

WQED MULTIMEDIA AND SUBSIDIARY
Pittsburgh, Pennsylvania

Consolidated Financial Statements
For the years ended September 30, 2020 and 2019
and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
WQED Multimedia and Subsidiary
Pittsburgh, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of WQED Multimedia and Subsidiary (WQED), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended and the consolidated statements of functional expenses for the year ended September 30, 2020 and 2019 and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 (U.S. GAAP); 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the WQED's preparation and fair presentation of the consolidated 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 WQED'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WQED as of September 30, 2020 and 2019, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with U.S. GAAP.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
January 14, 2021

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>September 30</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,342,775	\$ 881,112
Accounts receivable, net	232,100	276,490
Grants receivable	2,171,335	2,231,423
Pledges receivable	49,576	90,253
Prepaid expenses	156,051	175,058
Investments	12,760,065	12,224,170
Property and equipment, net	4,547,609	5,036,006
Total Assets	<u>\$ 22,259,511</u>	<u>\$ 20,914,512</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 808,564	\$ 826,232
Accrued liabilities	796,414	600,817
Gift annuity payable	48,652	83,152
Deferred revenue	162,106	244,092
Deferred grant revenue	1,060,400	-
Total Current Liabilities	2,876,136	1,754,293
 NET ASSETS		
Without Donor Restrictions	9,403,741	8,814,508
With Donor Restrictions	9,979,634	10,345,711
Total Net Assets	<u>19,383,375</u>	<u>19,160,219</u>
Total Liabilities And Net Assets	<u>\$ 22,259,511</u>	<u>\$ 20,914,512</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
OPERATING REVENUES AND SUPPORT			
Contributed income:			
Membership	\$ 5,637,381	-	\$ 5,637,381
Government grants and contributions	-	\$ 3,012,292	3,012,292
Sales and underwriting	927,728	856,763	1,784,491
Foundation grants and contributions	132,244	307,036	439,280
Corporate grants and contributions	-	104,401	104,401
Other:			
Distribution, royalties and ancillary services	1,432,253	-	1,432,253
Investment income	87,944	506,790	594,734
Other	381	-	381
Loss on retirement of property and equipment	-	-	-
	<u>8,217,931</u>	<u>4,787,282</u>	<u>13,005,213</u>
Net assets released from restrictions	<u>5,153,359</u>	<u>(5,153,359)</u>	<u>-</u>
	<u>13,371,290</u>	<u>(366,077)</u>	<u>13,005,213</u>
EXPENSES AND OTHER DEDUCTIONS			
Salaries and benefits	5,713,053	-	5,713,053
Program acquisition	1,727,972	-	1,727,972
Legal and consulting	1,207,740	-	1,207,740
Occupancy	877,992	-	877,992
Supplies	705,122	-	705,122
Depreciation	645,743	-	645,743
Equipment rental and maintenance	436,543	-	436,543
Production freelance and outside services	341,329	-	341,329
Miscellaneous	267,894	-	267,894
Telephone	204,476	-	204,476
Trade expenses	163,584	-	163,584
Travel and training	117,618	-	117,618
Advertising and promotion	91,827	-	91,827
PBS affiliation fees and other duties	84,151	-	84,151
Accounting fees	66,958	-	66,958
Printing and publication	48,310	-	48,310
Postage and shipping	46,469	-	46,469
Story, music and talent rights	35,276	-	35,276
	<u>12,782,057</u>	<u>-</u>	<u>12,782,057</u>
Changes In Net Assets	589,233	(366,077)	223,156
NET ASSETS			
Beginning of year	<u>8,814,508</u>	<u>10,345,711</u>	<u>19,160,219</u>
End of year	<u>\$ 9,403,741</u>	<u>\$ 9,979,634</u>	<u>\$ 19,383,375</u>

