

WQED MULTIMEDIA AND SUBSIDIARY
Pittsburgh, Pennsylvania

Consolidated Financial Statements
and
Supplementary Information
For the years ended September 30, 2022 and 2021
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
WQED Multimedia and Subsidiary
Pittsburgh, Pennsylvania

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WQED as of September 30, 2022 and 2021, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of WQED and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WQED's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WQED's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WQED's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of activities for the year ended September 30, 2022 is on Page 23 as required by the Corporation for Public Broadcasting Financial Reporting Guidelines, Part I - Financial Statements, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
January 31, 2023

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>September 30</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,235,091	\$ 4,846,346
Accounts receivable, net	580,892	450,575
Grants receivable	2,093,321	2,275,668
Prepaid expenses	242,089	140,499
Investments	16,133,366	14,903,227
Property and equipment, net	<u>3,913,537</u>	<u>4,244,294</u>
Total Assets	<u>\$ 24,198,296</u>	<u>\$ 26,860,609</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 828,331	\$ 780,084
Accrued liabilities	830,914	749,493
Deferred revenue	<u>77,315</u>	<u>201,303</u>
Total Current Liabilities	1,736,560	1,730,880
NET ASSETS		
Without donor restrictions	12,106,177	12,612,831
With donor restrictions	<u>10,355,559</u>	<u>12,516,898</u>
Total Net Assets	<u>22,461,736</u>	<u>25,129,729</u>
Total Liabilities And Net Assets	<u>\$ 24,198,296</u>	<u>\$ 26,860,609</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
OPERATING REVENUES AND SUPPORT			
Contributed income:			
Membership	\$ 5,716,698	-	\$ 5,716,698
Government grants and contributions	3,915	\$ 3,241,817	3,245,732
Foundation grants and contributions	410,514	926,100	1,336,614
Corporate grants and contributions	6,783	15,000	21,783
In-kind donations	335,000	-	335,000
Other:			
Sales and underwriting	1,780,905	93,154	1,874,059
Distribution, royalties and ancillary services	1,066,485	-	1,066,485
Investment (loss) income	(943,115)	(1,985,407)	(2,928,522)
Other	103,088	-	103,088
	<u>8,480,273</u>	<u>2,290,664</u>	<u>10,770,937</u>
Net assets released from restrictions	5,132,461	(5,132,461)	-
	<u>13,612,734</u>	<u>(2,841,797)</u>	<u>10,770,937</u>
EXPENSES AND OTHER DEDUCTIONS			
Salaries and benefits	5,974,992	-	5,974,992
Program acquisition	1,874,278	-	1,874,278
Legal and consulting	1,548,460	-	1,548,460
Occupancy	917,699	-	917,699
Equipment rental and maintenance	695,320	-	695,320
Depreciation	603,469	-	603,469
Supplies	386,765	-	386,765
Miscellaneous	289,168	-	289,168
Production freelance and outside services	253,841	-	253,841
Advertising and promotion	195,774	-	195,774
Telephone	151,451	-	151,451
Travel and training	140,653	-	140,653
Trade expenses	111,697	-	111,697
Printing and publication	94,093	-	94,093
PBS affiliation fees and other duties	87,124	-	87,124
Accounting fees	69,817	-	69,817
Postage and shipping	37,949	-	37,949
Story, music and talent rights	6,380	-	6,380
	<u>13,438,930</u>	<u>-</u>	<u>13,438,930</u>
Changes In Net Assets	173,804	(2,841,797)	(2,667,993)
NET ASSETS			
Beginning of year	12,612,831	12,516,898	25,129,729
Reclassification (see Note 9.)	(680,458)	680,458	-
End of year	<u>\$ 12,106,177</u>	<u>\$ 10,355,559</u>	<u>\$ 22,461,736</u>

