362,864
Temporarily restricted	4,435	-
Permanently restricted	<u>42,679</u>	<u>20,349</u>
TOTAL NET ASSETS	<u>3,716,503</u>	<u>4,383,213</u>
	<u>\$ 4,958,448</u>	<u>\$ 5,467,266</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
SUPPORT AND REVENUE				
Membership	\$ 1,729,931	\$ -	\$ -	\$ 1,729,931
Contributions	250,373	-	22,330	272,703
Government and corporate grants	2,112,640	-	-	2,112,640
Business sponsorship	656,746	-	-	656,746
In-kind contributions	15,119	-	-	15,119
Net investment gain (loss)	625	4,435	-	5,060
Income (loss) from Centralcast, LLC	(71,734)	-	-	(71,734)
Other	<u>542,530</u>	<u>-</u>	<u>-</u>	<u>542,530</u>
TOTAL SUPPORT AND REVENUE	<u>5,236,230</u>	<u>4,435</u>	<u>22,330</u>	<u>5,262,995</u>
EXPENSES				
Program services	3,779,402	-	-	3,779,402
Support services	<u>2,150,303</u>	<u>-</u>	<u>-</u>	<u>2,150,303</u>
TOTAL EXPENSES	<u>5,929,705</u>	<u>-</u>	<u>-</u>	<u>5,929,705</u>
CHANGE IN NET ASSETS	(693,475)	4,435	22,330	(666,710)
NET ASSETS, beginning	<u>4,362,864</u>	<u>-</u>	<u>20,349</u>	<u>4,383,213</u>
NET ASSETS, ending	\$ <u><u>3,669,389</u></u>	\$ <u><u>4,435</u></u>	\$ <u><u>42,679</u></u>	\$ <u><u>3,716,503</u></u>

See accompanying notes to financial statements

June 30, 2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>
\$ 1,689,073	\$ -	\$ -	\$ 1,689,073
125,180	-	-	125,180
1,841,216	-	-	1,841,216
569,531	-	-	569,531
8,558	-	-	8,558
(385)	-	-	(385)
126,299	-	-	126,299
<u>475,344</u>	<u>-</u>	<u>-</u>	<u>475,344</u>
<u>4,834,816</u>	<u>-</u>	<u>-</u>	<u>4,834,816</u>
3,741,392	-	-	3,741,392
<u>1,792,394</u>	<u>-</u>	<u>-</u>	<u>1,792,394</u>
<u>5,533,786</u>	<u>-</u>	<u>-</u>	<u>5,533,786</u>
(698,970)	-	-	(698,970)
<u>5,061,834</u>	<u>-</u>	<u>20,349</u>	<u>5,082,183</u>
\$ <u><u>4,362,864</u></u>	\$ <u><u>-</u></u>	\$ <u><u>20,349</u></u>	\$ <u><u>4,383,213</u></u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013**

