



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

---

**FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2020  
(With summarized comparative information for  
June 30, 2019)**

The background of the lower half of the page is an abstract, grayscale geometric pattern consisting of overlapping, semi-transparent planes and lines, creating a sense of depth and complexity.

**SIKICH.COM**

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

**TABLE OF CONTENTS**

---

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-20

274 White Pond Drive  
Akron, OH 44320  
330.864.6661

**SIKICH.COM**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Northeastern Educational Television of Ohio, Inc.  
Dba PBS Western Reserve

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2020, 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter – New Accounting Pronouncement**

As discussed in Note 2 to the financial statements, the Organization adopted provisions of ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The adoption of this ASU did not result in a change to the accounting for any of the Organization's contributions. Our opinion is not modified with respect to this matter.

## **Prior Period Financial Statements and Summarized Comparative Information**

The financial statements as of and for the year ended June 30, 2019 were audited by other auditors, and whose report dated November 20, 2019 expressed an unmodified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sikich LLP*

Akron, Ohio  
October 22, 2020

**NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.**  
**DBA PBS WESTERN RESERVE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2020**

**(with summarized comparative financial information as of June 30, 2019)**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,135,884	\$ 649,841
Pledges receivable, net	204,188	172,023
Grants receivable	57,350	41,335
Other accounts receivable	67,573	88,100
Prepays	15,764	32,375
Other assets	1,010	1,010
	<u>1,481,769</u>	<u>984,684</u>
<b>NONCURRENT ASSETS</b>		
Beneficial interest held at foundation	663,031	342,618
Property and equipment, net	4,315,852	1,730,678
	<u>4,978,883</u>	<u>2,073,296</u>
	<u>\$ 6,460,652</u>	<u>\$ 3,057,980</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 174,390	\$ 187,581
Accrued expenses	137,410	126,703
Deferred revenue, current	351,951	352,601
Refundable advance	215,441	-
Notes payable, current	-	4,828
	<u>879,192</u>	<u>671,713</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred revenue, long-term	13,750	16,500
Notes payable, long-term	-	11,025
	<u>13,750</u>	<u>27,525</u>
Total liabilities	<u>892,942</u>	<u>699,238</u>
<b>NET ASSETS</b>		
Without donor restrictions	5,470,708	2,191,039
With donor restrictions	97,002	167,703
	<u>5,567,710</u>	<u>2,358,742</u>
	<u>\$ 6,460,652</u>	<u>\$ 3,057,980</u>

See accompanying notes to financial statements.

**NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.**  
**DBA PBS WESTERN RESERVE**

**STATEMENTS OF ACTIVITIES**  
**for the year ended June 30, 2020**  
**(with summarized comparative financial information for the year ended June 30, 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Ohio BEMC - General grant	\$ 317,396	\$ -	\$ 317,396	\$ 302,699
Ohio BEMC - Education grant	177,792	-	177,792	177,792
Ohio BEMC - Capital grant	47,934	-	47,934	99,242
ODE EdTech - Education grant	225,028	-	225,028	225,028
Membership income	1,939,778	-	1,939,778	1,714,655
Underwriting income and public support	120,490	54,183	174,673	275,243
Rental income	517,331	-	517,331	527,668
Channel sharing revenue	660,000	-	660,000	660,000
FCC repack reimbursement	2,602,346	-	2,602,346	669,775
Other grants	35,000	23,990	58,990	40,000
Ohio Ready to Learn grant	54,716	-	54,716	33,063
Corporation for Public Broadcasting grant	1,179,745	-	1,179,745	932,243
Capital grant income	-	-	-	43,222
Other income	15,525	-	15,525	39,340
In-kind broadcast services	776,723	-	776,723	874,765
Net assets released from restrictions	148,874	(148,874)	-	-
Total revenue and support	<u>8,818,678</u>	<u>(70,701)</u>	<u>8,747,977</u>	<u>6,614,735</u>
<b>EXPENSES</b>				
Broadcasting	1,750,705	-	1,750,705	1,553,859
Educational services	208,105	-	208,105	271,364
PTV programming	1,754,451	-	1,754,451	1,693,054
Communications	326,126	-	326,126	306,694
Total program services	4,039,387	-	4,039,387	3,824,971
Fundraising and development	809,711	-	809,711	965,026
General and administrative	680,324	-	680,324	417,249
Total expenses	<u>5,529,422</u>	<u>-</u>	<u>5,529,422</u>	<u>5,207,246</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Change in beneficial interest in assets held at foundation	(9,587)	-	(9,587)	12,617
CHANGE IN NET ASSETS	3,279,669	(70,701)	3,208,968	1,420,106
NET ASSETS, BEGINNING OF YEAR	<u>2,191,039</u>	<u>167,703</u>	<u>2,358,742</u>	<u>938,636</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,470,708</u>	<u>\$ 97,002</u>	<u>\$ 5,567,710</u>	<u>\$ 2,358,742</u>

NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE

STATEMENTS OF FUNCTIONAL EXPENSES  
for the year ended June 30, 2020  
(with summarized comparative information for the year ended June 30, 2019)

	2020							2019	
	Broadcasting	Educational Services	PTV Programming	Communications	Total Program Services	Fundraising and Development	General and Administrative	Total	Total
<b>OPERATING EXPENSES</b>									
Salaries	\$ 228,280	\$ 116,893	\$ 148,729	\$ 158,924	\$ 652,826	\$ 88,599	\$ 152,253	\$ 893,678	\$ 854,451
Payroll taxes and retirement	36,574	16,947	24,324	25,275	103,120	12,193	18,802	134,115	140,749
Benefits	17,672	11,304	7,182	20,575	56,733	8,926	7,473	73,132	120,370
Bank fees	-	-	-	-	-	33,939	7,045	40,984	44,096
Dues and fees	21,364	4,042	30,220	4,042	59,668	4,610	5,145	69,423	67,101
Maintenance and repair	13,361	-	-	-	13,361	-	40,008	53,369	51,300
Outside services and contracts	53,082	42,346	109,891	12,058	217,377	295,914	31,464	544,755	443,926
Insurance	-	-	-	-	-	-	85,354	85,354	86,635
Mailing and postage	-	-	-	-	-	96,952	-	96,952	80,698
Incentive gifts	-	-	-	-	-	168,774	-	168,774	171,308
Pledge call service	-	-	-	-	-	46,781	-	46,781	39,488
Professional fees	5,175	-	-	-	5,175	-	33,319	38,494	93,604
Supplies and office expenses	10,828	8,653	6,710	3,213	29,404	13,101	17,073	59,578	50,858
Program guide	-	-	-	102,039	102,039	-	-	102,039	92,582
Production costs	-	-	1,418,784	-	1,418,784	-	-	1,418,784	1,381,024
Building rent	51,780	-	-	-	51,780	-	-	51,780	57,494
Travel and conferences	5,218	7,920	1,167	-	14,305	1,534	4,349	20,188	24,735
Utilities	107,884	-	-	-	107,884	-	44,729	152,613	158,601
Equipment removal	101,160	-	-	-	101,160	-	-	101,160	7,563
In-kind broadcast services	776,723	-	-	-	776,723	-	-	776,723	874,765
Miscellaneous	-	-	-	-	-	38,388	-	38,388	43,488
Bad debt expense	-	-	-	-	-	-	206,011	206,011	156,558
Interest	-	-	-	-	-	-	642	642	1,076
Total expenses before depreciation	1,429,101	208,105	1,747,007	326,126	3,710,339	809,711	653,667	5,173,717	5,042,470
<b>DEPRECIATION</b>	<u>321,604</u>	<u>-</u>	<u>7,444</u>	<u>-</u>	<u>329,048</u>	<u>-</u>	<u>26,657</u>	<u>355,705</u>	<u>164,776</u>
Total functional expenses	\$ 1,750,705	\$ 208,105	\$ 1,754,451	\$ 326,126	\$ 4,039,387	\$ 809,711	\$ 680,324	\$ 5,529,422	\$ 5,207,246

See accompanying notes to financial statements.

**NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.**  
**DBA PBS WESTERN RESERVE**

**STATEMENTS OF CASH FLOWS**  
**for the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,208,968	\$ 1,420,106
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	355,705	164,776
(Gain) loss on disposition of assets	(13,786)	4,800
Change in beneficial interest in assets held at foundation	9,587	(12,618)
Bad debt expense	206,011	156,558
Changes in operating assets:		
Pledges receivable	(187,732)	(162,986)
Grants Receivable	(16,015)	(41,335)
Other accounts receivable	(29,917)	10,777
Other assets and prepaids	16,611	(10,630)
Changes in operating liabilities:		
Accounts payable	(13,191)	(33,017)
Accrued expenses	10,707	3,010
Refundable advance	215,441	(3,000)
Deferred revenue	(3,400)	-
Total adjustments	<u>550,021</u>	<u>76,335</u>
Net cash from operating activities	<u>3,758,989</u>	<u>1,496,441</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,927,093)	(1,077,698)
Contributions to beneficial interest	(330,000)	(330,000)
Net cash from investing activities	<u>(3,257,093)</u>	<u>(1,407,698)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(15,853)	(4,784)
Net cash from financing activities	<u>(15,853)</u>	<u>(4,784)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	486,043	83,959
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>649,841</u>	<u>565,882</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,135,884</u>	<u>\$ 649,841</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Non-cash investing activities:		
Property and equipment included in accounts payable	\$ 33,771	\$ 13,515
Cash paid for interest	<u>\$ 642</u>	<u>\$ 1,076</u>



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

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**1. NATURE OF OPERATIONS**

**Nature of Activities** – Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve (the Organization) 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). The Organization operates two public television stations, WNEO, Channel 45 and WEAO, Channel 49.

**Broadcasting:** The organization is the owner and operator of two full-power educational “set-aside,” noncommercial broadcast television channels (WNEO and WEAO) and one translator channel (W13 DP-D), all licensed by the Federal Communications Commission. WNEO is licensed to the city of Alliance and serves the Youngstown designated television market. WEAO is licensed to the city of Akron and serves the Cleveland/Akron/Canton designated television market. W13 DP-D is a translator license and serves areas of Mahoning Valley that cannot receive WNEO. The organization also owns and operates two broadcast towers and 4 higher frequency Educational Broadband Service (EBS—formerly known as Instructional Television Fixed Service or ITFS) channels in Youngstown market and co-owns with Akron Public Schools 4 EBS channels in Akron.

**Educational Services:** The Educational Services Department, funded in large part by the Ohio Department of Education, serves K-12 students and educators in 10 Ohio counties, which includes over 100 public school districts, over 150 nonpublic schools, over 300,000 students and over 24,000 educators. Since 1973, Educational Services has been training teachers to use the latest educational technologies in their classrooms. Teachers also use the station’s instructional television programming, locally produced multimedia curriculum projects and in-school technology and consultation services. PBS Western Reserve is part of the statewide network of educational technology agencies that provide collaborative training to all educators across the state.

**PTV Programming:** For its broadcast service, the organization offers three separately programmed 24/7 noncommercial television channels: 1. A high definition broadcast service that mainly consist of programming provided by the Public Broadcasting Service (PBS) 2. Fusion, which is a standard definition service that has an 8-hour block of programming provided by the Ohio Government Channel; an 8-hour block of programming provided by the Classic Arts Channel; and another 8 hours of programming that is mostly a mix of PBS, syndicated and local/regional programming. All three channels offer a wide range of programs on subjects including science and nature; drama, art and music; how-tos, travel and adventure; history and biography; and news and public affairs.