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 4,772,188	\$ 1,067	\$ 4,773,255
-	3,376,997	3,376,997
1,359,400	803,366	2,162,766
100,936	223,345	324,281
-	30,280	30,280
1,536,754	-	1,536,754
88,283	286,897	375,180
750	-	750
(366,658)	-	(366,658)
<u>7,491,653</u>	<u>4,721,952</u>	<u>12,213,605</u>
4,548,720	(4,548,720)	-
<u>12,040,373</u>	<u>173,232</u>	<u>12,213,605</u>
5,613,997	-	5,613,997
1,686,395	-	1,686,395
1,406,658	-	1,406,658
895,931	-	895,931
454,756	-	454,756
708,323	-	708,323
479,011	-	479,011
124,353	-	124,353
252,971	-	252,971
219,414	-	219,414
185,624	-	185,624
207,414	-	207,414
294,286	-	294,286
56,983	-	56,983
61,655	-	61,655
60,159	-	60,159
55,825	-	55,825
7,725	-	7,725
<u>12,771,480</u>	<u>-</u>	<u>12,771,480</u>
(731,107)	173,232	(557,875)
<u>9,545,615</u>	<u>10,172,479</u>	<u>19,718,094</u>
<u>\$ 8,814,508</u>	<u>\$ 10,345,711</u>	<u>\$ 19,160,219</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Activities			Total Program Activities
	TV	FM	Education	
Salaries and benefits	\$ 2,503,342	\$ 681,486	\$ 791,420	\$ 3,976,248
Program acquisition	1,583,415	118,664	-	1,702,079
Legal and consulting	583,451	350,199	196,163	1,129,813
Occupancy	454,463	22,359	-	476,822
Supplies	110,737	1,749	179,976	292,462
Depreciation	201,869	31,773	46,651	280,293
Equipment rental and maintenance	241,309	13,808	27,294	282,411
Production freelance and outside services	121,067	7,840	158,659	287,566
Miscellaneous	7,270	14,766	6,834	28,870
Telephone	20,937	16,938	4,180	42,055
Trade expenses	60,601	85,058	4,050	149,709
Travel and training	55,118	8,614	37,574	101,306
Advertising and promotion	79,436	1,443	3,739	84,618
PBS affiliation fees and other duties	17,985	5,718	17,698	41,401
Accounting fees	-	-	-	-
Printing and publication	4,373	1,625	31,073	37,071
Postage and shipping	3,142	383	8,633	12,158
Story, music and talent rights	35,276	-	-	35,276
	<u>\$ 6,083,791</u>	<u>\$ 1,362,423</u>	<u>\$ 1,513,944</u>	<u>\$ 8,960,158</u>

Supporting Activities

General and Administrative	Fundraising Costs	Total Supporting Activities	Total 2020
\$ 943,304	\$ 793,501	\$ 1,736,805	\$ 5,713,053
-	25,893	25,893	1,727,972
23,640	54,287	77,927	1,207,740
401,170	-	401,170	877,992
17,014	395,646	412,660	705,122
184,301	181,149	365,450	645,743
144,036	10,096	154,132	436,543
4,991	48,772	53,763	341,329
95,425	143,599	239,024	267,894
28,048	134,373	162,421	204,476
-	13,875	13,875	163,584
12,458	3,854	16,312	117,618
5,740	1,469	7,209	91,827
11,751	30,999	42,750	84,151
66,958	-	66,958	66,958
3,256	7,983	11,239	48,310
7,416	26,895	34,311	46,469
-	-	-	35,276
<u>\$ 1,949,508</u>	<u>\$ 1,872,391</u>	<u>\$ 3,821,899</u>	<u>\$ 12,782,057</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Activities			Total Program Activities
	TV	FM	Education	
Salaries and benefits	\$ 2,778,229	\$ 417,908	\$ 598,609	\$ 3,794,746
Program acquisition	1,545,894	123,960	1,766	1,671,620
Legal and consulting	449,051	65,119	119,397	633,567
Occupancy	359,095	55,769	51,367	466,231
Depreciation	533,909	148,916	25,498	708,323
Equipment rental and maintenance	283,134	10,329	68,978	362,441
Supplies	19,041	2,370	168,469	189,880
Advertising and promotion	173,867	26,869	46,281	247,017
Miscellaneous	77,223	21,024	17,717	115,964
Telephone	76,677	25,152	16,307	118,136
Travel and training	77,486	5,434	85,241	168,161
Trade expenses	58,486	97,211	7,483	163,180
Production freelance and outside services	3,526	9,926	35,760	49,212
Accounting fees	19,332	2,936	4,206	26,474
Printing and publication	15,212	1,749	32,505	49,466
PBS affiliation fees and other duties	19,234	7,058	5,074	31,366
Postage and shipping	13,483	2,110	21,253	36,846
Story, music and talent rights	7,670	4	5	7,679
	<u>\$ 6,510,549</u>	<u>\$ 1,023,844</u>	<u>\$ 1,305,916</u>	<u>\$ 8,840,309</u>

