

FINANCIAL STATEMENTS

**NORTHEASTERN EDUCATIONAL
TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018



FINANCIAL STATEMENTS

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DBA WESTERN RESERVE PUBLIC MEDIA**

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To the Board of Directors
Northeastern Educational Television of Ohio, Inc.
dba Western Reserve Public Media
Kent, Ohio

Independent Auditor's Report

We have audited the accompanying financial statements of Northeastern Educational Television of Ohio, Inc. dba Western Reserve Public Media (NETO) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NETO as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, Northeastern Educational Television of Ohio, Inc. adopted Financial Accounting Standards Board ASU No. 2016-14, Not-for-Profit Entities (Top 958) - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Hill, Barth & King LLC
Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 649,841	\$ 565,882
Investments - NOTE B	342,618	0
Accounts receivable less allowance of \$122,160 in 2019 and \$100,692 in 2018	301,458	264,472
Prepaid expenses and other current assets	<u>33,385</u>	<u>22,755</u>
TOTAL CURRENT ASSETS	1,327,302	853,109
Property and equipment, net	<u>1,730,678</u>	<u>822,556</u>
TOTAL ASSETS	<u><u>\$ 3,057,980</u></u>	<u><u>\$ 1,675,665</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 245,292	\$ 278,309
Accrued vacations	68,992	65,982
Deferred revenue, current portion	352,601	352,851
Current maturities of long-term debt	<u>4,828</u>	<u>4,785</u>
TOTAL CURRENT LIABILITIES	671,713	701,927
Long-term debt, less current maturities	11,025	15,852
Deferred revenue, net of current portion	<u>16,500</u>	<u>19,250</u>
TOTAL LIABILITIES	<u>699,238</u>	<u>737,029</u>
Net assets:		
Without donor restrictions	2,191,039	839,152
With donor restrictions	<u>167,703</u>	<u>99,484</u>
TOTAL NET ASSETS	<u>2,358,742</u>	<u>938,636</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,057,980</u></u>	<u><u>\$ 1,675,665</u></u>

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

Years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:						
Ohio BEMC - General	\$ 302,699	\$ 0	\$ 302,699	\$ 295,156	\$ 0	\$ 295,156
Ohio BEMC - Education	177,792	0	177,792	162,976	0	162,976
Ohio BEMC - Capital	0	99,242	99,242	0	0	0
ODE EdTech - Education	225,028	0	225,028	225,028	0	225,028
Other grants	40,000	0	40,000	0	0	0
Membership income	1,714,655	0	1,714,655	1,780,529	0	1,780,529
Local schools	32,761	0	32,761	47,449	0	47,449
Corporation for Public Broadcasting	932,243	0	932,243	973,183	0	973,183
Ohio Ready to Learn	33,063	0	33,063	32,188	0	32,188
Underwriting income and private support	172,976	102,267	275,243	141,228	99,484	240,712
FCC repack reimbursement	669,775	0	669,775	38,291	0	38,291
Capital grant income	43,222	0	43,222	157,021	0	157,021
Channel sharing income	660,000	0	660,000	330,000	0	330,000
Rental income	527,668	0	527,668	525,648	0	525,648
Investment income, net	12,617	0	12,617	(52)	0	(52)
Other income	6,579	0	6,579	12,182	0	12,182
In-kind contributions and services	874,765	0	874,765	795,192	0	795,192
Net assets released from restrictions	133,290	(133,290)	0	118,232	(118,232)	0
TOTAL OPERATING REVENUE AND SUPPORT	<u>6,559,133</u>	<u>68,219</u>	<u>6,627,352</u>	<u>5,634,251</u>	<u>(18,748)</u>	<u>5,615,503</u>
Operating expenses:						
Broadcasting	1,452,356	0	1,452,356	1,358,808	0	1,358,808
Educational services	271,364	0	271,364	248,294	0	248,294
PTV programming	1,690,526	0	1,690,526	1,660,984	0	1,660,984
Communications	306,159	0	306,159	292,300	0	292,300
Fundraising and development	965,026	0	965,026	983,769	0	983,769
General and administrative	357,039	0	357,039	311,562	0	311,562
TOTAL OPERATING EXPENSES	<u>5,042,470</u>	<u>0</u>	<u>5,042,470</u>	<u>4,855,717</u>	<u>0</u>	<u>4,855,717</u>
Capital expenses:						
Depreciation	164,776	0	164,776	122,333	0	122,333
TOTAL EXPENSES	<u>5,207,246</u>	<u>0</u>	<u>5,207,246</u>	<u>4,978,050</u>	<u>0</u>	<u>4,978,050</u>
INCREASE (DECREASE) IN NET ASSETS	1,351,887	68,219	1,420,106	656,201	(18,748)	637,453
Net assets, beginning of year	<u>839,152</u>	<u>99,484</u>	<u>938,636</u>	<u>182,951</u>	<u>118,232</u>	<u>301,183</u>
Net assets, end of year	<u>\$ 2,191,039</u>	<u>\$ 167,703</u>	<u>\$ 2,358,742</u>	<u>\$ 839,152</u>	<u>\$ 99,484</u>	<u>\$ 938,636</u>