**Communications:** The Organization extends their brand through strategic partnerships. They collaborate with other community entities through local events, reciprocal agreements and other types of support. The Organization’s program guide, The Alternative, circulates to 12,500 members monthly, while our Monday morning e-blast, The Prompter, is sent to 3,000 and highlights programming for the week. In addition, the website averages 118,500 views monthly.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**1. NATURE OF OPERATIONS (Continued)**

**Basis of Presentation** – The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

***Net assets without donor restrictions*** are for general operations and board-designated net assets of the Organization and are not subject to donor-imposed restrictions. These net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

***Net assets with donor restrictions*** are subject to stipulations imposed by donors and grantors. Some donor restrictions are for actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Cash and Cash Equivalents** – The Organization considers all short-term liquid investments with maturities, when purchased, of 90 days or less to be cash equivalents.

**Concentration of Credit Risk** – The Organization maintains cash and cash equivalents in accounts with financial institutions which, at times, may exceed federally insured limits and at June 30, 2020 and 2019, these deposits totaled \$678,578 and \$405,763, respectively. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Comparative Financial Information** – The financial statements include certain prior year summarized comparative information in total but not by net asset class for the statement of activities. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**Other Accounts Receivable** – Other 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. As of June 30, 2020 and 2019, the Organization had an allowance for other accounts receivable for \$0.

**Property and Equipment** – Acquisitions of property and equipment and expenditures for repairs, maintenance, and betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated utilizing the straight-line method over the estimated useful lives. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. When property is retired or otherwise disposed of, the cost of property and accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are charged or credited to operations for the period. Assets are depreciated based on the following estimated useful lives:

Buildings	7 – 30 years
Furniture and fixtures	3 – 10 years
Machinery and equipment	3 – 20 years
Intangible assets	5 – 7 years

**Support and Revenue Recognition** – The Organization has adopted ASU No. 2018-08, *Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Grants and Awards)*. The ASU provides guidance to help determine when a grant is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional grants made are recognized immediately and classified as grants and awards expense, while conditional grants are not recorded until the barriers to entitlement are overcome, at which point the transaction is recognized as grants and awards expense. Results for reporting the year ending December 31, 2019 are presented under ASU No. 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. Accordingly, no adjustment to opening net assets was recorded.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**Support and Revenue Recognition (Continued)** – Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of specific promises made. As of June 30, 2020 and 2019, the Organization had an allowance for grants and pledges receivable of \$136,130 and \$122,160. All pledge receivable balances are due within 1 year.

Membership and channel sharing income are reflected as revenue ratable over the applicable period. Rental income is recognized straight line over the term of lease.

**Deferred Revenue** – Deferred revenue consists of channel sharing income and is recognized as deferred revenue at the time of receipt and recognized as revenue over the life of the annual agreement.

**Refundable Advance** – The Organization received \$215,441 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan is forgivable over an established period of time as long as the funds are used for eligible purposes. The Organization believes that the loan will be forgiven and therefore is accounted for as a conditional contribution. The refundable advance will be reduced, and the contribution will be recognized as revenue once the relating conditions are substantially met or explicitly waived.

**In-Kind Contributions and Services** – Contributed services are recognized as revenues at their estimated fair value only when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. 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. The Organization received in-kind services as noted above in the amount of \$776,723 in 2020 and \$874,765 in 2019.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**Functional Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between program services, supporting services, and fundraising expenses. Salaries and related expenses are allocated on the basis of estimated time and effort. All other expenses are charged directly to the functional category in which they relate at the time the expense is incurred.

**Tax Status** – The Organization is a nonprofit organization exempt from federal income taxes under the current provisions of Internal Revenue Code Section 501(c)(3). Accordingly, the Organization has not recorded provisions for federal and state income taxes. The Organization is not classified as a private foundation.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncements** – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers”, as amended by ASU 2020-05, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2019 and interim periods within the annual period beginning after December 15, 2020. The Organization is currently assessing the impact of this new standard.