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,915,246	-	\$ 5,915,246
1,050,646	\$ 4,236,549	5,287,195
121,985	816,000	937,985
121,710	24,000	145,710
335,000	-	335,000
757,793	823,879	1,581,672
1,512,471	24,390	1,536,861
609,295	1,604,801	2,214,096
-	-	-
10,424,146	7,529,619	17,953,765
4,866,319	(4,866,319)	-
15,290,465	2,663,300	17,953,765
5,637,364	-	5,637,364
1,800,276	-	1,800,276
1,394,304	-	1,394,304
840,521	-	840,521
387,688	-	387,688
617,727	-	617,727
501,848	-	501,848
319,114	-	319,114
73,235	-	73,235
135,445	-	135,445
178,663	-	178,663
18,634	-	18,634
32,633	-	32,633
64,404	-	64,404
93,336	-	93,336
61,807	-	61,807
40,062	-	40,062
10,350	-	10,350
12,207,411	-	12,207,411
3,083,054	2,663,300	5,746,354
9,529,777	9,853,598	19,383,375
-	-	-
<u>\$ 12,612,831</u>	<u>\$ 12,516,898</u>	<u>\$ 25,129,729</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Program Activities</u>			<u>Total Program Activities</u>
	<u>TV</u>	<u>FM</u>	<u>Education</u>	
Salaries and benefits	\$ 2,366,681	\$ 738,435	\$ 1,125,913	\$ 4,231,029
Program acquisition	1,726,892	121,493	-	1,848,385
Legal and consulting	697,530	468,388	223,290	1,389,208
Occupancy	465,750	23,721	-	489,471
Equipment rental and maintenance	264,947	13,949	56,807	335,703
Depreciation	239,033	74,581	113,716	427,330
Supplies	23,302	1,158	162,976	187,436
Miscellaneous	9,918	24,398	15,586	49,902
Production freelance and outside services	160,929	7,297	25,606	193,832
Advertising and promotion	103,299	10,653	41,772	155,724
Telephone	19,175	17,749	4,316	41,240
Travel and training	57,383	7,354	53,468	118,205
Trade expenses	42,617	67,480	-	110,097
Printing and publication	16,343	1,157	53,846	71,346
PBS affiliation fees and other duties	5,350	9,145	13,466	27,961
Accounting fees	-	-	-	-
Postage and shipping	1,713	289	13,070	15,072
Story, music and talent rights	6,380	-	-	6,380
	<u>\$ 6,207,242</u>	<u>\$ 1,587,247</u>	<u>\$ 1,903,832</u>	<u>\$ 9,698,321</u>

Supporting Activities

General and Administrative	Fundraising Costs	Total Supporting Activities	Total 2022
\$ 959,691	\$ 784,272	\$ 1,743,963	\$ 5,974,992
-	25,893	25,893	1,874,278
124,567	34,685	159,252	1,548,460
428,228	-	428,228	917,699
323,119	36,498	359,617	695,320
96,928	79,211	176,139	603,469
42,176	157,153	199,329	386,765
116,063	123,203	239,266	289,168
1,379	58,630	60,009	253,841
38,754	1,296	40,050	195,774
33,987	76,224	110,211	151,451
15,926	6,522	22,448	140,653
-	1,600	1,600	111,697
6,181	16,566	22,747	94,093
24,243	34,920	59,163	87,124
69,817	-	69,817	69,817
5,671	17,206	22,877	37,949
-	-	-	6,380
<u>\$ 2,286,730</u>	<u>\$ 1,453,879</u>	<u>\$ 3,740,609</u>	<u>\$ 13,438,930</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Activities			Total Program Activities
	TV	FM	Education	
Salaries and benefits	\$ 2,433,457	\$ 675,003	\$ 803,796	\$ 3,912,256
Program acquisition	1,657,998	116,385	-	1,774,383
Legal and consulting	758,607	376,259	189,027	1,323,893
Occupancy	439,701	23,031	-	462,732
Depreciation	266,654	73,965	88,077	428,696
Equipment rental and maintenance	181,127	8,190	43,097	232,414
Supplies	3,021	769	180,690	184,480
Miscellaneous	44,242	19,484	7,820	71,546
Telephone	19,555	17,193	4,200	40,948
Advertising and promotion	113,522	6,457	12,109	132,088
PBS affiliation fees and other duties	7,534	9,394	24,491	41,419
Production freelance and outside services	15,974	518	33,677	50,169
Printing and publication	10,083	1,219	44,658	55,960
Accounting fees	-	-	-	-
Postage and shipping	1,380	369	8,945	10,694
Trade expenses	16,570	13,500	-	30,070
Travel and training	8,273	623	6,799	15,695
Story, music and talent rights	9,850	-	250	10,100
	<u>\$ 5,987,548</u>	<u>\$ 1,342,359</u>	<u>\$ 1,447,636</u>	<u>\$ 8,777,543</u>

