

**WSKG PUBLIC TELECOMMUNICATIONS
COUNCIL**

**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
AND FOR THE YEARS THEN ENDED**

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

JUNE 30, 2018 AND 2017

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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 2, 2019

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 656,191	\$ 549,627
Receivables		
Business sponsorship accounts, net	83,668	80,254
Grants and other promises to give, net	9,500	96,361
Pledges, net	262,726	238,802
Programming rights, current portion	34,530	32,743
Other current assets	<u>43,987</u>	<u>98,906</u>
TOTAL CURRENT ASSETS	<u>1,090,602</u>	<u>1,096,693</u>
OTHER ASSETS		
Investment in Centralcast, LLC	488,389	480,436
Investments, endowment fund	109,877	90,653
Programming rights, net of current portion	21,905	16,761
Broadcasting facilities and equipment, net	1,704,331	1,997,190
Aquisitions in progress	<u>62,378</u>	<u>3,100</u>
TOTAL OTHER ASSETS	<u>2,386,880</u>	<u>2,588,140</u>
	 \$ <u>3,477,482</u>	 \$ <u>3,684,833</u>

See accompanying notes to financial statements

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 42,500	\$ 44,478
Accounts payable	163,863	163,656
Accrued expenses	152,577	121,971
Deferred revenues, current portion	<u>75,646</u>	<u>105,712</u>
 TOTAL CURRENT LIABILITIES	 <u>434,586</u>	 <u>435,817</u>
 LONG-TERM LIABILITIES		
Long-term debt, net of current portion	690,625	733,125
Deferred revenues, net of current portion	137,257	202,969
Lease deposits	<u>16,500</u>	<u>14,000</u>
 TOTAL LONG-TERM LIABILITIES	 <u>844,382</u>	 <u>950,094</u>
 TOTAL LIABILITIES	 <u>1,278,968</u>	 <u>1,385,911</u>
 NET ASSETS		
Unrestricted	2,121,476	2,228,605
Temporarily restricted	24,359	17,638
Permanently restricted	<u>52,679</u>	<u>52,679</u>
 TOTAL NET ASSETS	 <u>2,198,514</u>	 <u>2,298,922</u>
	 \$ <u><u>3,477,482</u></u>	 \$ <u><u>3,684,833</u></u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	June 30, 2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>
SUPPORT AND REVENUE				
Membership and contributions	\$ 2,123,912	\$ -	\$ -	\$ 2,123,912
Government grants and support	2,083,777	-	-	2,083,777
Program sponsorship	600,005	-	-	600,005
In-kind contributions	-	-	-	-
Net investment gain	2,270	6,721	-	8,991
Income (loss) from Centralcast, LLC	7,953	-	-	7,953
Other	<u>260,028</u>	<u>-</u>	<u>-</u>	<u>260,028</u>
TOTAL SUPPORT AND REVENUE	<u>5,077,945</u>	<u>6,721</u>	<u>-</u>	<u>5,084,666</u>
EXPENSES				
Program services	3,665,002	-	-	3,665,002
Support services	<u>1,520,072</u>	<u>-</u>	<u>-</u>	<u>1,520,072</u>
TOTAL EXPENSES	<u>5,185,074</u>	<u>-</u>	<u>-</u>	<u>5,185,074</u>
CHANGE IN NET ASSETS	(107,129)	6,721	-	(100,408)
NET ASSETS, beginning	<u>2,228,605</u>	<u>17,638</u>	<u>52,679</u>	<u>2,298,922</u>
NET ASSETS, ending	\$ <u>2,121,476</u>	\$ <u>24,359</u>	\$ <u>52,679</u>	\$ <u>2,198,514</u>