See accompanying notes to financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

Year ended June 30, 2019

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	BROADCASTING	EDUCATIONAL SERVICES	PTV PROGRAMMING	COMMUNICATIONS	FUNDRAISING AND DEVELOPMENT	GENERAL AND ADMINISTRATIVE	
Operating expenses:							
Salaries	\$ 197,497	\$ 132,078	\$ 128,350	\$ 122,991	\$ 116,864	\$ 156,671	\$ 854,451
Payroll taxes and retirement	32,977	22,149	21,809	22,126	16,503	25,185	140,749
Benefits	18,945	14,412	12,788	24,650	21,166	28,409	120,370
Membership direct expenses	0	0	0	0	334,982	0	334,982
Bank fees	0	0	0	0	38,820	5,276	44,096
Dues and fees	7,679	6,424	31,210	6,424	8,256	7,108	67,101
Maintenance and repair	35,464	3,162	3,162	3,162	3,162	3,188	51,300
Outside services and contracts	30,511	45,424	93,575	14,901	247,834	11,681	443,926
Insurance	43,318	8,664	8,664	8,664	8,664	8,661	86,635
Professional fees	9,225	0	0	0	0	84,379	93,604
Supplies and office expenses	13,436	17,339	1,852	2,553	3,832	11,846	50,858
Program guide	0	0	0	92,582	0	0	92,582
PTV programming	0	0	1,381,024	0	0	0	1,381,024
Rent	57,494	0	0	0	0	0	57,494
Travel and conferences	4,219	13,844	224	238	517	5,693	24,735
Utilities	119,263	7,868	7,868	7,868	7,868	7,866	158,601
Tower expenses	7,563	0	0	0	0	0	7,563
In-kind contributions and services	874,765	0	0	0	0	0	874,765
Provision for doubtful accounts	0	0	0	0	156,558	0	156,558
Interest	0	0	0	0	0	1,076	1,076
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	1,452,356	271,364	1,690,526	306,159	965,026	357,039	5,042,470
Depreciation	101,503	0	2,528	535	0	60,210	164,776
TOTAL EXPENSES	\$ 1,553,859	\$ 271,364	\$ 1,693,054	\$ 306,694	\$ 965,026	\$ 417,249	\$ 5,207,247

