

**WSKG PUBLIC TELECOMMUNICATIONS
COUNCIL**

**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
AND FOR THE YEARS THEN ENDED**

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

JUNE 30, 2019 AND 2018

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, 2019, 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, 2019, 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 statement of activities by category on page 21 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Davidson, Fox & Company, LLP

Binghamton, New York
April 29, 2020

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 848,754	\$ 656,191
Receivables		
Business sponsorship accounts, net	147,039	83,668
Grants and other promises to give, net	9,000	9,500
Pledges, net	347,789	262,726
Programming rights, current portion	37,108	34,530
Other current assets	<u>45,700</u>	<u>43,987</u>
 TOTAL CURRENT ASSETS	 <u>1,435,390</u>	 <u>1,090,602</u>
 OTHER ASSETS		
Investment in Centralcast, LLC	453,895	488,389
Investments, endowment fund	117,726	109,877
Programming rights, net of current portion	20,062	21,905
Broadcasting facilities and equipment, net	1,584,399	1,704,331
Aquisitions in progress	<u>621,773</u>	<u>62,378</u>
 TOTAL OTHER ASSETS	 <u>2,797,855</u>	 <u>2,386,880</u>
	 <u>\$ 4,233,245</u>	 <u>\$ 3,477,482</u>

See accompanying notes to financial statements

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 42,500	\$ 42,500
Accounts payable	478,745	163,863
Accrued expenses	283,650	152,577
Deferred revenues, current portion	<u>77,853</u>	<u>75,646</u>
 TOTAL CURRENT LIABILITIES	 <u>882,748</u>	 <u>434,586</u>
 LONG-TERM LIABILITIES		
Long-term debt, net of current portion	648,125	690,625
Deferred revenues, net of current portion	71,545	137,257
Lease deposits	<u>16,500</u>	<u>16,500</u>
 TOTAL LONG-TERM LIABILITIES	 <u>736,170</u>	 <u>844,382</u>
 TOTAL LIABILITIES	 <u>1,618,918</u>	 <u>1,278,968</u>
 NET ASSETS		
Without donor restrictions	2,494,888	2,145,835
With donor restrictions	<u>119,439</u>	<u>52,679</u>
 TOTAL NET ASSETS	 <u>2,614,327</u>	 <u>2,198,514</u>
	 <u>\$ 4,233,245</u>	 <u>\$ 3,477,482</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	June 30, 2019		
	Without Donor	With Donor	Total
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2019</u>
SUPPORT AND REVENUE			
Membership and contributions	\$ 2,131,285	\$ 12,000	\$ 2,143,285
Government grants and support	2,486,873	-	2,486,873
Program sponsorship	551,975	54,760	606,735
Net investment gain	11,838	-	11,838
Income (loss) from Centralcast, LLC	(34,494)	-	(34,494)
Other	<u>272,938</u>	<u>-</u>	<u>272,938</u>
TOTAL SUPPORT AND REVENUE	<u>5,420,415</u>	<u>66,760</u>	<u>5,487,175</u>
EXPENSES			
Program services	3,464,868	-	3,464,868
Support services	<u>1,606,494</u>	<u>-</u>	<u>1,606,494</u>
TOTAL EXPENSES	<u>5,071,362</u>	<u>-</u>	<u>5,071,362</u>
CHANGE IN NET ASSETS	349,053	66,760	415,813
NET ASSETS, beginning	<u>2,145,835</u>	<u>52,679</u>	<u>2,198,514</u>
NET ASSETS, ending	\$ <u>2,494,888</u>	\$ <u>119,439</u>	\$ <u>2,614,327</u>