	Program Services					Support Services					2014 Total	2013 Total	
	Youth Focused	News and Public Affairs	Engineering	Arts and Culture	History and Heritage	Total Programs	Business Sponsorship and Development	Strategic Planning and Community Development	General and Administrative	Total Support			
(1) Salaries and wages	\$ 134,776	\$ 235,576	\$ 144,310	\$ 322,906	\$ 104,362	\$ 941,930	\$ 524,626	\$ 281,839	\$ 149,371	\$ 955,836	\$ 1,897,766	\$ 1,736,552	(1)
(2) Payroll taxes	9,974	17,061	10,861	22,002	7,514	67,412	37,979	18,647	11,298	67,924	135,336	123,282	(2)
(3) Employee fringe benefits	6,829	26,956	15,241	82,570	22,709	154,305	86,448	63,752	34,871	185,071	339,376	348,732	(3)
(4) Professional development	-	345	260	1,212	1,562	3,379	2,096	100	2,566	4,762	8,141	7,316	(4)
(5) Travel and functions	1,096	5,058	6,499	964	230	13,847	7,091	1,388	5,000	13,479	27,326	36,826	(5)
(6) Program acquisitions	-	394,646	-	539,496	-	934,142	-	-	-	-	934,142	869,352	(6)
(7) Network fees	-	64,818	43,311	23,579	-	131,708	-	-	-	-	131,708	122,407	(7)
(8) Printing	333	-	-	-	-	333	22,231	-	-	22,231	22,564	20,168	(8)
(9) Building lease	-	4,700	3,973	-	-	8,673	-	-	-	-	8,673	825	(9)
(10) Equipment rental and lease	-	-	213,044	-	-	213,044	-	-	-	-	213,044	199,805	(10)
(11) Repairs and maintenance	-	-	50,319	-	-	50,319	-	-	57,511	57,511	107,830	106,995	(11)
(12) Professional fees	-	1,942	13,414	8,250	-	23,606	2,132	22,079	47,497	71,708	95,314	64,584	(12)
(13) Office supplies	125	1,841	857	326	30	3,179	1,524	20	2,130	3,674	6,853	19,329	(13)
(14) Postage and shipping	761	70	254	129	-	1,214	56,346	26	1,619	57,991	59,205	51,752	(14)
(15) Production and supplies	36,805	7,907	111,295	30,610	25,024	211,641	1,250	-	-	1,250	212,891	149,679	(15)
(16) Tubes, heads and tapes	-	-	-	2,481	-	2,481	-	-	-	-	2,481	3,099	(16)
(17) Advertising	-	-	-	-	-	-	111,193	-	-	111,193	111,193	89,625	(17)
(18) Premiums	-	-	-	-	-	-	42,447	-	-	42,447	42,447	53,089	(18)
(19) Dues and subscriptions	538	41,660	728	1,144	674	44,744	5,027	1,535	17,463	24,025	68,769	61,636	(19)
(20) Special project costs	1,323	586	-	-	-	1,909	-	-	-	-	1,909	1,344	(20)
(21) Special events/planned giving	803	-	-	-	-	803	6,248	210	-	6,458	7,261	5,309	(21)
(22) Information technology	-	-	56,025	-	-	56,025	-	548	-	548	56,573	61,462	(22)
(23) Telemarketing	-	-	-	-	-	-	15,865	-	-	15,865	15,865	14,342	(23)
(24) Direct mail	-	-	-	-	-	-	123,393	-	-	123,393	123,393	51,940	(24)
(25) APTS/APBS Council expense	-	-	-	-	-	-	-	-	15,897	15,897	15,897	15,897	(25)
(26) Bad debt	-	-	-	-	-	-	26,725	-	-	26,725	26,725	32,841	(26)
(27) Miscellaneous	-	1,458	41	-	-	1,499	676	-	67,046	67,722	69,221	61,940	(27)
(28) Subtotal	193,363	804,624	670,432	1,035,669	162,105	2,866,193	1,073,297	390,144	412,269	1,875,710	4,741,903	4,310,128	(28)
(29) Insurance	2,130	9,699	8,261	45,812	1,413	67,315	25,270	2,239	4,718	32,227	99,542	96,390	(29)
(30) Interest	538	2,445	2,086	11,567	357	16,993	6,380	565	1,190	8,135	25,128	25,404	(30)
(31) Utilities	3,395	25,345	13,165	73,015	2,252	117,172	40,275	3,569	7,519	51,363	168,535	171,613	(31)
(32) Telephone	3,682	9,286	2,453	12,270	2,453	30,144	13,495	4,905	6,135	24,535	54,679	46,975	(32)
(33) In kind donations	-	-	-	210	-	210	88	-	14,821	14,909	15,119	8,558	(33)
(34) Depreciation	-	73,884	418,676	147,768	41,047	681,375	-	41,065	102,359	143,424	824,799	874,718	(34)
(35) Total functional expenses	\$ 203,108	\$ 925,283	\$ 1,115,073	\$ 1,326,311	\$ 209,627	\$ 3,779,402	\$ 1,158,805	\$ 442,487	\$ 549,011	\$ 2,150,303	\$ 5,929,705	\$ 5,533,786	(35)