Supporting Activities

General and Administrative	Fundraising Costs	Total Supporting Activities	Total 2019
\$ 913,702	\$ 905,549	\$ 1,819,251	\$ 5,613,997
-	14,775	14,775	1,686,395
20,646	752,445	773,091	1,406,658
429,700	-	429,700	895,931
-	-	-	708,323
96,538	20,032	116,570	479,011
2,512	262,364	264,876	454,756
41,525	5,744	47,269	294,286
49,787	87,220	137,007	252,971
20,873	80,405	101,278	219,414
27,009	12,244	39,253	207,414
-	22,444	22,444	185,624
34,034	41,107	75,141	124,353
35,181	-	35,181	61,655
2,288	8,405	10,693	60,159
7,336	18,281	25,617	56,983
4,149	14,830	18,979	55,825
-	46	46	7,725
<u>\$ 1,685,280</u>	<u>\$ 2,245,891</u>	<u>\$ 3,931,171</u>	<u>\$ 12,771,480</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 223,156	\$ (557,875)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	645,743	708,323
Loss on retirement of property and equipment	-	366,658
Net realized and unrealized gain on investments	(294,680)	(56,142)
Provision for uncollectible accounts	(45,092)	(5,580)
Changes in assets and liabilities:		
Accounts receivable	89,482	(5,958)
Grants receivable	60,088	(528,718)
Pledge receivable	40,677	68,000
Prepaid expenses and other assets	19,007	(50,219)
Accounts payable	(17,668)	(68,094)
Accrued liabilities	195,597	(79,181)
Gift annuity payable	(34,500)	(34,500)
Deferred revenue	(81,986)	(41,999)
Deferred grant revenue	1,060,400	-
Net Cash Provided By (Used In) Operating Activities	<u>1,860,224</u>	<u>(285,285)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,000,000	1,197,458
Purchase of investments	(1,241,215)	(262,458)
Purchase of property and equipment	(157,346)	(1,139,646)
Net Cash Used In Investing Activities	<u>(398,561)</u>	<u>(204,646)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	1,461,663	(489,931)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>881,112</u>	<u>1,371,043</u>
End of year	<u>\$ 2,342,775</u>	<u>\$ 881,112</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - ORGANIZATION

WQED Multimedia (WQED) is a nonprofit corporation whose purpose is to harness the power of public media and partnerships for the digital age in order to create and share outstanding public media that educates, entertains and inspires. The consolidated financial statements include the accounts of WQED and its subsidiary (collectively, the Organization). All significant transactions and accounts between the consolidated entities have been eliminated.

WQED was incorporated on February 18, 1953 in the Commonwealth of Pennsylvania. In May 2002, WQED formed a subsidiary, WQED Productions, LLC. WQED is the sole member of the LLC. This entity shares the same common mission of education and cultural radio and television programming and share common management with WQED.

WQED is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Under the provisions of the IRC and similar state provisions, the LLCs are considered to be disregarded entities and are not taxed. Under these provisions, WQED reflects its proportionate share of the income or loss on its federal filing. The LLC is not liable for income taxes, and its income is not taxable to WQED.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements follows:

Basis of Accounting and Presentation - The consolidated financial statements of WQED have been prepared on the accrual basis of accounting, and are presented in accordance with accounting pronouncements generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation - The consolidated financial statements include the accounts of WQED Multimedia and WQED Productions, LLC. All intercompany balances and transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP 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.

Net Assets - Net assets of WQED and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Board-Designated Net Assets Without Donor Restrictions - Net assets that have been designated by the Board to provide support for activities that further WQED's mission.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed or legal stipulations that may or will be met either by actions of WQED and/or the passage of time, or those that are to be maintained in perpetuity by WQED. Generally, donors of these assets permit WQED to use all or part of the income earned on related investments for general or specific purposes.

WQED MULTIMEDIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and contributions received are recorded as net assets without donor restrictions and/or with donor restrictions support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released due to satisfaction of program restrictions. Conditional promises to give are recognized as income when the conditions are substantially met.