See accompanying notes to financial statements

June 30, 2018

Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>2019</u>
\$ 2,123,912	\$ -	\$ 2,123,912
2,083,777	-	2,083,777
600,005	-	600,005
8,991	-	8,991
7,953	-	7,953
<u>260,028</u>	<u>-</u>	<u>260,028</u>
<u>5,084,666</u>	<u>-</u>	<u>5,084,666</u>
3,665,002	-	3,665,002
<u>1,520,072</u>	<u>-</u>	<u>1,520,072</u>
<u>5,185,074</u>	<u>-</u>	<u>5,185,074</u>
(100,408)	-	(100,408)
<u>2,246,243</u>	<u>52,679</u>	<u>2,298,922</u>
\$ <u><u>2,145,835</u></u>	\$ <u><u>52,679</u></u>	\$ <u><u>2,198,514</u></u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018**

	Program Services					Support Services					2019 Total	2018 Total	
	Youth Focused	News and Public Affairs	Arts and Culture	History and Heritage	Engineering	Total Programs	Business Sponsorship and Development	Strategic Planning and Community Development	General and Administrative	Total Support			
(1) Salaries and wages	\$ 177,659	\$ 370,818	\$ 108,473	\$ 205,094	\$ 131,290	\$ 993,334	\$ 460,989	\$ 155,620	\$ 73,919	\$ 690,528	\$ 1,683,862	\$ 1,657,745	(1)
(2) Payroll taxes	12,709	24,752	-	20,339	9,325	67,125	31,818	10,315	4,845	46,978	114,103	117,769	(2)
(3) Employee fringe benefits	22,130	86,701	-	94,627	11,730	215,188	97,862	18,228	29,104	145,194	360,382	293,068	(3)
(4) Professional development	723	535	-	984	3,433	5,675	2,563	1,572	-	4,135	9,810	7,565	(4)
(5) Travel and functions	1,350	1,314	-	-	190	2,854	4,304	190	-	4,494	7,348	12,112	(5)
(6) Program acquisitions	-	440,520	555,636	-	-	996,156	-	-	-	-	996,156	930,270	(6)
(7) Network fees	-	192,706	33,236	-	31,778	257,720	2,103	-	-	2,103	259,823	247,647	(7)
(8) Printing	-	-	-	-	-	-	3,156	-	-	3,156	3,156	8,553	(8)
(9) Building lease	-	-	-	-	252,055	252,055	-	-	-	-	252,055	246,929	(9)
(10) Equipment rental and lease	-	-	-	-	-	-	-	1,423	-	1,423	1,423	8,066	(10)
(11) Repairs and maintenance	-	-	-	-	61,496	61,496	105,453	-	-	105,453	166,949	192,658	(11)
(12) Professional fees	-	6,374	8,665	-	-	15,039	96	10,558	69,579	80,233	95,272	143,554	(12)
(13) Office supplies	36	280	-	132	53	501	185	1,711	659	2,555	3,056	7,193	(13)
(14) Postage and shipping	168	-	-	-	239	407	10,905	-	961	11,866	12,273	14,281	(14)
(15) Production and supplies	24,920	1,822	33,528	17,437	140,617	218,324	-	-	-	-	218,324	239,278	(15)
(16) Tubes, heads and tapes	-	-	-	-	-	-	-	-	-	-	-	295	(16)
(17) Advertising	160	156	-	-	-	316	65,732	-	-	65,732	66,048	88,486	(17)
(18) Premiums	-	-	-	-	-	-	14,824	-	-	14,824	14,824	19,038	(18)
(19) Dues and subscriptions	218	1,684	270	27	-	2,199	9,246	3,186	209	12,641	14,840	14,342	(19)
(20) Special events/planned giving	291	2,233	-	-	-	2,524	12,516	-	-	12,516	15,040	22,453	(20)
(21) Information technology	-	-	-	-	8,001	8,001	89	4,463	3,699	8,251	16,252	58,092	(21)
(22) Telemarketing	-	-	-	-	-	-	14,087	-	-	14,087	14,087	7,562	(22)
(23) Direct mail	-	-	-	-	-	-	66,424	-	-	66,424	66,424	61,317	(23)
(24) APTS/APBS Council expense	-	-	-	-	-	-	-	32,197	-	32,197	32,197	31,797	(24)
(25) Bad debt	-	-	-	-	-	-	4,780	-	-	4,780	4,780	2,658	(25)
(26) Miscellaneous	474	736	963	159	183	2,515	56,677	753	31,495	88,925	91,440	74,585	(26)
(27) Subtotal	240,838	1,130,631	740,771	338,799	650,390	3,101,429	963,809	240,216	214,470	1,418,495	4,519,924	4,507,313	(27)
(28) Insurance	-	-	-	-	-	-	-	-	76,551	76,551	76,551	58,810	(28)
(29) Interest	-	-	-	-	-	-	-	-	32,562	32,562	32,562	34,559	(29)
(30) Utilities	-	(338)	-	-	157,403	157,065	-	-	-	-	157,065	168,991	(30)
(31) Telephone	920	1,720	-	560	2,947	6,147	1,965	628	17,150	19,743	25,890	42,851	(31)
(33) Depreciation & amortization	10,925	47,854	103,428	6,555	31,465	200,227	37,292	7,939	13,912	59,143	259,370	372,550	(33)
(34) Total functional expenses	\$ 252,683	\$ 1,179,867	\$ 844,199	\$ 345,914	\$ 842,205	\$ 3,464,868	\$ 1,003,066	\$ 248,783	\$ 354,645	\$ 1,606,494	\$ 5,071,362	\$ 5,185,074	(34)