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (666,710)	\$ (698,970)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	824,799	874,718
Loss on sale of investments	22	436
Unrealized gain on investments	(4,203)	-
(Income) loss from Centralcast, LLC	71,734	(126,299)
Non-cash contributions	(114,570)	(4,243)
(Increase) decrease in		
Receivables	(313,862)	4,079
Programming rights	(10,603)	(4,083)
Other assets	(24,631)	33,254
Increase (decrease) in		
Accounts payable	80,941	6,132
Accrued expenses	13,885	(58,875)
Deferred income	(80,335)	(120,264)
Lease deposits	<u>(3,500)</u>	<u>-</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(227,033)</u>	<u>(94,115)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and acquisitions in progress	(134,871)	(391,064)
Purchases of investments	(42,320)	-
Proceeds from sale of investments	<u>29,880</u>	<u>3,807</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(147,311)</u>	<u>(387,257)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(92,327)	(87,965)
Borrowings on line of credit	752,255	-
Principal payments on line of credit	<u>(524,370)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>135,558</u>	<u>(87,965)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(238,786)	(569,337)
CASH AND CASH EQUIVALENTS, beginning	<u>403,515</u>	<u>972,852</u>
CASH AND CASH EQUIVALENTS, ending	\$ <u><u>164,729</u></u>	\$ <u><u>403,515</u></u>

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

ORGANIZATION

Nature of Operations

The Council is a non-profit New York Corporation which operates a non-commercial public television station with three channels (WSKG, WSKG World, and WSKG Create) and two non-commercial public FM radio stations (WSKG) and (WSQX) in Binghamton, New York. The Council maintains its accounting records in conformity with the Principles of Accounting and Financial Reporting for Public Telecommunication Entities mandated by The Corporation for Public Broadcasting (CPB), which is in accordance with generally accepted accounting principles.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of generally accepted accounting principles, which require the Council to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income and gains on investments are reported as increases in permanently restricted net assets, if the terms of the gift that gave rise to the investment require such amounts to be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income and/or the income is related to a donor-restricted endowment fund, and as increases in unrestricted net assets in all other cases.

Basis of Accounting

The Council uses the accrual method of accounting, recognizing revenues as earned and expenses as incurred, and conforms to standards of accounting and reporting appropriate to not-for-profit organizations.

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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Council considers cash on hand, deposits, and securities with maturities of three months or less to be cash equivalents.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Programming Rights

Programming rights represent costs incurred for programs not yet telecast. These are programs that will be aired principally in the next fiscal year. Such rights are amortized over the contract period.

Accounts and Pledges Receivable

Business sponsorship accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. Based on management's evaluation of uncollected accounts and pledges receivable at the end of each year, bad debts are provided for on the allowance method.

Details of business sponsorship accounts and pledges receivable as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Business sponsorship accounts receivable	\$ 152,326	\$ 81,567
Allowance for doubtful accounts	<u>(4,500)</u>	<u>(4,500)</u>
Business sponsorship and trade accounts receivable, net	\$ <u>147,826</u>	\$ <u>77,067</u>
Pledges receivable	\$ 157,540	\$ 107,710
Allowance for doubtful accounts	<u>(20,000)</u>	<u>(20,000)</u>
Pledges receivable, net	\$ <u>137,540</u>	\$ <u>87,710</u>

Grants Receivable and Promises to Give

As of June 30, the Council had grants receivable and promises to give from various organizations and individuals, as follows:

	<u>2014</u>	<u>2013</u>
Doris Edwards Bequest	\$ 8,325	\$ 8,325
Klee Foundation	26,000	27,000
CFSCNY Women's Fund	-	1,100
Winslow Shearman Bequest	66,000	-
Corporation for Public Broadcasting	44,000	-
New York State Department of Education	<u>85,373</u>	<u>-</u>
Total	\$ <u>229,698</u>	\$ <u>36,425</u>

Management considers all grants receivable and promises to give to be fully collectible.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is recorded at cost and is accounted for on a first-in, first-out (FIFO) basis. Inventory is included in other current assets on the balance sheet. As of June 30, 2014 and 2013, inventory represented \$13,880 and \$16,815 of other current assets, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Broadcasting Facilities and Equipment

