

**WSKG PUBLIC TELECOMMUNICATIONS
COUNCIL**

**FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016
AND FOR THE YEARS THEN ENDED**

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

JUNE 30, 2017 AND 2016

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 financial statements of WSKG Public Telecommunications Council (a nonprofit New York corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses 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, 2017, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue by category on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited WSKG Public Telecommunications Council's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Davidson, Fox & Company, LLP

Binghamton, New York
January 3, 2018

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 92,885
Current portion of long-term debt	44,478	45,416
Accounts payable	163,656	210,276
Accrued expenses	121,971	127,715
Deferred revenues, current portion	<u>105,712</u>	<u>10,068</u>
TOTAL CURRENT LIABILITIES	<u>435,817</u>	<u>486,360</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	733,125	777,617
Deferred revenues, net of current portion	202,969	-
Lease deposits	<u>14,000</u>	<u>12,469</u>
TOTAL LONG-TERM LIABILITIES	<u>950,094</u>	<u>790,086</u>
TOTAL LIABILITIES	<u>1,385,911</u>	<u>1,276,446</u>
NET ASSETS		
Unrestricted	2,228,605	2,361,117
Temporarily restricted	17,638	10,820
Permanently restricted	<u>52,679</u>	<u>42,679</u>
TOTAL NET ASSETS	<u>2,298,922</u>	<u>2,414,616</u>
	\$ <u><u>3,684,833</u></u>	\$ <u><u>3,691,062</u></u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	June 30, 2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>
SUPPORT AND REVENUE				
Membership and contributions	\$ 2,175,929	\$ -	\$ 10,000	\$ 2,185,929
Government grants and support	2,026,984	-	-	2,026,984
Program sponsorship	710,117	-	-	710,117
In-kind contributions	20,884	-	-	20,884
Net investment gain	1,529	6,818	-	8,347
Loss from Centralcast, LLC	(18,623)	-	-	(18,623)
Other	<u>287,057</u>	<u>-</u>	<u>-</u>	<u>287,057</u>
TOTAL SUPPORT AND REVENUE	<u>5,203,877</u>	<u>6,818</u>	<u>10,000</u>	<u>5,220,695</u>
EXPENSES				
Program services	3,670,193	-	-	3,670,193
Support services	<u>1,666,196</u>	<u>-</u>	<u>-</u>	<u>1,666,196</u>
TOTAL EXPENSES	<u>5,336,389</u>	<u>-</u>	<u>-</u>	<u>5,336,389</u>
CHANGE IN NET ASSETS	(132,512)	6,818	10,000	(115,694)
NET ASSETS, beginning	<u>2,361,117</u>	<u>10,820</u>	<u>42,679</u>	<u>2,414,616</u>
NET ASSETS, ending	\$ <u>2,228,605</u>	\$ <u>17,638</u>	\$ <u>52,679</u>	\$ <u>2,298,922</u>

See accompanying notes to financial statements

June 30, 2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>
\$ 1,823,508	\$ -	\$ -	\$ 1,823,508
2,123,306	-	-	2,123,306
727,879	-	-	727,879
12,927	-	-	12,927
154	5,065	-	5,219
(68,948)	-	-	(68,948)
<u>294,432</u>	<u>-</u>	<u>-</u>	<u>294,432</u>
<u>4,913,258</u>	<u>5,065</u>	<u>-</u>	<u>4,918,323</u>
3,637,138	-	-	3,637,138
<u>1,890,913</u>	<u>-</u>	<u>-</u>	<u>1,890,913</u>
<u>5,528,051</u>	<u>-</u>	<u>-</u>	<u>5,528,051</u>
(614,793)	5,065	-	(609,728)
<u>2,975,910</u>	<u>5,755</u>	<u>42,679</u>	<u>3,024,344</u>
\$ <u><u>2,361,117</u></u>	\$ <u><u>10,820</u></u>	\$ <u><u>42,679</u></u>	\$ <u><u>2,414,616</u></u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016**