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 415,813	\$ (100,408)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	259,373	372,550
Gain on sale of investments	-	(18)
Unrealized gain on investments	(5,960)	(6,721)
(Income) loss from Centralcast, LLC	34,494	(7,953)
Non-cash contributions	(8,249)	(7,629)
(Increase) decrease in		
Receivables	(147,934)	59,523
Programming rights	(735)	(6,931)
Other assets	(1,713)	54,919
Increase (decrease) in		
Accounts payable	314,882	207
Accrued expenses	131,073	30,606
Deferred income	(63,505)	(95,778)
Lease deposits	-	2,500
	<u>927,539</u>	<u>294,867</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and acquisitions in progress	(698,836)	(138,969)
Purchases of investments	(1,889)	(12,503)
Proceeds from sale of investments	8,249	7,647
	<u>(692,476)</u>	<u>(143,825)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(42,500)</u>	<u>(44,478)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,563	106,564
CASH AND CASH EQUIVALENTS, beginning	<u>656,191</u>	<u>549,627</u>
CASH AND CASH EQUIVALENTS, ending	\$ <u>848,754</u>	\$ <u>656,191</u>

See accompanying notes to financial statements

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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 two non-commercial public FM radio stations (WSKG and WSQX) 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

The financial statements presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

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. With the adoption of ASU 2016-14, the financial statements presentation of net assets has been modified, eliminating unrestricted, temporarily restricted, and permanently restricted classifications, and replacing them with the following.

Net assets without donor restrictions – Net assets without donor-imposed restrictions and are available for use at the discretion of the Board and/or management for general operating purposes.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time, and/or purpose restrictions.

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.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Business sponsorship accounts receivable	\$ 162,996	\$ 103,120
Allowance for doubtful accounts	<u>(15,957)</u>	<u>(19,452)</u>
Business sponsorship and trade accounts receivable, net	\$ <u>147,039</u>	\$ <u>83,668</u>
Pledges receivable	\$ 380,372	\$ 291,918
Allowance for doubtful accounts	<u>(32,583)</u>	<u>(29,192)</u>
Pledges receivable, net	\$ <u>347,789</u>	\$ <u>262,726</u>

Grants Receivable and Promises to Give

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

	<u>2019</u>	<u>2018</u>
Paleontological Research Institution	\$ 9,000	\$ 9,000
Corporation for Public Broadcasting	<u>-</u>	<u>500</u>
	9,000	9,500
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Grants receivable and promises to give, net	\$ <u>63,539</u>	\$ <u>9,500</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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, 2019 and 2018, inventory represented \$26,205 and \$8,433 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, 2019 AND 2018

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 \$66,048 and \$88,486 for the years ended June 30, 2019 and 2018, respectively.