See accompanying notes to financial statements

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

Year ended June 30, 2018

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	BROADCASTING	EDUCATIONAL SERVICES	PTV PROGRAMMING	COMMUNICATIONS	FUNDRAISING AND DEVELOPMENT	GENERAL AND ADMINISTRATIVE	
Operating expenses:							
Salaries	\$ 193,900	\$ 89,362	\$ 85,023	\$ 111,865	\$ 116,395	\$ 158,950	\$ 755,495
Payroll taxes and retirement	29,068	13,444	12,747	16,674	14,167	23,817	109,917
Benefits	19,593	7,433	14,915	28,821	27,181	20,098	118,041
Membership direct expenses	0	0	0	0	343,546	0	343,546
Bank fees	0	0	0	0	38,024	3,638	41,662
Dues and fees	7,497	6,497	29,793	6,311	7,599	6,645	64,342
Maintenance and repair	14,396	2,347	2,516	2,347	2,347	2,677	26,630
Outside services and contracts	41,635	66,737	84,981	19,730	251,055	16,159	480,297
Insurance	44,286	8,857	8,857	8,857	8,857	8,858	88,572
Professional fees	3,600	0	0	0	0	31,343	34,943
Supplies and office expenses	7,253	39,098	3,974	4,827	2,127	16,979	74,258
Program guide	0	0	0	84,679	0	0	84,679
PTV programming	0	0	1,410,056	0	0	0	1,410,056
Rent	56,618	0	0	0	0	0	56,618
Travel and conferences	5,208	6,397	0	67	209	10,510	22,391
Utilities	138,194	8,122	8,122	8,122	8,122	8,120	178,802
Tower expenses	2,368	0	0	0	0	0	2,368
In-kind contributions and services	795,192	0	0	0	0	0	795,192
Provision for doubtful accounts	0	0	0	0	164,140	0	164,140
Interest	0	0	0	0	0	3,768	3,768
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	1,358,808	248,294	1,660,984	292,300	983,769	311,562	4,855,717
Depreciation	60,987	0	3,898	534	0	56,913	122,333
TOTAL EXPENSES	\$ 1,419,795	\$ 248,294	\$ 1,664,882	\$ 292,834	\$ 983,769	\$ 368,475	\$ 4,978,051

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 1,420,106	\$ 637,453
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	164,776	122,333
(Gain) loss on disposition of asset	4,800	(3,700)
Unrealized and realized gain on investments	(12,313)	0
Provision for doubtful accounts	167,149	164,140
Changes in operating assets and liabilities:		
Accounts receivable	(204,135)	(173,486)
Prepaid expenses and other current assets	(10,630)	519
Accounts payable, accrued expenses and other liabilities	(33,017)	(121,846)
Accrued vacations	3,010	9,010
Deferred revenue	(3,000)	328,060
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,496,746	962,483
Cash flows from investing activities:		
Purchase of property and equipment	(1,077,698)	(423,644)
Purchase of investments	(330,305)	0
NET CASH USED IN INVESTING ACTIVITIES	(1,408,003)	(423,644)
Cash flows from financing activities:		
Net payments on lines of credit	0	(100,000)
Payments on long-term debt	(4,784)	(3,561)
NET CASH USED IN FINANCING ACTIVITIES	(4,784)	(103,561)
NET INCREASE IN CASH AND CASH EQUIVALENTS	83,959	435,278
Cash and cash equivalents, beginning of year	565,882	130,604
Cash and cash equivalents, end of year	\$ 649,841	\$ 565,882
Cash paid for interest	\$ 1,076	\$ 3,768

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC. DBA WESTERN RESERVE PUBLIC MEDIA

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Northeastern Educational Television of Ohio, Inc. dba Western Reserve Public Media (NETO) was incorporated in July 1971 as a nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is a consortium of the University of Akron, Kent State University and Youngstown State University (the Consortium). NETO operates two public television stations, WNEO, Channel 45 and WEAO, Channel 49.

Cash and Cash Equivalents:

NETO considers all short-term liquid investments with maturities, when purchased, of 90 days or less to be cash equivalents. NETO maintains its cash and cash equivalents in accounts which, at times, may exceed federally insured limits. NETO has not experienced any significant losses in such accounts. Uninsured balances totaled \$405,763 and \$296,497 at June 30, 2019 and 2018, respectively. Management of NETO believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. The potential risk is limited to the amounts recorded in the financial statements. Receivables are considered past due based on various contractual terms. Management provides for probable uncollectible amounts through a provision for doubtful accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment:

Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Depreciation is provided to allocate the cost of these assets over their estimated useful lives and is computed under the straight-line method.