Licensing transactions are accounted for as exchange transactions. These types of transactions are primarily recorded as distribution, royalties, and ancillary services revenues and expenses. For licensing transactions, revenue and direct expenses are recognized upon completion of the project or identifiable components within the project. Deferred revenue includes revenue on uncompleted projects that has not been earned as of the statement of financial position date. Program expenses related to uncompleted projects are capitalized as assets.

Grants and contributions related to program production and other development projects underwritten by foundations, corporations and others (which are nonlicensing transactions) are initially recorded in net assets with donor restrictions.

In-Kind Donations - Donated materials and services that meet the recognition requirements under generally accepted accounting principles are reflected as contributions at their estimated values at the date of receipt.

WQED has a 99-year lease with a local university, which expires in February 2066, at a nominal fee of \$1 per year for the land and building where its studio and office facilities are located. The lease states that the land and facilities are to be used in the operation of a noncommercial, nonprofit, educational television station. The lease also states that the property must be surrendered in good condition and repair, and WQED must remove certain fixtures and equipment upon termination of the lease at its own expense, which, it is estimated, would be minimal. WQED accounts for the lease in contributed services based on the estimated annual rental income. These contributed services are recorded as contribution revenue and rent expense for the amount of \$335,000 in 2020 and 2019.

Cash and Cash Equivalents - For purposes of the statements of cash flows, WQED considers all investments purchased with maturities of three months or less to be cash equivalents. Carrying value approximates fair value for these investments. WQED maintains cash and cash equivalents that might exceed federally insured amounts at times.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to earnings and a credit 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 trade accounts receivable. The allowance for doubtful accounts was approximately \$10,000 and \$55,000 at September 30, 2020 and 2019, respectively.

Grants Receivable - Grants receivable, primarily for net assets with donor restrictions, are recognized as revenues or gains in the period the grant is received. Grants receivable include assets and decreases of liabilities or expenses depending on the form of the benefits received. WQED expects that substantially all of the grants will be collected within one year. As of September 30, 2020 and 2019, no allowance for uncollectible grants was considered to be necessary.

WQED MULTIMEDIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Two donors accounted for approximately 77% and 94% of WQED's grants receivable at September 30, 2020 and 2019, respectively.

Pledges Receivable - Pledges receivable are recorded at their net realized value. Conditional pledges are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at September 30, 2020 and 2019.

Investments - Investments are carried at their current fair value. Those investments received as gifts or donations are recorded at their fair value on the date received. Net appreciation or depreciation in the fair value of the investments is reflected in unrestricted revenue unless the use of the assets received is limited by donor imposed restrictions or law.

Investment income is recognized when earned. Realized gains and losses on the sale of securities are recognized using the specific identification method at the time of the sale or redemption.

WQED has investments in mutual funds and other investment securities that are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property and Equipment - Property and equipment are stated at the lower of cost or fair value. Repairs, maintenance and minor replacements of existing facilities that are not considered to extend the useful lives of assets are included with expenditures as incurred. Provision for depreciation has been computed using the straight-line method based on estimated useful lives, which range from 7 to 15 years. Contributions of donated assets are recorded at their fair values in the period received. Upon sale or retirement, the cost of assets and related allowances is removed from the accounts, and any resulting gains or losses are included in income (expense) for the year.

WQED reviews the carrying amount of property and equipment for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of an asset to future net undiscounted pretax cash flows expected to be generated by the asset. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the related estimated fair value. There were no impairment losses recorded for the years ended September 30, 2020 and 2019.

Compensated Absences - Employees are entitled to vacation time earned annually based on employment status and length of employment. All employees are required to use all vacation allocated during one calendar year no later than the following calendar year or otherwise lose it. WQED recognizes the expense and related liability when the vacation time is earned by the employees.

Expense Allocation - Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses that are allocated are allocated on a revenue basis and a percentage of payroll expenses.

WQED MULTIMEDIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charitable Gift Annuities - Annuity agreements are issued in exchange for a payment that is part charitable contribution and part purchase of an annuity, providing payments for the stated annuitant during their lifetime. A liability is recorded at the present value of the expected future payments under these agreements, based on current rates in the Internal Revenue Service's actuarial tables for annuities.

Fair Value Measurements - WQED applies the Fair Value Measurements topic of the Accounting Standards Codification, which is intended to increase consistency and comparability in fair value measurements by defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. The three levels of the fair value hierarchy are described as follows:

Level 1 - Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction as of the reporting date.