Supporting Activities

General and Administrative	Fundraising Costs	Total Supporting Activities	Total 2021
\$ 940,421	\$ 784,687	\$ 1,725,108	\$ 5,637,364
-	25,893	25,893	1,800,276
30,471	39,940	70,411	1,394,304
377,789	-	377,789	840,521
103,048	85,983	189,031	617,727
132,099	23,175	155,274	387,688
42,817	274,551	317,368	501,848
108,728	138,840	247,568	319,114
31,718	105,997	137,715	178,663
1,932	1,425	3,357	135,445
15,538	36,379	51,917	93,336
-	23,066	23,066	73,235
3,457	4,987	8,444	64,404
61,807	-	61,807	61,807
5,261	24,107	29,368	40,062
-	2,563	2,563	32,633
1,947	992	2,939	18,634
250	-	250	10,350
<u>\$ 1,857,283</u>	<u>\$ 1,572,585</u>	<u>\$ 3,429,868</u>	<u>\$ 12,207,411</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,667,993)	\$ 5,746,354
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	603,469	617,727
Net realized and unrealized loss (gain) on investments	3,229,249	(1,982,818)
Changes in assets and liabilities:		
Accounts receivable	(130,317)	(168,899)
Grants receivable	182,347	(104,333)
Prepaid expenses and other assets	(101,590)	15,552
Accounts payable	48,247	(77,132)
Accrued liabilities	81,421	(46,921)
Deferred revenue	(123,988)	39,197
Deferred grant revenue	-	(1,060,400)
Net Cash Provided By Operating Activities	<u>1,120,845</u>	<u>2,978,327</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,459,388)	(160,344)
Purchase of property and equipment	(272,712)	(314,412)
Net Cash Used In Investing Activities	<u>(4,732,100)</u>	<u>(474,756)</u>
Net (Decrease) Increase In Cash And Cash Equivalents	(3,611,255)	2,503,571
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>4,846,346</u>	<u>2,342,775</u>
End of year	<u>\$ 1,235,091</u>	<u>\$ 4,846,346</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 shares 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 LLC is considered to be a disregarded entity and is 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 consolidated 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, 2022 AND 2021

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 consolidated 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.

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

WQED follows the provisions of Financial Accounting Standards Board (FASB) Codification topic Revenue from Contracts with Customers (Topic 606), the core principle of which is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. WQED revenue sources consist of the following:

Membership - Membership gifts are accounted for as received, as it has been determined that the majority of the value for membership represents a donation to WQED, and the value attributable to the gifts the member receives is minimal in relation to the total cost of the membership.

Sales and Underwriting - This includes underwriting advertising during WQED radio and television time slots. Substantially all revenue is recognized at a point in time when the advertisements and programming have completed the agreed-upon broadcast time slots.

Licensing Transactions - These types of transactions primarily include distribution, royalties and ancillary services. For licensing transactions, revenue and direct expenses are recognized at a point in time during 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 consolidated statement of financial position date. Program expenses related to uncompleted projects are capitalized as assets.

In-Kind Donations - Donated materials and services that meet the recognition requirements under U.S. GAAP are reflected as contributions and are recognized at fair value when received.

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 in-kind donations and rent expense for the amount of \$335,000 in 2022 and 2021.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For purposes of the consolidated 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 at September 30, 2022 and 2021.

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, 2022 and 2021, no allowance for uncollectible grants was considered to be necessary. Two donors accounted for approximately 94% and 91% of WQED's grants receivable at September 30, 2022 and 2021, respectively.

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 value 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 seven 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 might 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, 2022 and 2021.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on 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.

Fair Value Measurements - WQED applies the Fair Value Measurement 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, 2022 and 2021.

Recently Adopted Accounting Pronouncements - In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07 Not-for-Profit Entities (Topic 958) (ASU 2020-07), related to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets and intended to improve financial reporting by providing new presentation and disclosure requirements on contributed nonfinancial assets. WQED will be required to create a separate line item on the consolidated statement of activities and changes in net assets to include contributed nonfinancial items, separated from contributions of cash and other financial assets. Enhanced disclosures will include disaggregation of the amount of contributed nonfinancial assets recognized within the consolidated statement of activities and changes in net assets by category that depicts the type of contributed nonfinancial asset and further information about each category of contributed nonfinancial asset recognized. WQED adopted this standard in the current year with no significant impact.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements - 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 currently assessing the impact that this ASU will have on its consolidated financial statements.

Subsequent Events - Subsequent events are defined as events or circumstances that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued or available to be issued. Management has evaluated subsequent events through January 31, 2023, which is the date that the consolidated financial statements were available to be issued.

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 9 for information about WQED's endowment.) WQED also has a line of credit available to meet short-term needs. (See Note 6 for information on financing arrangements.)