**Subsequent Events** – Management has evaluated subsequent events and transactions for potential recognition or disclosure through October 22, 2020, the date the financial statements were available to be issued, and determined that there were no significant non-recognized subsequent events through that date except the following:

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time, believing it reasonably possible that operations will be negatively impacted. No adjustments have been made to these financial statements as a result of this uncertainty.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**3. LIQUIDITY**

The following represents the Organization's financial assets available for operating expenses and capital expenditures on fixed assets within one year of the statement of financial position date at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,135,884	\$ 649,841
Pledges receivable, net	204,188	172,023
Grants receivable	57,350	41,335
Other accounts receivable	<u>67,573</u>	<u>88,100</u>
	<u>\$ 1,464,995</u>	<u>\$ 951,299</u>
Less net assets with donor restriction	<u>(97,002)</u>	<u>(167,703)</u>
Total financial assets liquid within one year	<u>\$ 1,367,993</u>	<u>\$ 783,596</u>

Based on the above financial assets and the Organization's \$400,000 line of credit available as described in Note 5, the Organization has the resources to meet cash flow needs.

**4. PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>
Buildings	\$ 2,018,398	\$ 2,009,133
Furniture and fixtures	47,143	13,071
Machinery and equipment	5,668,978	6,956,983
Intangible assets	31,261	190,218
Construction in progress	<u>571,723</u>	<u>949,015</u>
	8,337,503	10,118,420
Less accumulated depreciation	<u>4,021,651</u>	<u>8,387,742</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>\$ 4,315,852</u>	<u>\$ 1,730,678</u>

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**5. FINANCING ARRANGEMENTS**

The Organization has two credit agreements 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 (3.25% at June 30, 2020). There were no balances outstanding at June 30, 2020 and 2019. The lines are collateralized by all business assets. During 2019, the Organization acquired a vehicle by issuing a note payable for \$24,198. The balance as of note payable was \$0 and \$15,853 as of June 30, 2020 and 2019.

**6. FAIR VALUE MEASUREMENTS**

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2020 and 2019.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**6. FAIR VALUE MEASUREMENTS (Continued)**

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2020 and 2019.

**Beneficial interests in assets held at Foundation** – Valued using the fair value of the assets held. The Organization considers the measurement of its beneficial interest in assets held at foundations to be a Level 3 measurement within the hierarchy because even though that measurement is based on the fair value of assets reported by the trustee, the Organization does not have the ability to direct the trustee to redeem them.

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

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets held at foundation	\$ -	\$ -	\$ 663,031	\$ 663,031
Total assets				\$ 663,031
	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets at foundation	\$ -	\$ -	\$ 342,618	\$ 342,618
Total assets				\$ 342,618



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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**6. FAIR VALUE MEASUREMENTS (Continued)**

**Unobservable (Level 3) Inputs**

The activity for the beneficial interest in assets held at foundation, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 342,618	\$ -
Contribution	330,000	330,000
Change in beneficial interest in assets held at foundations	<u>(9,587)</u>	<u>12,618</u>
Balance, end of year	<u>\$ 663,031</u>	<u>\$ 342,618</u>

The change in value of the beneficial interest in the trust is reported in that line of the statement of activities.

**7. NET ASSETS**

Net assets without donor restrictions are available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Operating surplus	\$ 525,596	\$ 131,258
Net investment in property and equipment	4,282,081	1,717,163
Board-designated funds functioning as endowment	<u>663,031</u>	<u>342,618</u>
Total net assets without donor restriction	<u>\$ 5,470,708</u>	<u>\$ 2,191,039</u>

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**7. NET ASSETS (Continued)**

Net Assets with time or purpose donor-imposed restrictions are restricted for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Underwriting	\$ 54,183	\$ 92,267
Education programming	15,000	10,000
Capital funds	18,829	65,436
Rebranding	<u>8,990</u>	<u>-</u>
	<u>\$ 97,002</u>	<u>\$ 167,703</u>

Net assets with donor restrictions totaling \$148,874 in 2020 and \$133,290 in 2019 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors

**8. ENDOWMENT**

The Organization is the beneficiary of assets held at foundations including the Western Reserve Public Media Endowment Fund (WRPM Fund) held by the Akron Community Foundation. WRPM Fund is held by the Organization but held by the Akron Community Foundation in a separate fund designated as the WRPM Fund. This fund was designated by the Board of Directors to function as an endowment and is included in an interest in assets held at foundations in the statement of financial position. Income received from these funds are for general operations of the Organization. As required by accounting principles generally accepted in the United States of America, net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Interest totaled \$663,031 and \$342,618 at June 30, 2020 and 2019, respectively.