Broadcasting facilities and equipment are recorded at cost. Contributed property and equipment is recorded at its fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal or retirement of assets, the cost and accumulated depreciation or amortization is eliminated from the accounts and any resulting gain or loss is included in income. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Vehicles	3 - 7
Furniture and equipment	5 - 25
Building and improvements	10 - 30

Income Tax Status

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Council's tax-exempt purpose is subject to taxation as unrelated business income. As of June 30, 2014, the Council had approximately \$188,000 in Federal and New York State net operating loss carry-forwards generated from such unrelated business activities which may be used to offset future profits.

In accordance with accounting principles generally accepted in the United States of America, the Council considers many factors when evaluating and estimating its tax positions, which may require periodic adjustments and which may not accurately anticipate actual outcomes. The Council has not recorded any liabilities for uncertain tax positions or any related interest and penalties. With few exceptions, the Council is no longer subject to federal and state income tax examinations by tax authorities for tax years before 2010.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Support that is restricted by a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in either temporarily restricted net assets, or permanently restricted, depending on the nature of the restriction. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant support is recorded as revenue in the year in which it is received by the organization unless the grantor specifies that it is to be used in another year or if the related costs are not yet incurred. In such case, the Council records deferred support and do not recognize income until the time or purpose restrictions are met. During the current year, the Council received grant monies to be expended for specific costs. The amounts expended are reflected in program functional expenses.

Presentation of Sales Taxes

The State of New York (NYS) and most of its counties impose a sales tax on all of the Council's sales of tangible goods to non-exempt customers. The Council collects the tax from customers and remits the entire amount to NYS. The Council's accounting policy is to exclude the tax collected and remitted to NYS from revenues and expenses.

Advertising

The Council follows the policy of expensing advertising costs as incurred. Advertising expense was \$111,193 and \$89,625 for the years ended June 30, 2014 and 2013, respectively.

Functional Allocation of Expenses

The costs of providing program services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

Subsequent Events

The Council has evaluated events and transactions that have occurred between July 1, 2014 and November 19, 2014, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 2 - CONCENTRATIONS

Credit Risk - Cash and Cash Equivalents

The Council maintains its cash balances in various accounts at two financial institutions located in Binghamton, New York. All accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2014 and 2013, the Council's had \$-0- and \$98,105 in cash accounts in excess of FDIC limits, respectively.

Revenues

Revenues from two major funding sources, New York State Department of Education and the Corporation for Public Broadcasting (CPB), comprised approximately 38% and 32% of income during each of the years ending June 30, 2014 and 2013, respectively.

NOTE 3 - INVESTMENT IN CENTRALCAST, LLC

In June 2012, the Council and seven other public broadcasting entities formed Centralcast, LLC (Centralcast) for the purposes of establishing and operating a joint master control facility. Centralcast is organized and operated under section 501(c)(3) of the Internal Revenue Code. The Council currently holds an ownership interest of 10% in Centralcast and its investment activity in Centralcast is summarized as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Investment, beginning	\$ 716,414	\$ 590,115
Allocable net income (loss)	<u>(71,734)</u>	<u>126,299</u>
Investment, ending	\$ <u>644,680</u>	\$ <u>716,414</u>

Under the terms of the LLC's operating agreement, the Council is obligated to enter into a Joint Master Control (JMC) Service Level Agreement, whereby Centralcast will provide joint master control services. The Council incurred \$111,295 and \$91,266 in expenses for these services for the years ended June 30, 2014 and 2013, respectively.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There were no investments valued using Level 2 and Level 3 inputs.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Fair Value Measurements

The fair values of the mutual funds are based on quoted market prices. The unit price for these investments held by the Company are revalued and published on an actively traded market at least daily. The following summarizes the Council's investments:

	<u>Cost</u>	<u>Fair Value</u>
<u>June 30, 2014</u>		
Cash equivalents	\$ 2,297	\$ 2,297
Mutual funds:		
Bond funds	14,941	15,156
Equity index funds	<u>25,673</u>	<u>29,661</u>
 Total investments	 \$ <u>42,911</u>	 \$ <u>47,114</u>

Unrecognized holding gains on securities amounted to \$4,203 and \$-0- for the years ended June 30, 2014 and 2013, respectively, and have been included in the statements of activities.