Net Asset Classifications:

To ensure compliance with restrictions placed on the resources available to NETO, net assets are maintained in two classifications: with donor restrictions and without donor restrictions.

Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classifications (Continued):

Net assets with donor restrictions contain grantor or donor-imposed restrictions that limit the use of the net assets to a specific time period or purpose. NETO may use or expend the net assets as specified by the grantor or donor. The restrictions expire either by the passage of time or by the actions of NETO, that satisfy the restrictions of the grantor or donor.

Revenue Recognition:

NETO records the following unconditional contributions as revenue based on their fair value at the date of contribution: cash, promises to give, and gifts of long-lived and other assets. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions have been met.

Contributions With Donor Restrictions:

NETO records contributions with donor restriction if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions at June 30, 2019 and 2018, are related to funds restricted both by the passage of time and for specific program broadcasting, production and capital improvements. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements. Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures, and equipment) are reported as with donor restrictions until the assets are purchased.

In-Kind Contributions and Services:

In-kind contributions and services are recorded as revenue and expenses in the statements of activities. In-kind contributions and services consist primarily of technical and program services donated by the Ohio Broadcast Educational Media Commission (Ohio BEMC), the State of Ohio and certain broadcast-related activities donated by private sources. Donated services are reported as revenue and support and as assets or expenses only if the services create or enhance a non-monetary asset or would typically need to be purchased by NETO if they had not been contributed, or if the services require specialized skills and are provided by individuals with those skills. These donated services are stated at amounts based on fair value as designated by the contributor.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses:

The financial statements report certain categories or expenses that are attributable to one or more program or supporting functions of NETO. The costs of providing these services and other activities have been summarized on a functional basis in the financial statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. All other expenses were directly applied based on usage.

Use of Estimates:

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

NETO qualifies as an organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

Adoption of New Accounting Standard:

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications:

The financial statements for 2018 have been reclassified to conform with the presentation for 2019. Such reclassifications had no effect on changes in net assets.

Subsequent Events:

Management has evaluated all activity of NETO through November 20, 2019, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE B - INVESTMENTS

FASB ASC 820 requires NETO to classify its assets and liabilities based on valuation methods using three levels. Level 1 inputs are based on quoted prices in active markets for identical investments. Level 2 inputs are based on significant observable market inputs, such as quoted prices for similar investments and quoted prices in inactive markets. Level 3 inputs are based on significant unobservable inputs that reflect NETO's determination of assumptions that market participants might reasonably use in valuing the investments. The valuation levels are not necessarily an indication of risk or liquidity associated with the underlying investments.

The following table sets forth by level, within the fair value hierarchy, NETO's assets at fair value as of June 30, 2019:

	<u>ASSETS AT FAIR VALUE</u>			
	<u>(LEVEL 1)</u>	<u>(LEVEL 2)</u>	<u>(LEVEL 3)</u>	<u>TOTAL</u>
Available-for-sale:				
Western Reserve Public Media Endowment Fund	\$ <u>0</u>	\$ <u>342,618</u>	\$ <u>0</u>	\$ <u>342,618</u>

Cost, unrealized gains and fair market value of marketable securities at June 30, 2019, is as follows:

	<u>COST</u>	<u>UNREALIZED GAINS</u>	<u>FAIR MARKET VALUE</u>
Available-for-sale:			
Western Reserve Public Media Endowment Fund	\$ <u>330,305</u>	\$ <u>12,313</u>	\$ <u>342,618</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE B - INVESTMENTS (CONTINUED)