	Program Services					Support Services					2017 Total	2016 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	\$ 83,405	\$ 397,506	\$ 132,726	\$ 179,510	\$ 162,589	\$ 955,736	\$ 448,014	\$ 226,086	\$ 40,213	\$ 714,313	\$ 1,670,049	\$ 1,701,822	(1)
(2) Payroll taxes	6,237	28,098	9,904	12,877	11,211	68,327	31,943	16,124	3,220	51,287	119,614	122,612	(2)
(3) Employee fringe benefits	8,969	58,904	14,419	51,220	29,996	163,508	87,457	29,498	6,152	123,107	286,615	296,244	(3)
(4) Professional development	100	2,033	1,394	-	358	3,885	1,108	-	1,459	2,567	6,452	7,831	(4)
(5) Travel and functions	449	833	11,009	132	1,329	13,752	3,408	-	2,210	5,618	19,370	25,254	(5)
(6) Program acquisitions	-	392,938	-	509,468	-	902,406	-	-	-	-	902,406	654,754	(6)
(7) Network fees	-	192,787	40,578	30,815	-	264,180	1,823	-	-	1,823	266,003	477,911	(7)
(8) Printing	94	-	-	-	-	94	3,365	-	-	3,365	3,459	9,805	(8)
(9) Building lease	-	10,800	231,535	-	-	242,335	-	-	-	-	242,335	239,207	(9)
(10) Equipment rental and lease	-	-	4,608	-	-	4,608	-	613	-	613	5,221	7,354	(10)
(11) Repairs and maintenance	-	4,336	63,557	-	-	67,893	-	-	63,862	63,862	131,755	178,260	(11)
(12) Professional fees	-	636	1,800	7,300	-	9,736	10,358	-	120,166	130,524	140,260	180,790	(12)
(13) Office supplies	61	6,187	121	55	184	6,608	79	-	1,209	1,288	7,896	8,315	(13)
(14) Postage and shipping	118	277	254	-	21	670	11,970	-	1,456	13,426	14,096	13,997	(14)
(15) Production and supplies	5,822	4,048	210,405	2,466	26,786	249,527	-	-	-	-	249,527	208,089	(15)
(16) Tubes, heads and tapes	-	-	-	930	-	930	-	-	-	-	930	2,301	(16)
(17) Advertising	-	43,690	-	499	-	44,189	105,553	-	-	105,553	149,742	152,330	(17)
(18) Premiums	-	-	-	-	-	-	16,136	-	-	16,136	16,136	23,774	(18)
(19) Dues and subscriptions	215	12,288	162	270	193	13,128	5,466	660	2,852	8,978	22,106	17,303	(19)
(20) Special project costs	-	-	-	-	-	-	-	-	15,166	15,166	15,166	-	(20)
(21) Special events/planned giving	364	466	-	-	-	830	7,555	-	-	7,555	8,385	22,868	(21)
(22) Information technology	-	-	8,227	-	-	8,227	673	35	1,907	2,615	10,842	24,703	(22)
(23) Telemarketing	-	-	-	-	-	-	7,898	-	-	7,898	7,898	5,538	(23)
(24) Direct mail	-	-	-	-	-	-	64,547	-	-	64,547	64,547	101,476	(24)
(25) APTS/APBS Council expense	-	-	-	-	-	-	-	-	34,487	34,487	34,487	30,991	(25)
(26) Bad debt	-	-	-	-	-	-	1,683	-	-	1,683	1,683	5,000	(26)
(27) Miscellaneous	59	5,431	56	51	895	6,492	27,291	22	45,222	72,535	79,027	103,019	(27)
(28) Subtotal	105,893	1,161,258	730,755	795,593	233,562	3,027,061	836,327	273,038	339,581	1,448,946	4,476,007	4,621,548	(28)
(29) Insurance	2,704	11,841	7,676	25,591	1,621	49,433	9,233	1,967	3,441	14,641	64,074	61,256	(29)
(30) Interest	1,659	7,264	4,709	15,699	994	30,325	5,664	1,207	2,111	8,982	39,307	40,826	(30)
(31) Utilities	4,126	24,235	11,712	39,046	2,473	81,592	14,087	3,001	5,250	22,338	103,930	101,696	(31)
(32) Telephone	3,709	12,827	2,485	10,324	2,471	31,816	11,095	3,090	3,018	17,203	49,019	55,041	(32)
(33) In kind donations	-	-	-	-	-	-	-	-	20,884	20,884	20,884	12,928	(33)
(34) Depreciation & amortization	24,606	107,775	69,882	232,939	14,764	449,966	83,989	17,881	31,332	133,202	583,168	634,756	(34)
(35) Total functional expenses	\$ 142,697	\$ 1,325,200	\$ 827,219	\$ 1,119,192	\$ 255,885	\$ 3,670,193	\$ 960,395	\$ 300,184	\$ 405,617	\$ 1,666,196	\$ 5,336,389	\$ 5,528,051	(35)