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 MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 3 - LIQUIDITY (Continued)

WQED has budgeted a \$450,762 and \$413,603 endowment spending appropriation for the years ended September 30, 2023 and 2022, respectively, which is approximately 4% of the three-year average investment values. 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, 2022 and 2021, the amount of this board-designated endowment fund is \$4,941,924 and \$6,064,423, respectively. In the event the need arises to utilize the board-designated funds for liquidity purposes, reserves could be drawn upon through board resolution.

The table below presents financial assets available for general expenditures within one year ended at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,235,091	\$ 4,846,346
Accounts receivable, net	580,892	450,575
Operating investments	5,688,853	570,524
Endowment - budgeted spending rate appropriation	<u>450,762</u>	<u>413,603</u>
Total financial assets available within one year	<u>\$ 7,955,598</u>	<u>\$ 6,281,048</u>

NOTE 4 - INVESTMENTS

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

	<u>2022</u>		<u>2021</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Money market	\$ 495,746	\$ 495,746	\$ 422,261	\$ 422,261
Equity:				
Exchange-traded funds	3,273,814	3,040,454	3,538,364	2,433,808
Common stock	2,924,402	2,635,182	3,505,846	2,402,866
Mutual funds	2,338,995	2,786,564	2,855,411	2,459,512
Other equity	976	976	976	976
Fixed income:				
Corporate bonds	1,974,790	1,999,770	-	-
Government bonds	239,991	240,132	-	-
Mutual funds	<u>4,884,652</u>	<u>5,748,433</u>	<u>4,580,369</u>	<u>4,659,395</u>
	<u>\$ 16,133,366</u>	<u>\$ 16,947,255</u>	<u>\$ 14,903,227</u>	<u>\$ 12,378,818</u>

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 4 - INVESTMENTS (Continued)

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

	<u>2022</u>	<u>2021</u>
Realized income:		
Interest and dividends	\$ 298,703	\$ 231,278
Realized gain on sale of investments	114,035	509,063
	<u>412,737</u>	<u>740,341</u>
Unrealized (depreciation) appreciation	<u>(3,341,259)</u>	<u>1,473,755</u>
Net investment (loss) income	\$ <u>(2,928,522)</u>	\$ <u>2,214,096</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at September 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Transmitter:		
Building	\$ 353,091	\$ 353,091
Tower	3,262,462	3,180,744
Studio building and improvements	13,242,741	13,222,321
Technical equipment	6,211,563	6,135,537
Office furniture and equipment	2,914,707	2,788,880
	<u>25,984,564</u>	<u>25,680,573</u>
Accumulated depreciation	<u>(22,071,327)</u>	<u>(21,467,858)</u>
	3,913,237	4,212,715
Construction-in-progress	-	31,279
Land	<u>300</u>	<u>300</u>
	\$ <u>3,913,537</u>	\$ <u>4,244,294</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.

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 \$110,032 and \$145,714 as of September 30, 2022 and 2021, respectively.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 6 - FINANCING ARRANGEMENTS

WQED has an agreement for a \$2,000,000 line of credit that remains in effect until March 1, 2026. At September 30, 2022 and 2021, no amounts were drawn on the line of credit, which bears interest at the greater of 2.0% or one-month London InterBank Offered Rate plus 1.0% (3.75% at September 30, 2022). 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, 2022 and 2021.

NOTE 7 - GOVERNMENTAL GRANT AND CONTRACTS

WQED was a recipient of a Paycheck Protection Program (PPP) loan with Dollar Bank of approximately \$1,060,400 granted by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act. Under program terms, PPP loans are forgiven and recognized as grant revenue if 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. During the year ended September 30, 2021, WQED met the forgiveness criteria and recognized the grant revenue on the consolidated statements of activities for the year ended September 30, 2021. WQED also received notice that the loan was fully forgiven on November 25, 2020. This loan was recorded in deferred grant revenue at September 30, 2020.

WQED receives a significant portion of its grant revenue from federal agencies. Any of the funding sources may, at their 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.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Program production and development	\$ 4,437,816	\$ 6,704,267
Education	661,495	541,383
FM radio	21,250	36,250
	<u>5,120,561</u>	<u>7,281,900</u>
Endowments:		
Subject to 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	50,000	50,000
	<u>5,234,998</u>	<u>5,234,998</u>
	\$ <u>10,355,559</u>	\$ <u>12,516,898</u>

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	<u>2022</u>	<u>2021</u>
Program production and development	\$ 3,321,318	\$ 2,788,293
Capital projects	84,000	78,427
Education	1,610,818	1,906,349
FM radio	<u>116,325</u>	<u>93,250</u>
	\$ <u>5,132,461</u>	\$ <u>4,866,319</u>

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

NOTE 9 - 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 U.S. GAAP, 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.