Recently Issued Accounting Standards

On August 18, 2016, the FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures and reduces the complexity and increases understandability of net asset classifications. The Council has adjusted the presentation of these statements accordingly and the ASU has been applied retrospectively. A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 follows:

As originally stated:

Unrestricted	\$ 2,121,476
Temporarily restricted	24,359
Permanently restricted	<u>52,679</u>

Total net assets \$ 2,198,514

As restated under ASU 2016-14:

Without donor restrictions	\$ 2,145,835
With donor restrictions	<u>52,679</u>

Total net assets \$ 2,198,514

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and April 29, 2020, 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 2018 financial statements have been reclassified to conform to the presentation for 2019. 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, 2019 and 2018 were \$540,799 and \$187,758, 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 41% of income during each of the years ending June 30, 2019 and 2018, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investment, beginning	\$ 488,389	\$ 480,436
Allocable net income (loss)	<u>(34,494)</u>	<u>7,953</u>
Investment, ending	\$ <u>453,895</u>	\$ <u>488,389</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 - INVESTMENT IN CENTRALCAST, LLC (Continued)

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 \$140,617 and \$140,647 in expenses for these services in the years ending June 30, 2019 and 2018, 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.

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, 2019</u>		
Cash equivalents	\$ 107	\$ 107
Mutual funds:		
Bond funds	33,867	34,616
Equity index funds	<u>61,593</u>	<u>83,003</u>
Total investments	\$ <u>95,567</u>	\$ <u>117,726</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>

Unrecognized holding gains on securities amounted to \$5,960 and \$6,721 for the years ended June 30, 2019 and 2018, respectively, and have been included in the Statements of Activities.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 - BROADCASTING FACILITIES AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 128,429	\$ 128,429
Building	3,562,527	3,562,527
Studio and technical equipment	5,779,560	5,762,514
Transmitter/translator equipment, antenna and tower	5,118,734	5,032,373
Public radio equipment	631,899	631,899
Satellite interconnect system	191,284	191,284
Furniture and fixtures	179,489	179,491
Data processing equipment	352,972	352,972
Vehicles	50,654	50,654
Tenant leasehold improvements	236,531	236,531
Back-up generator	<u>230,245</u>	<u>220,085</u>
Total broadcasting facilities and equipment	16,462,324	16,348,759
Less: Accumulated depreciation	<u>(14,877,925)</u>	<u>(14,644,428)</u>
 Total	 <u>\$ 1,584,399</u>	 <u>\$ 1,704,331</u>

Depreciation and amortization expense amounted to \$259,370 and \$372,550 for the years ended June 30, 2019 and 2018, 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% (5.0% at June 30, 2019). The balance on the line amounted to \$-0- at both June 30, 2019 and 2018.

NOTE 7 - LONG-TERM DEBT

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

	<u>2019</u>	<u>2018</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.	\$ 690,625	\$ 733,125
Less: current portion	<u>(42,500)</u>	<u>(42,500)</u>
Long-term debt	<u>\$ 648,125</u>	<u>\$ 690,625</u>

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 - LONG-TERM DEBT (Continued)

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, 2019, 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:

Year Ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 42,500
2021	<u>648,125</u>
Total	\$ <u>690,625</u>

NOTE 8 - DEFERRED REVENUES

The Council receives, from time-to-time, advances on government grants and lease payments. Deferred revenues consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Rental - current	\$ 77,853	\$ 75,646
Rental - noncurrent	<u>71,545</u>	<u>137,257</u>
	\$ <u>149,398</u>	\$ <u>212,903</u>

NOTE 9 - ENDOWMENT FUNDS

The Council's endowment investments consist of donations that have been designated by the donor to function as an endowment. As of June 30, 2019 and 2018, the total amounts donated were \$52,679, which are included in net assets with donor restrictions.