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

**NOTES TO FINANCIAL STATEMENTS, Continued  
For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**8. ENDOWMENT (Continued)**

***Changes in Endowment Net Assets for the Years Ended June 30***

	<b>Without Donor Restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2018	\$ -	\$ -
Contributions	330,000	330,000
Change in beneficial assets held By Foundation	<u>12,618</u>	<u>12,618</u>
Endowment net assets, June 30, 2019	<u>342,618</u>	<u>342,618</u>
Contributions	330,000	330,000
Change in beneficial assets held By Foundation	<u>(9,587)</u>	<u>(9,587)</u>
Endowment net assets, June 30, 2020	<u>\$ 663,031</u>	<u>\$ 663,031</u>

**Return Objectives and Risk Parameters** – The Organization has adopted investment and spending policies for endowment assets based on the policies held at the Akron Community Foundation that attempt to provide a predictable stream of funding for Organization operations and programs.

**Strategies Employed for Achieving Objectives** – The Organization relies on a total return strategy at the Akron Community Foundation in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**9. LEASES**

The Organization leases equipment and broadcasting tower space under several lease agreements through 2030. Certain operating leases provide that the Organization 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 \$73,153 and \$88,496 in 2020 and 2019, respectively.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**9. LEASES (Continued)**

The Organization 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 \$517,331 and \$527,668 in 2020 and 2019, respectively. The Organization entered into an agreement in December 2017 to rent channel space for \$660,000 per year, which is included in channel sharing revenue in 2020 and 2019.

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, 2020, are as follows for each of the years ending June 30:

	<u>Payments</u>	<u>Receipts</u>
2021	\$ 28,531	\$ 1,122,291
2022	28,711	1,108,320
2023	26,293	751,688
2024	26,068	411,040
2025	24,221	496,782
Thereafter	<u>113,611</u>	<u>529,192</u>
	<u>\$ 247,435</u>	<u>\$ 4,419,313</u>

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02, as amended by ASU No. 2020-05, is effective for non-public entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the two option transition methods.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**10. BENEFIT PLANS**

Substantially all full-time employees of the Organization 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, 2020 and 2019, was approximately \$881,000 and \$825,000, 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. The Organization's contribution to PERS amounted to \$114,813 in 2020 and \$116,189 in 2019, of which approximately \$0 related to postretirement health care coverage.

The Organization 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. The Organization has recorded an accrued benefit cost for sick leave of \$47,427 and \$41,110 at June 30, 2020 and 2019, respectively, which is included in accounts payable, accrued expenses and other liabilities.

**11. CONCENTRATIONS**

Revenue from the Organization's two largest funding sources for the years ended June 30, 2020 and 2019, totaled \$3,782,091 and \$1,602,018, respectively, which was 43% and 24% of total funding revenue for each year, respectively. As of June 30, 2020 and 2019, approximately 30% and 10% of the funding sources was from a capital reimbursement.

**12. 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, all of which have been satisfied during the fiscal year. These guidelines pertain to the use of Grant funds, recordkeeping, audits, financial reporting and licensee status with the Federal Communications Commission (FCC).

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2020**

**(with summarized comparative financial information for the year ended June 30, 2019)**

**13. COLLABORATIVE AGREEMENT**

The Organization operates under a written collaborative agreement contract with the State of Ohio (the State). The contract shall be for twenty-five years expiring on July 31, 2043, unless either party gives 180 days notice of its intent to terminate on or before the expiration date. Under the provisions of the agreement, the State provides the Organization with the right to use certain land on which the Organization operates for \$1 in total.