Level 3 - Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

WQED uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When inputs are available, WQED measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority. All of WQED's investments were valued using Level 1 measurements at September 30, 2020 and 2019.

Recent Accounting Pronouncements - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), which will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. ASU 2018-08 will also assist entities in determining whether a contribution is conditional. WQED adopted this ASU during the year ended September 30, 2020, and it did not have a significant impact of the financial statements.

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement - Disclosure Framework (Topic 820) (ASU 2018-13), which improves the disclosure requirements on fair value measurements. WQED adopted this ASU during the year ended September 30, 2020, and it did not have a significant impact on the financial statements.

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU No. 2014-09 Revenue from Contracts with Customers (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU 2014-09 (1) specifies the accounting for some costs to obtain or fulfill a contract with a customer and (2) expands disclosure requirements related to revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for annual reporting periods beginning after September 30, 2021, including interim periods within that reporting period, and permits the use of either the retrospective or cumulative effect transition method. WQED is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02), under which a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Under finance leases, a lessee will be required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position; recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income; and classify repayments on the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows. For operating leases, a lessee is required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position; recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and classify all cash payments within operating activities in the statement of cash flows. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and early application is permitted. WQED is assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

Subsequent Events - Subsequent events are defined as events or circumstances that occur after the balance sheet date, but before the consolidated financial statements are issued or available to be issued. Management has evaluated subsequent events through January 14, 2021, which is the date that the consolidated financial statements were available to be issued. (See Note 8.)

NOTE 3 - LIQUIDITY

WQED regularly monitors the liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. WQED has various sources of liquidity at its disposal, including cash and cash equivalents, short-term investments, accounts receivable and an endowment spending rate appropriation. (See Note 10 for information about WQED's endowment.) WQED also has a line of credit available to meet short-term needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WQED considers all expenditures related to its ongoing activities of WQED TV, WQED-FM and education as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, WQED anticipates collecting sufficient contributions and revenue to cover general expenditures not covered by donor-restricted resources and proactively applying an endowment spending rate appropriation for the anticipated funds needed. WQED has budgeted a \$376,749 and \$338,693 endowment spending appropriation for the years ended September 30, 2021 and 2020, respectively, which is approximately 4% of the three-year average investment values; however, WQED has the ability to request up to a 7% appropriation as needed. (See also Note 9.)

WQED's governing board has designated a portion of its unrestricted resources for the endowment. These funds are invested for long-term appreciation and current income but remain available if necessary and may be spent at the discretion of the Board. At September 30, 2020 and 2019, the amount of this board-designated endowment fund is \$4,796,125 and \$3,077,377, respectively. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

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NOTE 3 - LIQUIDITY (Continued)

The table below presents financial assets available for general expenditures within one year ended at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,342,775	881,112
Accounts receivable, net	232,100	229,490
Pledge receivable, due within the year	27,000	67,677
Operating investments	1,806,312	2,748,731
Endowment - budgeted spending rate appropriation	<u>376,749</u>	<u>338,693</u>
Total financial assets available within one year	<u>\$ 4,784,936</u>	<u>4,265,703</u>

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable at September 30 are as follows:

	<u>2020</u>	<u>2019</u>
Gross pledges receivable	<u>\$ 49,576</u>	<u>\$ 90,253</u>
Amounts due in:		
Less than one year	\$ 27,000	\$ 67,677
One to five years	<u>22,576</u>	<u>22,576</u>
	<u>\$ 49,576</u>	<u>\$ 90,253</u>

NOTE 5 - INVESTMENTS

The cost and related market value of WQED's investments at September 30 are summarized as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Money market	\$ 985,882	\$ 985,882	\$ 308,720	\$ 308,720
Equity:				
Mutual funds	4,125,134	1,904,498	2,055,599	2,119,399
Common stock	2,854,732	2,238,022	2,434,991	2,121,769
Exchange traded funds	2,368,599	1,911,757	2,034,157	1,715,581
Other equity	976	976	976	976
Fixed income:				
Corporate bonds	453,074	453,886	1,158,232	1,149,922
Government bonds	125,449	122,449	959,975	946,297
Mutual funds	<u>1,846,219</u>	<u>4,094,851</u>	<u>3,271,520</u>	<u>3,253,613</u>
	<u>\$ 12,760,065</u>	<u>\$ 11,712,321</u>	<u>\$ 12,224,170</u>	<u>\$ 11,616,277</u>