The Western Reserve Public Media Endowment Fund (WRPM Fund) is invested in an investment pool administered and managed by the Akron Community Foundation. It is comprised of common stock, preferred stock, corporate and municipal bonds and other fixed income securities held at a large, reputable financial services company. The investment pool is recorded at fair value based on closing prices on securities exchanges. Income from the pool is allocated to NETO on a quarterly basis using the WRPM Fund's average investment to the total investments in the pool at the beginning and end of the fiscal quarter. The fund also incurs a 1.25% administrative fee based on each fund's annual market value as well as an investment management fee of .79%.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 2,009,133	\$ 1,920,758
Furniture and fixtures	203,292	196,238
Equipment	6,956,981	6,797,094
Construction in progress	<u>949,015</u>	<u>151,825</u>
	10,118,421	9,065,915
Less accumulated depreciation	<u>8,387,743</u>	<u>8,243,359</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 1,730,678</u>	<u>\$ 822,556</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE D - LEASES

NETO leases administrative office space, equipment, broadcasting tower space and vehicles under several lease agreements through 2030. Certain operating leases provide that NETO pay taxes, maintenance and insurance applicable to the leased property. Generally, the leases include renewal options for various periods at stipulated rates. Total rental expenses were \$88,496 and \$93,925 in 2019 and 2018, respectively. NETO also leases broadcasting tower space and spectrum to various companies through 2030. These agreements typically include provisions for a monthly payment and may also include contingent rents based upon levels of revenue. Total rental income was \$1,187,668 and \$855,648 in 2019 and 2018, respectively. NETO entered into an agreement in December 2017 to rent channel space, which is included in rental income in 2019 and 2018.

Future minimum lease commitments and revenues for all non-cancellable operating leases with initial or remaining terms in excess of one year at June 30, 2019, are as follows for each of the years ending June 30:

	<u>Payments</u>	<u>Receipts</u>
2020	\$ 40,787	\$ 1,128,571
2021	19,582	1,163,939
2022	16,984	1,057,401
2023	16,984	732,099
2024	16,576	377,027
Thereafter	<u>101,760</u>	<u>1,032,126</u>
	<u>\$ 212,673</u>	<u>\$ 5,491,163</u>

NOTE E - LINES OF CREDIT

NETO has two lines of credit with two banks at a collective maximum borrowing base of \$400,000. The lines are due on demand and interest is due monthly at the banks' prime rate (5.25% at June 30, 2019). There were no balances outstanding at June 30, 2019 and 2018. The lines are collateralized by all business assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE F - LONG-TERM DEBT

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

	<u>2019</u>	<u>2018</u>
Note payable to financial institution, due in monthly installments of \$413 at 0.9% interest, collateralized by vehicle	\$ 15,853	\$ 20,637
Less current maturities	<u>4,828</u>	<u>4,785</u>
TOTAL LONG-TERM DEBT	<u>\$ 11,025</u>	<u>\$ 15,852</u>

Following is a summary of principal amounts due on long-term debt for each of the four years following June 30, 2019:

2020	\$ 4,828
2021	4,872
2022	4,916
2023	<u>1,236</u>

NOTE G - BENEFIT PLANS

Substantially all full-time employees of NETO are covered by and are required to contribute to the State Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system administered by the State of Ohio. Employer and employee required contributions to PERS for both retirement benefits and postretirement health care benefits are established by the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the fund's actuaries. The payroll for employees covered by PERS for the years ended June 30, 2019 and 2018, was approximately \$825,000 and \$733,000, respectively.

The current employee total contribution rate is 10.0% of gross salaries and wages and the employer total contribution rate is approximately 14.0% of related gross salaries and wages. NETO's contribution to PERS amounted to \$116,189 in 2019 and \$99,996 in 2018, of which approximately \$-0- related to postretirement health care coverage.

NETO also provides its employees with an additional postretirement benefit for accrued and unpaid sick pay. Employees with 10 years of service who are eligible for retirement (as defined by PERS) receive a lump sum payment of 25% of the accrued unpaid sick time up to certain limits. NETO has recorded an accrued benefit cost for sick leave of \$41,110 and \$39,429 at June 30, 2019 and 2018, respectively, which is included in accounts payable, accrued expenses and other liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE H - NET ASSETS

Net assets with donor restrictions are available for underwriting purposes at June 30, 2019 and 2018, in the amount of \$92,267 and \$85,484, respectively.