See accompanying notes to financial statements

June 30, 2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>
\$ 2,175,929	\$ -	\$ 10,000	\$ 2,185,929
2,026,984	-	-	2,026,984
710,117	-	-	710,117
20,884	-	-	20,884
1,529	6,818	-	8,347
(18,623)	-	-	(18,623)
<u>287,057</u>	<u>-</u>	<u>-</u>	<u>287,057</u>
<u>5,203,877</u>	<u>6,818</u>	<u>10,000</u>	<u>5,220,695</u>
3,670,193	-	-	3,670,193
<u>1,666,196</u>	<u>-</u>	<u>-</u>	<u>1,666,196</u>
<u>5,336,389</u>	<u>-</u>	<u>-</u>	<u>5,336,389</u>
(132,512)	6,818	10,000	(115,694)
<u>2,361,117</u>	<u>10,820</u>	<u>42,679</u>	<u>2,414,616</u>
\$ <u><u>2,228,605</u></u>	\$ <u><u>17,638</u></u>	\$ <u><u>52,679</u></u>	\$ <u><u>2,298,922</u></u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017**

	Program Services						Support Services				2018 Total	2017 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	\$ 163,634	\$ 375,390	\$ 116,484	\$ 108,331	\$ 227,894	\$ 991,733	\$ 423,797	\$ 154,458	\$ 87,757	\$ 666,012	\$ 1,657,745	\$ 1,670,049	(1)
(2) Payroll taxes	12,074	26,145	9,201	7,265	15,715	70,400	30,303	11,490	5,576	47,369	117,769	119,614	(2)
(3) Employee fringe benefits	15,647	69,439	11,617	6,375	72,472	175,550	76,611	13,545	27,362	117,518	293,068	283,567	(3)
(4) Professional development	600	1,593	2,548	-	-	4,741	1,768	954	102	2,824	7,565	6,452	(4)
(5) Travel and functions	1,648	2,409	91	-	206	4,354	4,388	3,370	-	7,758	12,112	19,370	(5)
(6) Program acquisitions	-	414,616	-	515,654	-	930,270	-	-	-	-	930,270	902,406	(6)
(7) Network fees	-	173,188	40,086	32,270	-	245,544	2,103	-	-	2,103	247,647	266,003	(7)
(8) Printing	-	-	-	-	-	-	8,553	-	-	8,553	8,553	3,459	(8)
(9) Building lease	-	9,000	237,929	-	-	246,929	-	-	-	-	246,929	242,335	(9)
(10) Equipment rental and lease	-	-	-	-	-	-	-	8,066	-	8,066	8,066	5,221	(10)
(11) Repairs and maintenance	-	3,309	186,249	-	-	189,558	-	-	3,100	3,100	192,658	131,755	(11)
(12) Professional fees	-	514	870	7,600	-	8,984	2,738	-	131,832	134,570	143,554	140,260	(12)
(13) Office supplies	93	4,296	125	-	137	4,651	592	1,035	915	2,542	7,193	7,896	(13)
(14) Postage and shipping	100	47	420	-	78	645	11,053	-	2,583	13,636	14,281	14,096	(14)
(15) Production and supplies	989	4,809	149,503	26,504	57,054	238,859	419	-	-	419	239,278	249,527	(15)
(16) Tubes, heads and tapes	-	-	-	295	-	295	-	-	-	-	295	930	(16)
(17) Advertising	91	8,483	-	-	-	8,574	75,205	4,697	10	79,912	88,486	152,790	(17)
(18) Premiums	-	-	-	-	-	-	19,038	-	-	19,038	19,038	16,136	(18)
(19) Dues and subscriptions	89	2,925	-	270	191	3,475	7,769	2,285	813	10,867	14,342	22,106	(19)
(20) Special events/planned giving	511	2,575	491	-	-	3,577	18,876	-	-	18,876	22,453	8,385	(20)
(21) Information technology	1,439	-	9,027	-	-	10,466	-	4,061	43,565	47,626	58,092	10,842	(21)
(22) Telemarketing	-	-	-	-	-	-	7,562	-	-	7,562	7,562	7,898	(22)
(23) Direct mail	-	-	-	-	-	-	61,317	-	-	61,317	61,317	64,547	(23)
(24) APTS/APBS Council expense	-	-	-	-	-	-	-	-	31,797	31,797	31,797	34,487	(24)
(25) Bad debt	-	-	-	-	-	-	2,658	-	-	2,658	2,658	1,683	(25)
(26) Miscellaneous	-	4,268	623	437	56	5,384	30,148	1,052	38,001	69,201	74,585	94,193	(26)
(27) Subtotal	196,915	1,103,006	765,264	705,001	373,803	3,143,989	784,898	205,013	373,413	1,363,324	4,507,313	4,476,007	(27)
(28) Insurance	2,476	10,850	7,134	23,453	1,488	45,401	8,457	1,800	3,152	13,409	58,810	64,074	(28)
(29) Interest	1,455	6,376	4,192	13,782	874	26,679	4,970	1,058	1,852	7,880	34,559	39,307	(29)
(30) Utilities	6,684	39,519	19,258	63,315	4,017	132,793	22,830	4,858	8,510	36,198	168,991	103,930	(30)
(31) Telephone	3,072	11,705	3,512	8,203	2,049	28,541	8,744	1,760	3,806	14,310	42,851	49,019	(31)
(32) In kind donations	-	-	-	-	-	-	-	-	-	-	-	20,884	(32)
(33) Depreciation & amortization	15,693	68,735	45,196	148,559	9,416	287,599	53,565	11,404	19,982	84,951	372,550	583,168	(33)
(34) Total functional expenses	\$ 226,295	\$ 1,240,191	\$ 844,556	\$ 962,313	\$ 391,647	\$ 3,665,002	\$ 883,464	\$ 225,893	\$ 410,715	\$ 1,520,072	\$ 5,185,074	\$ 5,336,389	(34)