NOTE 5 - BROADCASTING FACILITIES AND EQUIPMENT

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

	<u>2014</u>	<u>2013</u>
Land	\$ 128,429	\$ 128,429
Building	3,484,718	3,470,751
Studio and technical equipment	5,750,467	5,705,322
Transmitter/translator equipment, antenna and tower	4,674,559	4,551,131
Public radio equipment	630,658	626,941
Satellite interconnect system	191,284	191,284
Furniture and fixtures	176,575	168,458
Data processing equipment	344,427	332,175
Vehicles	58,922	33,213
Leasehold improvements	206,980	202,738
Back-up generator	<u>220,085</u>	<u>220,085</u>
 Total broadcasting facilities and equipment	 15,867,104	 15,630,527
Less: Accumulated depreciation	<u>(12,386,701)</u>	<u>(11,566,421)</u>
 Total	 \$ <u>3,480,403</u>	 \$ <u>4,064,106</u>

Depreciation expense amounted to \$824,799 and \$874,718 for the years ended June 30, 2014 and 2013, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 6 - LINE OF CREDIT

The Council has a \$400,000 line of credit with a bank to be drawn upon as needed, with interest set at the prime lending rate (3.25% at June 30, 2014). Balance on the line totaled \$227,885 and \$-0- as of June 30, 2014 and 2013, respectively.

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Mortgage payable to a bank in 120 monthly installments of \$9,165, including interest at 3.86%, with all unpaid principal due in September 2015. This mortgage is collateralized by a building and the assignment of leases.	\$ 514,635	\$ 602,897
Note payable to an automobile financing company payable in 48 monthly installments of \$282 including interest at 4.39%, through May 2015. This note is collateralized by a vehicle.	3,035	6,211
Note payable to an automobile financing company payable in 48 monthly installments of \$250 including interest at 2.69%, through February 2018. This note is collateralized by a vehicle.	<u>10,454</u>	<u>-</u>
Total mortgage and notes payable	528,124	609,108
Less: current portion	<u>(97,515)</u>	<u>(91,438)</u>
Long-term debt	\$ <u>430,609</u>	\$ <u>517,670</u>

Maturities of long-term debt are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 97,515
2016	425,730
2017	2,901
2018	<u>1,978</u>
Total	\$ <u>528,124</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 8 - DEFERRED REVENUES

The Council receives, from time-to-time, advances for services provided and future projects. Deferred revenues consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Underwriting	\$ 9,739	\$ -
Rental - current	68,133	68,133
Rental - noncurrent	75,331	143,464
Grants and promises to give	5,000	26,941
DVD sales	<u>541</u>	<u>541</u>
	\$ <u>158,744</u>	\$ <u>239,079</u>

NOTE 9 - ENDOWMENT AND RESTRICTED NET ASSETS

The Council's endowment investments consist of donations that have been designated by the donor to function as an endowment. As of June 30, 2014, the total amounts donated were \$42,679, which represent permanently restricted net assets. The income from this endowment is restricted for the support of classical music programming.

The Council has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding for expenditures described in the endowment policy while seeking to maintain the purchasing power of the endowment assets. The Council's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through the diversification of asset classes. The Council expects the endowment fund, over time, to provide a consistent rate of return although actual return in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Council 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 Council targets diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk parameters.