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (115,694)	\$ (609,728)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities		
Depreciation and amortization	583,168	634,756
(Gain) loss on sale of investments	130	(20)
Unrealized gain on investments	(6,818)	(3,815)
Loss from Centralcast, LLC	18,623	68,948
Non-cash contributions	(30,375)	(10,571)
(Increase) decrease in		
Receivables	70,958	(35,089)
Programming rights	2,607	(2,059)
Other assets	(59,837)	(14,849)
Increase (decrease) in		
Accounts payable	(46,620)	(24,852)
Accrued expenses	(5,744)	(55,624)
Deferred income	298,613	(71,439)
Lease deposits	1,531	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>710,542</u>	<u>(124,342)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and acquisitions in progress	(101,495)	(93,081)
Capital contributions in Centralcast, LLC	-	(10,787)
Purchases of investments	(11,648)	(19,938)
Proceeds from sale of investments	30,245	10,591
NET CASH USED IN INVESTING ACTIVITIES	<u>(82,898)</u>	<u>(113,215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(45,430)	(34,455)
Net proceeds from loan refinance	-	400,639
Net payments on line of credit	(92,885)	(245,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(138,315)</u>	<u>121,184</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	489,329	(116,373)
CASH AND CASH EQUIVALENTS, beginning	<u>60,298</u>	<u>176,671</u>
CASH AND CASH EQUIVALENTS, ending	\$ <u>549,627</u>	\$ <u>60,298</u>

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

ORGANIZATION

Nature of Operations

The Council is a non-profit New York Corporation, which operates a non-commercial public television station with four channels (WSKG, PBS Kids, World, and Create) and three non-commercial public FM radio stations (WSKG, WSQX and WIOX) covering 21 counties in New York and Pennsylvania. 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, 2017 AND 2016**

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Business sponsorship accounts receivable	\$ 87,000	\$ 196,031
Allowance for doubtful accounts	<u>(6,746)</u>	<u>(4,500)</u>
Business sponsorship and trade accounts receivable, net	\$ <u>80,254</u>	\$ <u>191,531</u>
Pledges receivable	\$ 265,336	\$ 249,884
Allowance for doubtful accounts	<u>(26,534)</u>	<u>(25,000)</u>
Pledges receivable, net	\$ <u>238,802</u>	\$ <u>224,884</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>2017</u>	<u>2016</u>
NYS Economic Development Corporation for Public Broadcasting	\$ 70,040	\$ 29,960
Community Foundation for South Central New York	10,000	40,000
Cornell University	8,321	-
Northwestern Mutual	8,000	-
Schuyler-Chemung-Tioga/Corning Teacher Center	3,000	-
	<u>2,000</u>	<u>-</u>
	101,361	69,960
Allowance for doubtful accounts	<u>(5,000)</u>	<u>-</u>
Grants receivable, net	\$ <u>96,361</u>	\$ <u>69,960</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is stated at the lower of cost or market value 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, 2017 and 2016, inventory represented \$7,150 and \$4,177 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.

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.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 \$149,742 and \$152,330 for the years ended June 30, 2017 and 2016, 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, 2017 and January 3, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Reclassifications

Certain amounts from the 2016 financial statements have been reclassified to conform to the presentation for 2017. Changes in net assets as previously reported was not impacted by this reclassification.

NOTE 2 - CONCENTRATIONS

Credit Risk - Cash and Cash Equivalents

The Council maintains its cash balances in various accounts at one financial institution located in Binghamton, New York. All accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Council's uninsured balances as of June 30, 2017 and 2016 were \$357,271 and -0-, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – CONCENTRATIONS (Continued)

Revenues

Revenues from two major funding sources, New York State Department of Education and the Corporation for Public Broadcasting (CPB), compromised approximately 39% and 43% of income during each of the years ending June 30, 2017 and 2016, respectively.