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.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 - ENDOWMENT FUNDS (Continued)

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

	<u>2019</u>	<u>2018</u>
Endowment net assets at beginning of year	\$ 109,877	\$ 90,653
Additional contributions	-	10,234
Interest, dividends and realized gains	1,889	2,269
Unrealized appreciation	<u>5,960</u>	<u>6,721</u>
 Endowment net assets at end of year	 \$ <u>117,726</u>	 \$ <u>109,877</u>

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 net assets with donor restrictions 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 - NET ASSETS WITH DONOR RESTRICTIONS

The balance in net assets with donor restrictions as of June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Donor support for programming in future years	\$ 66,760	\$ -
Endowment funds (see Note 9)	<u>52,679</u>	<u>52,679</u>
 Net assets with donor restrictions	 \$ <u>119,439</u>	 \$ <u>52,679</u>

NOTE 11 - 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.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11 - LEASE COMMITMENTS (Continued)

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 19,499
2021	12,100
2022	6,792
2023	3,000
2024	<u>780</u>
Total	\$ <u>42,171</u>

Total rent expense under operating leases amounted to \$24,784 and \$24,939 for the years ended June 30, 2019 and 2018, 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 \$227,271 and \$218,900 for the years ended June 30, 2019 and 2018, respectively.

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 2024.

The future minimum lease payments to be received from operating leases, including those signed subsequent to June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 241,601
2021	191,886
2022	128,153
2023	87,997
2024	<u>6,400</u>
Total	\$ <u>656,037</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 for the years ended June 30, 2019 and 2018

Total rental income earned amounted to \$264,427 and \$249,663, for the years ended June 30, 2019 and 2018, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 12 - OTHER INCOME

The following schedule summarizes the components of other income as classified on the Statement of Activities for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Rental income	\$ 264,427	\$ 249,663
Special events	3,397	5,550
Royalties	1,988	-
DVD sales	3,025	4,788
Miscellaneous income	<u>101</u>	<u>27</u>
	<u>\$ 272,938</u>	<u>\$ 260,028</u>

NOTE 13 - 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 \$89,437 and \$82,017 the years ended June 30, 2019 and 2018, respectively.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments

Purchase commitments outstanding related to programming rights for programs not available for showing until subsequent periods were \$521,236 and \$499,893 at June 30, 2019 and 2018, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 15 - 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 \$67,535 and \$70,549 for the years ended June 30, 2019 and 2018, respectively.

NOTE 16 - 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. No donated services consisting of accounting, legal, advertising, educational and computer services was recorded as revenue for the years ended June 30, 2019 and 2018, respectively. Corresponding expenses for the same amount were recognized, if applicable.

NOTE 17 - 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>2019</u>	<u>2018</u>
Interest	\$ <u>32,562</u>	\$ <u>34,560</u>
Income taxes	\$ <u>3,325</u>	\$ <u>12,767</u>

NOTE 18 – 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 \$29,620 and \$37,565 during the years ended June 30, 2019 and 2018, respectively

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 \$4,101 and \$6,342 during the years ended June 30, 2019 and 2018, 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 \$32,562 and \$34,560 during the years ended June 30, 2019 and 2018, respectively.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 19 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 848,754	\$ 656,191
Receivables, net	503,828	355,894
Investments	<u>117,726</u>	<u>109,877</u>
Total financial assets as of year-end	1,470,308	1,121,962
Less assets unavailable for general expenditures within one year due to:		
Permanent endowment restrictions	<u>52,679</u>	<u>52,679</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>1,417,629</u>	\$ <u>1,069,283</u>

NOTE 20 - 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, 2019 AND 2018

NOTE 20 - PROGRAM DESCRIPTIONS (Continued)

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.