A reconciliation of the beginning and ending balance of the Agency's endowment net assets is as follows:

	<u>2014</u>	<u>2013</u>
Endowment net assets at beginning of year	\$ 20,349	\$ 20,349
Interest and dividends	832	-
Unrealized appreciation	3,603	-
Additional donor contribution	<u>22,330</u>	<u>-</u>
Endowment net assets at end of year	\$ <u>47,114</u>	\$ <u>20,349</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 9 - ENDOWMENT (Continued)

In recording this endowment, the Council has interpreted the portions of the Uniform Prudent Management of Institutional Funds Act adopted by New York State and Not-for-Profit Corporation Law (N-PCL) Section 513 (NYPMIFA). To constitute a true endowment under this law, the restrictions must arise from clearly expressed donor limitations. Any gift received with donor restrictions must be applied in accordance with those restrictions. To do otherwise is a breach of fiduciary duty of the Council's governing board. As a result of these interpretations, the Council classifies as permanently restricted net assets the aggregate fair value in dollars of: (i) an endowment fund at the time it became an endowment fund; (ii) each subsequent donation to the funds at the time it is made; and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The determination of these components is made in good faith by the Council's governing board, in interpretation of New York State law.

NOTE 10 - LEASE COMMITMENTS

Operating Leases - WSKG as Lessee

The Council is party to a number of non-cancelable operating lease agreements involving space on transmission towers, land for transmission towers and various other pieces of equipment. Under the terms of the leases, costs associated with the maintenance of leased office equipment are the responsibility of the Council. The leases expire at various dates through 2019.

A summary of non-cancelable operating lease commitments is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 120,397
2016	108,707
2017	107,291
2018	105,790
2019	<u>625</u>
Total	\$ <u>442,810</u>

Total rent expense under operating leases amounted to \$123,165 and \$107,361 for the years ended June 30, 2014 and 2013, respectively.

The Council is involved in month-to-month lease agreements for tower rental space and land. The total rent expense paid under these leases was \$91,253 and \$91,061 for the years ended June 30, 2014 and 2013, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10 - LEASE COMMITMENTS (Continued)

Operating Leases - WSKG as Lessor

The Council also leases tower and building space to tenants under operating leases, whereby revenue is recognized as lease payments are received. The leases expire at various dates through 2018.

The future minimum lease payments to be received from operating leases, including those signed subsequent to June 30, 2014, are as follows:

Year Ending June 30,	Amount
2015	\$ 262,200
2016	216,042
2017	118,154
2018	<u>64,745</u>
Total	\$ <u>661,141</u>

The Council is involved in several month-to-month lease agreements to provide tower rental space and land. The total rental income received under these leases was \$121,675 and \$118,691 for the years ended June 30, 2014 and 2013, respectively.

Total rental income earned amounted to \$390,121 and \$398,793 for the years ended June 30, 2014 and 2013, respectively.

NOTE 11 - OTHER INCOME

The following schedule summarizes the components of other income as classified on the Statement of Activities for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Rental income	\$ 390,121	\$ 398,793
Production revenue	93,142	54,821
Miscellaneous income	<u>59,267</u>	<u>21,730</u>
	\$ <u>542,530</u>	\$ <u>475,344</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

NOTE 12 - RETIREMENT PLANS

The Council participates in a contributory retirement plan administered by the Teachers Insurance Annuity Council of America (TIAA) and College Retirement Equities Fund (CREF) covering substantially all employees. Under the plan, which is a defined contribution pension plan as defined under 403(b) of the Internal Revenue Code, eligible employees are required to defer at least 2% of their compensation. The Council's contribution amounts to 7.0% of compensation for all eligible employees. Full-time employees are eligible to participate after completing one year of service and attaining the age of 21.

In addition, the Council participates in a second retirement plan administered by the Teachers Insurance Annuity Council of America (TIAA) and College Retirement Equities Fund (CREF) covering substantially all employees. Under the plan, which is also a defined contribution pension plan as defined under 403(b) of the Internal Revenue Code, eligible employees may defer up to 100% of eligible compensation, subject to annual limitations set by the Internal Revenue Service. Full-time employees are eligible to participate after completing one year of service and attaining the age of 21.

Total pension expenses charged to operations relating to these plans were \$114,302 and \$150,686 for the years ended June 30, 2014 and 2013, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Employment Agreement

The Council has an employment agreement with its President/Chief Executive Officer through June 30 2016, which provides for minimum annual compensation through that date. Under certain conditions, the Council may be required to continue to pay the base salary under the agreement for a period of three months after its termination.