WQED MULTIMEDIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - INVESTMENTS (Continued)

Investment income, net of investment fees, at September 30 is composed of the following:

	<u>2020</u>	<u>2019</u>
Realized income:		
Interest and dividends	\$ 320,880	\$ 355,344
Realized (loss) gain on sale of investments	<u>(182,958)</u>	<u>777,491</u>
	137,922	1,132,835
Unrealized appreciation (depreciation)	<u>456,812</u>	<u>(757,655)</u>
Net investment income	<u>\$ 594,734</u>	<u>\$ 375,180</u>

The fair value for all of WQED's investments is determined by reference to quoted market prices and other relevant information, generated by market transactions. Investment income is allocated to unrestricted net assets and temporarily restricted net assets based on the specific investments income.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at September 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Transmitter:		
Building	\$ 328,454	\$ 328,454
Tower	3,162,858	3,162,858
Studio building and improvements	13,242,808	13,231,393
Technical equipment	6,061,965	6,052,924
Office furniture and equipment	<u>2,956,386</u>	<u>2,956,386</u>
	25,752,471	25,732,015
Accumulated depreciation	<u>(21,342,052)</u>	<u>(20,696,309)</u>
	4,410,419	5,035,706
Construction in progress	136,890	-
Land	<u>300</u>	<u>300</u>
	<u>\$ 4,547,609</u>	<u>\$ 5,036,006</u>

WQED holds title to the transmitter building subject to the understanding that this facility, which was acquired by gift, is to be used only for educational broadcasting purposes or research related to education.

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NOTE 6 - PROPERTY AND EQUIPMENT (Continued)

In prior years, WQED acquired equipment with grants received from the Public Telecommunications Facilities Program (PTFP). Under the agreements with PTFP, equipment purchased through this program must be maintained by WQED for 10 years, during which the grantor has a lien on this property. WQED has capitalized the equipment, since it is probable that the equipment will be maintained for at least 10 years. The remaining net book value of this equipment was \$197,126 and \$257,530 as of September 30, 2020 and 2019, respectively.

NOTE 7 - FINANCING ARRANGEMENTS

WQED has an agreement for a \$2,000,000 line of credit. The line-of-credit arrangement remains in effect until December 31, 2020, and at September 30, 2020 and 2019, no amounts were drawn on the line of credit. The line of credit bears interest at the greater of 2.0% or one-month London InterBank Offered Rate plus 1.0% (1.14% at September 30, 2020). The arrangement is collateralized by all eligible assets of WQED, including certain marketable securities, the value of which at all times must be equal or greater than 115% of all outstanding amounts under the agreements.

There was no interest expense incurred or paid for the years ended September 30, 2020 and 2019.

NOTE 8 - GOVERNMENTAL GRANT AND CONTRACTS

WQED is a recipient of a Paycheck Protection Program (PPP) loan with Dollar Bank of approximately \$1,060,400 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), that is reflected as deferred grant revenue as of September 30, 2020. Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the loan. WQED met the forgiveness criteria and \$1,060,400 of the loan was forgiven on November 25, 2020. Therefore, the amount included in the PPP loan will be recognized as grant revenue in fiscal year 2021.

WQED receives a significant portion of its grant revenue from federal agencies. Any of the funding sources may, at its discretion, rescind funding due to budgetary reductions or request reimbursement for expenses or return of funds, or both, as a result of noncompliance by WQED with the terms of the grants.

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NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with restrictions at September 30 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Program production and development	\$ 3,983,372	\$ 4,730,097
Education	659,587	292,493
Capital projects	78,427	87,723
FM radio	<u>23,250</u>	<u>400</u>
	4,744,636	5,110,713
Endowments:		
Subject to the WQED's endowment spending policy and appropriation:		
Program Development Seed Fund	4,674,998	4,674,998
WQED-FM Endowment Fund	510,000	510,000
Bessie F. Anathan Scholarship Fund	<u>50,000</u>	<u>50,000</u>
	<u>5,234,998</u>	<u>5,234,998</u>
	<u>\$ 9,979,634</u>	<u>\$ 10,345,711</u>

Net assets released from restrictions at September 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Program production and development	\$ 4,034,259	\$ 3,299,326
Capital projects	9,296	170,277
Education	956,014	992,705
FM radio	<u>153,790</u>	<u>86,412</u>
	<u>\$ 5,153,359</u>	<u>\$ 4,548,720</u>

Net assets with donor restrictions in perpetuity are restricted to the original corpus of the gifts to the endowment fund. The income from these assets is expendable to support activities and included in net assets restricted by purpose.