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (100,408)	\$ (115,694)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	372,550	583,168
(Gain) loss on sale of investments	(18)	130
Unrealized gain on investments	(6,721)	(6,818)
(Income) loss from Centralcast, LLC	(7,953)	18,623
Non-cash contributions	(7,629)	(30,375)
(Increase) decrease in		
Receivables	59,523	70,958
Programming rights	(6,931)	2,607
Other assets	54,919	(59,837)
Increase (decrease) in		
Accounts payable	207	(46,620)
Accrued expenses	30,606	(5,744)
Deferred income	(95,778)	298,613
Lease deposits	<u>2,500</u>	<u>1,531</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>294,867</u>	<u>710,542</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and acquisitions in progress	(138,969)	(101,495)
Purchases of investments	(12,503)	(11,648)
Proceeds from sale of investments	<u>7,647</u>	<u>30,245</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(143,825)</u>	<u>(82,898)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(44,478)	(45,430)
Net payments on line of credit	<u>-</u>	<u>(92,885)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(44,478)</u>	<u>(138,315)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	106,564	489,329
CASH AND CASH EQUIVALENTS, beginning	<u>549,627</u>	<u>60,298</u>
CASH AND CASH EQUIVALENTS, ending	\$ <u><u>656,191</u></u>	\$ <u><u>549,627</u></u>

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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, 2018 AND 2017**

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Business sponsorship accounts receivable	\$ 103,120	\$ 87,000
Allowance for doubtful accounts	<u>(19,452)</u>	<u>(6,746)</u>
Business sponsorship and trade accounts receivable, net	\$ <u>83,668</u>	\$ <u>80,254</u>
Pledges receivable	\$ 291,918	\$ 265,336
Allowance for doubtful accounts	<u>(29,192)</u>	<u>(26,534)</u>
Pledges receivable, net	\$ <u>262,726</u>	\$ <u>238,802</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>2018</u>	<u>2017</u>
Paleontological Research Institution	\$ 9,000	\$ -
Corporation for Public Broadcasting	500	10,000
NYS Economic Development	-	70,040
Community Foundation for South Central New York	-	8,321
Cornell University	-	8,000
Northwestern Mutual	-	3,000
Schuyler-Chemung-Tioga/Corning Teacher Center	<u>-</u>	<u>2,000</u>
	9,500	101,361
Allowance for doubtful accounts	<u>-</u>	<u>(5,000)</u>
Grants receivable, net	\$ <u>9,500</u>	\$ <u>96,361</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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, 2018 and 2017, inventory represented \$8,433 and \$7,150 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, 2018 AND 2017