Purchase Commitments

Purchase commitments outstanding related to programming rights for programs not available for showing until subsequent periods were \$440,716 and \$473,347 at June 30, 2014 and 2013, respectively.

Remainder Trust Designation

The Council has been appointed as one of four third party designees of a trust upon the passing of the current trust beneficiaries. Due to the uncertainty surrounding the receipt of the trust remainder, no asset has been recognized in the accompanying financial statements. As of June 30, 2014 and 2013, the Council's tentative portion of the assets held in the trust, at fair value, was \$144,951 and \$ 141,234, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 14 - ADVERTISING BARTER TRANSACTIONS

During the year, WSKG engaged in several advertising barter transactions in which various services were provided to WSKG in exchange for underwriting contracts. WSKG recorded these transactions at the fair market value of the services received. The underwriting contracts and services received have been recorded in the financial statements in the appropriate revenue and expense lines. The total amount of revenue and expenses recorded for advertising barter transactions was \$102,818 and \$70,510 for the years ended June 30, 2014 and 2013, respectively.

NOTE 15 - DONATED MATERIALS AND SERVICES

Donated materials are recorded as support at their estimated fair value at the date of donation. Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services consisting of accounting, legal, advertising, educational and computer services in the amount of \$15,119 and \$8,558 were recorded as revenue for the years ended June 30, 2014 and 2013, respectively. Corresponding expenses for the same amount were recognized.

NOTE 16 - SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash Payments for Interest and Income Taxes

Cash payments for interest and income taxes were amounted to the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Interest	\$ <u>25,130</u>	\$ <u>25,403</u>
Income taxes	\$ <u>250</u>	\$ <u>250</u>

Non-cash Investing and Financing Transactions

During the year ending June 30, 2014, the Council used loan proceeds of \$11,343 to acquire a vehicle.

NOTE 17 - PROGRAM DESCRIPTIONS

Youth Focused

WSKG Youth offers quality, educational content, interactive events and tools to understand development and learning. WSKG is a safe and trusted resource for youth. As a part of PBS, WSKG is committed to giving all children the tools they need to learn reading, science, and math - providing them with a greater chance to reach their full potential.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 17 - PROGRAM DESCRIPTIONS (Continued)

News and Public Affairs

WSKG News & Public Affairs is guided by powerful ethics, public media's best practices and community need. We support an understanding of the issues facing our community through an objective and relentless pursuit of the facts, high quality writing and production, and diligent journalism. In the pursuit of news we insistently question, thoroughly research, intelligently analyze, and ethically share stories with the radio listeners, television viewers and web browsers who rely on WSKG Public Media. Through the content we produce and the stories we tell, we provide insights into our community's struggles and successes. By maintaining an informed citizenry, we work to improve the quality of their life.

Engineering

Engineering is crucial to the Council's existence as a station. It oversees the operation, installation, maintenance, and implementation of television and radio broadcast equipment and towers on a day-to-day and long-term basis. It also monitors FCC rules and regulations and ensures station compliance with these federal guidelines, including the conversion to a digital broadcast system. This is a government mandated conversion that all television broadcast stations must have completed within a specified time. The Council has met its obligation under this mandate.

Arts and Culture

WSKG's Arts and Culture is guided by an ongoing commitment to provide the community it serves with the best in arts and culture content, locally and nationally, on multiple platforms. We do this to research, preserve and shore the rich and diverse culture of our viewing area with the community and staying consistent with our goal to create relevant content that promotes Upstate New York as a unique cultural destination, to produce compelling stories of the transformative power of the arts and to feature the extraordinary talents of our local musicians and performers.

History and Heritage

WSKG History & Heritage is guided by current research, best practices and community need. We support the understanding of our community's past through top-quality research, production and outreach. We accomplish this through the content we produce and the stories we tell about our region's past, our struggles and successes. With this goal in place we hope we can help our viewers and listeners emerge with relevant skills and an enhanced capacity for informed citizenship, critical thinking and community awareness.