NOTE 10 - ENDOWMENT

WQED's endowment consists of various investment funds established primarily for support of its mission. Its endowment includes donor-restricted endowment funds and board-designated quasi-endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by WQED to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

WQED MULTIMEDIA AND SUBSIDIARY
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NOTE 10 - ENDOWMENT (Continued)

Interpretation of Relevant Law - The Board of Trustees of WQED has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141) a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board of Directors elects the amount. On an annual basis, the Board of Directors, in writing, must elect a spending rate of between 2% and 7%. In accordance with Act 141, WQED annually transfers between 4% and 7% of the previous 12 quarters' market value average of the permanently restricted endowment fund. This percentage is applied to a 12-quarter average market value of the investments at September 30 of the previous year. WQED classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with Act 141, WQED has adopted a written investment policy, of which a section specifically relates to the endowment fund.

Endowment fund net assets as of September 30, as well as the change in endowment funds by net asset type for the years ended September 30, are as follows:

	<u>Without Donor Restrictions Board- Designated</u>	<u>With Donor Restrictions Purpose Restrictions</u>	<u>With Donor Restrictions Perpetual in Nature</u>	<u>Total</u>
Endowment net assets				
September 30, 2018	\$ 2,703,334	\$ 1,561,219	\$ 5,234,998	\$ 9,499,551
Investment income, net of related expenses	55,222	143,668	-	198,890
Net appreciation (depreciation)	15,657	(81,360)	-	(65,703)
Appropriation of endowment funds	<u>303,164</u>	<u>(530,537)</u>	<u>-</u>	<u>(227,373)</u>
Endowment net assets				
September 30, 2019	3,077,377	1,092,990	5,234,998	9,405,365
Investment income, net of related expenses	48,373	132,610	-	180,983
Additions	1,000,000	-	-	1,000,000
Net appreciation	77,663	215,389	-	293,052
Appropriation of endowment funds	<u>592,712</u>	<u>(592,712)</u>	<u>-</u>	<u>-</u>
Endowment net assets				
September 30, 2020	<u>\$ 4,796,125</u>	<u>\$ 848,277</u>	<u>\$ 5,234,998</u>	<u>\$ 10,879,400</u>

WQED MULTIMEDIA AND SUBSIDIARY
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NOTE 10 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - WQED has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed-income peer groups.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, WQED 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). WQED targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the Board of Trustees, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - In accordance with Act 141, WQED annually transfers between 4% and 7% of the previous 12 quarters' market value average of the permanently restricted endowment fund to unrestricted net assets for use in current and future operations. In 2020 and 2019, the spendable return totaled \$592,712 and \$530,537, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with WQED's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). WQED has interpreted Act 141 to permit spending from underwater endowments in accordance with prudent measures required under law. WQED has no underwater endowment funds at September 30, 2020 and 2019.

NOTE 11 - EMPLOYEE BENEFIT PLANS

WQED maintains a qualified salary deferral plan covering substantially all of its employees. Employees who participate may make elective contributions to the Plan, subject to IRS limitations. WQED contributes 5% of eligible compensation for non-bargaining employees and 5% of eligible compensation for bargaining employees. WQED contributed approximately \$209,000 and \$195,000 to the Plan in 2020 and 2019, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

WQED has employees covered under collective bargaining agreements with the International Alliance of Theatrical Stage Employees Union. One of the agreements covering five employees expires on August 30, 2021. The other agreement covers eight employees and expired on April 30, 2020. The expired agreement has not been renewed as of the issuance date; however WQED is working on the renewal and has full confidence it will be renewed.

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NOTE 13 - RISKS AND UNCERTAINTIES

The coronavirus pandemic has adversely affected WQED and its operations. Ongoing government-imposed restrictions and quarantines resulted in direct operational and administrative disruptions to the WQED's operations. WQED is unable to accurately predict how restrictions related to the coronavirus pandemic will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain. While it is premature to accurately predict the ultimate impact of these developments, WQED expects its results for the year ending September 30, 2021 to be adversely impacted.