Business Sponsorship Receivable

At June 30, 2017, there were no concentrations of business sponsorship receivable. At June 30, 2016, approximately 47% of the total outstanding business sponsorship accounts receivable were concentrated in two customers, which were collected during the year ended June 30, 2017.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investment, beginning	\$ 499,059	\$ 557,220
Capital contributions	-	10,787
Allocable net loss	<u>(18,623)</u>	<u>(68,948)</u>
Investment, ending	\$ <u>480,436</u>	\$ <u>499,059</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 \$118,626 and \$111,295 in expenses for these services in the years ended June 30, 2017 and 2016, 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 Council uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. All investments held by the Council were classified as Level 1 investments; there were no investments valued using Level 2 and Level 3 inputs.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair values of the mutual funds are based on quoted market prices. The unit price for these investments held by the Council 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, 2017</u>		
Cash equivalents	\$ 13,474	\$ 13,474
Mutual funds:		
Bond funds	23,848	23,971
Equity index funds	<u>42,600</u>	<u>53,208</u>
Total investments	\$ <u>79,922</u>	\$ <u>90,653</u>
 <u>June 30, 2016</u>		
Cash equivalents	\$ 3,429	\$ 3,429
Mutual funds:		
Bond funds	23,365	24,020
Equity index funds	<u>41,480</u>	<u>44,738</u>
Total investments	\$ <u>68,274</u>	\$ <u>72,187</u>

Unrecognized holding gains on securities amounted to \$6,818 and \$3,815 for the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Land	\$ 128,429	\$ 128,429
Building	3,494,584	3,485,243
Studio and technical equipment	5,753,685	5,753,685
Transmitter/translator equipment, antenna and tower	5,032,373	4,944,627
Public radio equipment	631,899	631,899
Satellite interconnect system	191,284	191,284
Furniture and fixtures	176,575	176,575
Data processing equipment	352,972	347,215
Vehicles	50,654	58,922
Tenant leasehold improvements	236,531	235,791
Back-up generator	<u>220,085</u>	<u>220,085</u>
Total broadcasting facilities and equipment	16,269,071	16,173,755
Less: Accumulated depreciation	<u>(14,271,881)</u>	<u>(13,696,980)</u>
Total	\$ <u>1,997,190</u>	\$ <u>2,476,775</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 - BROADCASTING FACILITIES AND EQUIPMENT (Continued)

Depreciation and amortization expense amounted to \$583,168 and \$634,756 for the years ended June 30, 2017 and 2016, respectively.

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 less .50% (3.75% at June 30, 2017). The balance on the line amounted to \$-0- and \$92,885 as of June 30, 2017 and 2016, respectively.

NOTE 7 - LONG-TERM DEBT

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

	<u>2017</u>	<u>2016</u>
Mortgage payable to a bank in 59 monthly installments of \$3,542, plus interest at 4.5%, with all unpaid principal due in September 2020. This mortgage is collateralized by a building and the assignment of leases.	\$ 775,625	\$ 818,125
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>1,978</u>	<u>4,908</u>
Total mortgage and notes payable	777,603	823,033
Less: current portion	<u>(44,478)</u>	<u>(45,416)</u>
Long-term debt	\$ <u>733,125</u>	\$ <u>777,617</u>

The Council's mortgage contains various limitations and covenants, including delivery of audited financial statements within 120 days of year end and meeting a debt service coverage ratio. As of June 30, 2017, the Council was in compliance with all covenants, except for the one requiring delivery of audited financial statements within 120 days.

Maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 44,478
2019	42,500
2020	42,500
2021	<u>648,125</u>
Total	\$ <u>777,603</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Rental - current	\$ 66,312	\$ 9,538
Rental - noncurrent	202,969	-
Grants and promises to give	39,400	-
DVD sales	<u>-</u>	<u>530</u>
	\$ <u>308,681</u>	\$ <u>10,068</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, 2017, the total amounts donated were \$52,679, which represent permanently restricted net assets. The income from this endowment is temporarily 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 Council's endowment net assets is as follows:

	<u>2017</u>	<u>2016</u>
Endowment net assets at beginning of year	\$ 72,187	\$ 48,434
Additional contributions	10,000	18,688
Interest, dividends and realized gains (losses)	1,648	1,250
Unrealized appreciation	<u>6,818</u>	<u>3,815</u>
Endowment net assets at end of year	\$ <u>90,653</u>	\$ <u>72,187</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 9 - ENDOWMENT AND RESTRICTED NET ASSETS (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 2024.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 18,434
2019	15,559
2020	10,399
2021	3,000
2022	3,000
Thereafter	<u>3,750</u>
Total	\$ <u>54,142</u>

Total rent expense under operating leases amounted to \$242,335 and \$239,207 for the years ended June 30, 2017 and 2016, 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 \$217,950 and \$209,774 for the years ended June 30, 2017 and 2016, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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 2021.

The future minimum lease payments to be received from operating leases, including those signed subsequent to June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 212,610
2019	166,761
2020	126,210
2021	102,130
2022	21,904
Thereafter	<u>-</u>
Total	\$ <u>629,615</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 \$23,560 and \$28,048 for the years ended June 30, 2017 and 2016, respectively.