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. 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:

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 9 - ENDOWMENT (Continued)

	Without Donor Restrictions Board- Designated	With Donor Restrictions Purpose Restrictions	With Donor Restrictions Perpetual in Nature	Total
Endowment net assets				
September 30, 2020	\$ 4,796,125	\$ 848,277	\$ 5,234,998	\$ 10,879,400
Investment income, net of related expenses	42,202	98,981	-	141,183
Net appreciation	566,787	1,329,179	-	1,895,966
Appropriation of endowment funds	659,310	(659,310)	-	-
Endowment net assets				
September 30, 2021	6,064,424	1,617,127	5,234,998	12,916,549
Investment income, net of related expenses	73,582	102,847	-	176,528
Net depreciation	(1,095,813)	(1,533,126)	-	(2,628,940)
Reclassification of endowment funds	(680,458)	680,458	-	-
Appropriation of endowment funds	580,189	(580,189)	-	-
Endowment net assets				
September 30, 2022	\$ <u>4,941,924</u>	\$ <u>287,115</u>	\$ <u>5,234,998</u>	\$ <u>10,464,137</u>

Reclassification - During 2022, management determined that previously recognized investment income of approximately \$680,000 from board-designated net assets should be reclassified to net assets with donor restrictions for a purpose and in perpetuity.

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.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 9 - ENDOWMENT (Continued)

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 2022 and 2021, the spendable return totaled \$580,189 and \$659,310, 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. As a result of financial market conditions, the total investment portfolio had an aggregate market value of \$16,133,366, which is \$813,889 less than their original cost of \$16,947,255 as of September 30, 2022. Total deficiencies related to the endowments were approximately \$350,000 as of September 30, 2022. WQED had no underwater endowment funds at September 30, 2021.

NOTE 10 - 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 \$206,000 to the Plan in 2022 and 2021.

NOTE 11 - 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 four employees expires on August 30, 2024. The other agreement covers eight employees and expires on April 18, 2023.

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SUPPLEMENTARY INFORMATION

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	TV		FM		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
OPERATING REVENUES AND SUPPORT					
Contributed income:					
Membership	\$ 5,087,905	-	\$ 628,793	-	\$ 5,716,698
Government grants and contributions	3,915	\$ 3,061,521	-	\$ 180,296	3,245,732
Foundation grants and contributions	410,514	926,100			1,336,614
Corporate grants and contributions	1,997	15,000	4,786	-	21,783
In-kind donations	335,000	-		-	335,000
Earned income:					
Sales and underwriting	1,341,121	68,902	439,784	24,252	1,874,059
Distribution, royalties and ancillary services	1,066,485	-			1,066,485
Investment income	(943,115)	(1,985,407)	-	-	(2,928,522)
Other	102,988	-	100	-	103,088
	<u>7,406,810</u>	<u>2,086,116</u>	<u>1,073,463</u>	<u>204,548</u>	<u>10,770,937</u>
Net assets released from restrictions	4,745,755	(4,745,755)	386,706	(386,706)	-
	<u>12,152,565</u>	<u>(2,659,639)</u>	<u>1,460,169</u>	<u>(182,158)</u>	<u>10,770,937</u>
EXPENSES AND OTHER DEDUCTIONS					
Program and production	4,140,523	-	263,142	-	4,403,665
Broadcasting and engineering	1,285,033	-	115,434	-	1,400,467
Program information and promotion	575,032	-	79,058	-	654,090
Management and general	2,394,815	-	484,043	-	2,878,858
Fundraising and membership development	2,605,263	-	359,546	-	2,964,809
Underwriting and grant solicitation	470,363	-	63,209	-	533,572
Depreciation and amortization	531,980	-	71,489	-	603,469
	<u>12,003,009</u>	<u>-</u>	<u>1,435,921</u>	<u>-</u>	<u>13,438,930</u>
Changes In Net Assets	<u>\$ 149,556</u>	<u>\$ (2,659,639)</u>	<u>\$ 24,248</u>	<u>\$(182,158)</u>	<u>\$ (2,667,993)</u>

The independent auditor's report should be read with this consolidating schedule.

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