Net assets with donor restrictions are available for education programming purposes at June 30, 2019 and 2018, in the amount of \$10,000 and \$14,000, respectively.

Net assets with donor restrictions are available for capital purposes at June 30, 2019 and 2018, in the amount of \$65,436 and \$-0-, respectively.

Net assets of \$85,484 and \$103,232 relating to underwriting were released from donor restrictions with the passage of time for the years ended June 30, 2019 and 2018, respectively.

Net assets of \$14,000 and \$15,000 relating to education programming purposes were released from donor restrictions with the passage of time for the years ended June 30, 2019 and 2018, respectively.

Net assets of \$33,806 and \$-0- relating to capital project purposes were released from donor restriction by satisfying the capital expenditure requirement for the years ended June 30, 2019 and 2018, respectively.

NOTE I - TUITION REIMBURSEMENT

NETO provides full tuition benefits for eligible employees, retirees, and their dependents as long as they were employed with the NETO prior to July 1, 2003 and attend one of its consortium universities. It is impractical to estimate the amount of future tuition benefits and, accordingly, no liability has been recorded in the accompanying financial statements. NETO's policy is to recognize the costs of tuition benefits when actually paid on behalf of the employee. The tuition paid and expensed by NETO for the years ended June 30, 2019 and 2018, was \$15,040 and \$16,349, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE J - COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (Grants) to qualifying public telecommunications entities. The Grants are approved by the U.S. Congress each year and could be reduced in the future.

The Grants are reported in the accompanying financial statements as net assets without donor restrictions; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, recordkeeping, audits, financial reporting and licensee status with the Federal Communications Commission (FCC).

NOTE K - CONCENTRATIONS

Grant revenue from one organization for the years ended June 30, 2019 and 2018, totaled \$932,243 and \$973,183, respectively, which was 14% and 17% of total funding revenue for each year, respectively.

NOTE L - NONCASH INVESTING AND FINANCING ACTIVITIES

During the year ended June 30, 2018, NETO acquired a vehicle for \$24,198 by issuing a note payable for the same amount.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.
DBA WESTERN RESERVE PUBLIC MEDIA**

June 30, 2019 and 2018

NOTE M - LIQUIDITY AND AVAILABILITY

NETO's financial assets are considered unavailable when illiquid, or not convertible to cash within one year or have donor restrictions for capital expenditures. NETO has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

Financial assets, as of June 30, 2019:	
Cash and cash equivalents	\$ 649,841
Other assets and receivables, net	334,843
Investments	<u>342,618</u>
TOTAL FINANCIAL ASSETS	1,327,302
Less amounts not available to be used within one year:	
Accounts payable	245,292
Accrued liabilities	421,593
Current maturities of long-term debt	4,828
Donor restricted for capital expenditures	<u>65,436</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 590,153</u>

NOTE N - SPECTRUM AUCTION AND FREQUENCY REPACKING

As part of the National Broadband Plan to increase broadband capacity, Congress authorized the FCC to conduct an Incentive Spectrum Auction to reclaim spectrum used by TV stations and repurpose it for use by wireless companies. Both of NETO's television stations, WNEO and WEAO, are located in a spectrum area that the FCC has reclaimed and as a result WNEO and WEAO will be required to vacate their current frequencies (channels 45 and 49) and move to lower ones (channels 24 and 29). The FCC has accepted WNEO and WEAO's repack plan and expenses to move to new frequencies in 2019 (WEAO) and 2020 (WNEO). NETO is in progress and on schedule to repack WNEO, WEAO and the Youngstown translator.

The move will likely result in obsolescence of some of NETO's current equipment, however, the extent and amount of obsolescence cannot be reasonably estimated at this time.