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 \$88,486 and \$152,790 for the years ended June 30, 2018 and 2017, 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, 2018 and January 2, 2019, 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 2017 financial statements have been reclassified to conform to the presentation for 2018. 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, 2018 and 2017 were \$187,758 and \$357,271, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 41% and 38% of income during each of the years ending June 30, 2018 and 2017, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investment, beginning	\$ 480,436	\$ 499,059
Allocable net income (loss)	<u>7,953</u>	<u>(18,623)</u>
Investment, ending	\$ <u>488,389</u>	\$ <u>480,436</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 \$140,647 and \$118,626 in expenses for these services in the years ending June 30, 2018 and 2017, 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, 2018 AND 2017**

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, 2018</u>		
Cash equivalents	\$ 105	\$ 105
Mutual funds:		
Bond funds	33,022	32,489
Equity index funds	<u>59,945</u>	<u>77,283</u>
Total investments	\$ <u>93,072</u>	\$ <u>109,877</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>

Unrecognized holding gains on securities amounted to \$6,721 and \$6,818 for the years ended June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Land	\$ 128,429	\$ 128,429
Building	3,562,529	3,494,584
Studio and technical equipment	5,762,514	5,753,685
Transmitter/translator equipment, antenna and tower	5,032,373	5,032,373
Public radio equipment	631,899	631,899
Satellite interconnect system	191,284	191,284
Furniture and fixtures	179,489	176,575
Data processing equipment	352,972	352,972
Vehicles	50,654	50,654
Tenant leasehold improvements	236,531	236,531
Back-up generator	<u>220,085</u>	<u>220,085</u>
Total broadcasting facilities and equipment	16,348,759	16,269,071
Less: Accumulated depreciation	<u>(14,644,428)</u>	<u>(14,271,881)</u>
Total	\$ <u>1,704,331</u>	\$ <u>1,997,190</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 - BROADCASTING FACILITIES AND EQUIPMENT (Continued)

Depreciation and amortization expense amounted to \$372,550 and \$583,168 for the years ended June 30, 2018 and 2017, 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% (4.5% at June 30, 2018). The balance on the line amounted to \$-0- at both June 30, 2018 and 2017.

NOTE 7 - LONG-TERM DEBT

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

	<u>2018</u>	<u>2017</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.	\$ 733,125	\$ 775,625
Note payable to an automobile financing company payable in 48 monthly installments of \$250 including interest at 2.69%, through February 2018. This note was collateralized by a vehicle.	<u>-</u>	<u>1,978</u>
Total mortgage and notes payable	733,125	777,603
Less: current portion	<u>(42,500)</u>	<u>(44,478)</u>
Long-term debt	\$ <u>690,625</u>	\$ <u>733,125</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, 2018, 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>
2019	\$ 42,500
2020	42,500
2021	<u>648,125</u>
Total	\$ <u>733,125</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Rental - current	\$ 75,646	\$ 66,312
Rental - noncurrent	137,257	202,969
Grants and promises to give	<u>-</u>	<u>39,400</u>
	\$ <u>212,903</u>	\$ <u>308,681</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, 2018, 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>2018</u>	<u>2017</u>
Endowment net assets at beginning of year	\$ 90,653	\$ 72,187
Additional contributions	10,234	10,000
Interest, dividends and realized gains (losses)	2,269	1,648
Unrealized appreciation	<u>6,721</u>	<u>6,818</u>
Endowment net assets at end of year	\$ <u>109,877</u>	\$ <u>90,653</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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>
2019	\$ 24,659
2020	19,499
2021	12,100
2022	6,792
2023	3,000
Thereafter	<u>780</u>
Total	\$ <u>66,830</u>

Total rent expense under operating leases amounted to \$24,939 and \$25,036 for the years ended June 30, 2018 and 2017, 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 \$218,900 and \$217,108 for the years ended June 30, 2018 and 2017, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 2023.