Total rental income earned amounted to \$280,935 and \$286,162 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Rental income	\$ 280,935	\$ 286,162
Special events	610	3,270
Miscellaneous income	<u>5,512</u>	<u>5,000</u>
	\$ <u>287,057</u>	\$ <u>294,432</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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% 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 \$89,502 and \$104,631 for the years ended June 30, 2017 and 2016, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments

Purchase commitments outstanding related to programming rights for programs not available for showing until subsequent periods were \$462,329 and \$453,910 at June 30, 2017 and 2016, 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, 2017 and 2016, the Council's tentative portion of the assets held in the trust, at fair value, was \$142,671 and \$137,723, respectively.

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 \$135,078 and \$136,764 for the years ended June 30, 2017 and 2016, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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 \$20,884 and \$12,928 were recorded as revenue for the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Interest	\$ <u>39,306</u>	\$ <u>40,826</u>
Income taxes	\$ <u>14,273</u>	\$ <u>250</u>

Non-cash Investing and Financing Transactions

During the year ending June 30, 2016, the Council incurred capitalized closing costs of \$26,455 as a result of refinancing a bank mortgage.

NOTE 17 – RELATED PARTY TRANSACTIONS

Several members of the board of trustees own businesses or are employees of entities that sponsor programs of WSKG. Revenues from these transactions amounted to \$37,565 during the year ended June 30, 2017.

A member of the board of trustees is a partner in a law firm that provides legal services to WSKG. Total expenditures with this firm amounted to \$1,300 during the year ended June 30, 2017.

A member of the board of trustees is an employee of a financial institution that loaned money to WSKG. Total interest expense paid to the financial institution amounted to \$38,908 during the year ended June 30, 2017.

NOTE 18 - 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, 2017 AND 2016

NOTE 18 - 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.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**SCHEDULE OF REVENUES BY CATEGORY
YEAR ENDED JUNE 30, 2017**

	<u>AFR Line</u>	<u>TV</u>	<u>Radio</u>	<u>Total</u>
REVENUES				
Membership and contributions				
Non-profit grants	A - 8B	\$ 109,068	\$ 33,091	\$ 142,159
Public broadcasting stations	A - 2E	5,969	150	6,119
Membership	A - 10	695,409	995,929	1,691,338
Major gifts	A - 19	141,342	194,971	336,313
Endowment fund donation	A - 17A	4,224	5,776	<u>10,000</u>
				<u>2,185,929</u>
Government grants and support				
CPB Community Service Grants	A - 2A	684,301	226,927	911,228
Other CPB grants	A - 2B	123,526	115	123,641
PBS grants and payments	A - 2C	14,124	-	14,124
NYS grants	A - 4B	849,792	121,119	970,911
Other	A - 4F	7,080	-	<u>7,080</u>
				<u>2,026,984</u>
Program sponsorship				
State colleges and universities	A - 5A	4,057	9,013	13,070
Private colleges	A - 7A	16,155	30,546	46,701
Non-profit organizations	A - 8A	70,381	98,192	168,573
Businesses	A - 9.1A	48,055	298,640	346,695
Trades	C	5,069	130,009	<u>135,078</u>
				<u>710,117</u>
In-kind contributions	C	10,442	10,442	<u>20,884</u>
Net investment gain				
Interest and dividends	A - 15A	701	959	1,660
Realized gains (losses) on securities	A - 16B	(55)	(75)	(130)
Unrealized gains on securities	A - 16C	2,879	3,938	<u>6,817</u>
				<u>8,347</u>
Loss from Centralcast, LLC	A - 16C	(18,623)	-	<u>(18,623)</u>
Other				
Rental income - local government	A - 3.2A	10,075	10,075	20,150
Rental income - state colleges	A - 5.2A	2,750	2,750	5,500
Rental income - private colleges	A - 7.2A	550	550	1,100
Rental income - non-profit organizations	A - 8.2A	12,233	12,233	24,466
Rental income - other	A - 9.2A	116,422	113,297	229,719
Realized gains on property and equipment	A - 16A	60	60	120
Special events	A - 14	610	-	610
Other income	A - 20	<u>5,064</u>	<u>328</u>	<u>5,392</u>
				<u>287,057</u>
TOTAL REVENUES		\$ <u>2,921,660</u>	\$ <u>2,299,035</u>	\$ <u>5,220,695</u>

See independent auditor's report.