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.

NOTE 21 – SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus to the United States caused the shutdown of various businesses by governmental decree. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Council expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENT OF ACTIVITIES BY CATEGORY
YEAR ENDED JUNE 30, 2019**

	<u>AFR Line</u>		<u>TV</u>		<u>Radio</u>		<u>Total</u>
REVENUES							
Membership and contributions							
Non-profit grants	A - 8.1B	\$	181,433	\$	25,822	\$	207,255
Membership	A - 10		769,868		784,419		1,554,287
Major gifts	A - 19		234,814		146,929		<u>381,743</u>
							<u>2,143,285</u>
Government grants and support							
CPB Community Service Grants	A - 2A		728,558		220,167		948,725
Other CPB grants	A - 2B		118,647		-		118,647
PBS grants and payments	A - 2C		5,000		-		5,000
NYS grants	A - 4.1B		739,798		119,728		859,526
FCC Spectrum Incentive Auction	A - 21		554,975		-		<u>554,975</u>
							<u>2,486,873</u>
Program sponsorship							
State colleges and universities	A - 5.1A		2,418		4,537		6,955
Private colleges	A - 7.1A		2,254		9,729		11,983
Non-profit organizations	A - 8.1A		69,207		70,819		140,026
Businesses	A - 9.1A		92,888		287,347		380,235
Trades	C		6,819		60,717		<u>67,536</u>
							<u>606,735</u>
Net investment gain							
Interest and dividends	A - 15A		2,915		2,963		5,878
Unrealized gains on securities	A - 16C		2,956		3,004		<u>5,960</u>
							<u>11,838</u>
Loss from Centralcast, LLC	A - 16C		(34,494)		-		<u>(34,494)</u>

(Continued)

See independent auditor's report.

WSKG PUBLIC TELECOMMUNICATIONS COUNCIL

**STATEMENT OF ACTIVITIES BY CATEGORY
YEAR ENDED JUNE 30, 2019**

	<u>AFR Line</u>	<u>TV</u>	<u>Radio</u>	<u>Total</u>
Other				
Rental income - public broadcasting entities	A - 2E	\$ 7,577	\$ -	\$ 7,577
Rental income - local government	A - 3.2A	20,654	-	20,654
Rental income - state colleges	A - 5.2A	5,394	5,394	10,788
Rental income - private colleges	A - 7.2A	1,200	-	1,200
Rental income - non-profit organizations	A - 8.2A	39,000	-	39,000
Rental income - other	A - 9.2A	92,379	92,829	185,208
Special events	A - 14A	3,397	-	3,397
Royalties	A - 15C	1,988	-	1,988
Other income	A - 20	<u>3,076</u>	<u>50</u>	<u>3,126</u>
				<u>272,938</u>
 TOTAL REVENUES		 <u>3,652,721</u>	 <u>1,834,454</u>	 <u>5,487,175</u>
 EXPENSES				
Programming and production				
Youth focused				252,683
News and public affairs				1,179,867
Arts and culture				844,199
History and heritage				<u>345,914</u>
Programming and production totals	E - 1	1,769,147	853,516	2,622,663
Engineering	E - 2	421,103	421,102	842,205
Business sponsorship and development	E - 5, E - 6	451,217	551,849	1,003,066
General and administrative	E - 4	177,323	177,322	354,645
Strategic planning and community development	E - 3	<u>124,392</u>	<u>124,391</u>	<u>248,783</u>
 TOTAL EXPENSES		 <u>2,943,182</u>	 <u>2,128,180</u>	 <u>5,071,362</u>
 CHANGE IN NET ASSETS		 \$ <u>709,539</u>	 \$ <u>(293,726)</u>	 \$ <u>415,813</u>
				(Concluded)

See independent auditor's report.