The future minimum lease payments to be received from operating leases, including those signed subsequent to June 30, 2018, are as follows:

Year Ending June 30,	<u>Amount</u>
2019	\$ 237,844
2020	200,517
2021	145,946
2022	83,814
2023	<u>49,597</u>
Total	\$ <u>717,718</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 \$29,728 and \$30,729 for the years ended June 30, 2018 and 2017, respectively.

Total rental income earned amounted to \$249,663 and \$277,960 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Rental income	\$ 249,663	\$ 277,960
Special events	5,550	610
DVD sales	4,788	4,737
Miscellaneous income	<u>27</u>	<u>3,750</u>
	\$ <u>260,028</u>	\$ <u>287,057</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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 \$82,017 and \$89,502 the years ended June 30, 2018 and 2017, 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 \$499,893 and \$462,329 at June 30, 2018 and 2017, 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 \$70,549 and \$135,078 for the years ended June 30, 2018 and 2017, 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 \$-0- and \$20,884 were recorded as revenue for the years ended June 30, 2018 and 2017, respectively. Corresponding expenses for the same amount were recognized.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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>2018</u>	<u>2017</u>
Interest	\$ <u>34,560</u>	\$ <u>39,306</u>
Income taxes	\$ <u>12,767</u>	\$ <u>14,273</u>

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 each of the years ended June 30, 2018 and 2017.

Two members of the board of trustees are partners in law firms that provides legal services to WSKG. Total expenditures with these firms amounted to \$6,342 and \$1,300 during the years ended June 30, 2018 and 2017, respectively.

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 \$34,560 and \$38,908 during the years ended June 30, 2018 and 2017, respectively.

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.

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.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 18 - PROGRAM DESCRIPTIONS (Continued)

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, 2018**

	<u>AFR Line</u>	<u>TV</u>	<u>Radio</u>	<u>Total</u>
REVENUES				
Membership and contributions				
Public broadcasting stations	A - 2E	\$ 7,000	\$ -	\$ 7,000
Non-profit grants	A - 8.1B	214,941	24,334	239,275
Business grants	A - 9.1B	35,350	-	35,350
Membership	A - 10	676,437	686,524	1,362,961
Major gifts	A - 19	237,712	241,614	<u>479,326</u>
				<u>2,123,912</u>
Government grants and support				
CPB Community Service Grants	A - 2A	681,496	214,979	896,475
Other CPB grants	A - 2B	138,284	-	138,284
PBS grants and payments	A - 2C	2,427	-	2,427
NYS grants	A - 4B	930,322	111,269	1,041,591
State colleges and universities	A - 5.1B	2,480	2,520	<u>5,000</u>
				<u>2,083,777</u>
Program sponsorship				
Local governments	A - 3.1A	-	1,800	1,800
State colleges and universities	A - 5.1A	2,058	4,172	6,230
Private colleges	A - 7.1A	12,246	16,811	29,057
Non-profit organizations	A - 8.1A	62,682	83,431	146,113
Businesses	A - 9.1A	51,424	294,832	346,256
Trades	C	6,445	64,104	<u>70,549</u>
				<u>600,005</u>
Net investment gain				
Interest and dividends	A - 15A	1,117	1,135	2,252
Realized gains (losses) on securities	A - 16B	9	9	18
Unrealized gains on securities	A - 16C	3,333	3,388	<u>6,721</u>
				<u>8,991</u>
Loss from Centralcast, LLC	A - 16C	7,953	-	<u>7,953</u>
Other				
Rental income - local government	A - 3.2A	20,150	-	20,150
Rental income - state colleges	A - 5.2A	10,125	-	10,125
Rental income - private colleges	A - 7.2A	1,200	-	1,200
Rental income - non-profit organizations	A - 8.2A	25,179	-	25,179
Rental income - other	A - 9.2A	96,504	96,504	193,008
Special events	A - 14A	5,550	-	5,550
Other income	A - 20	<u>4,816</u>	-	<u>4,816</u>
				<u>260,028</u>
TOTAL REVENUES		\$ <u>3,237,240</u>	\$ <u>1,847,426</u>	\$ <u>5,084,666</u>

See independent auditor's report.