

WQED MULTIMEDIA AND SUBSIDIARY  
Pittsburgh, Pennsylvania

Consolidated Financial Statements  
For the years ended September 30, 2021 and 2020  
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S 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, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended and the consolidated statements of functional expenses for the years ended September 30, 2021 and 2020 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.

***Auditor's 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 auditor's 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 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 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, 2021 and 2020, 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 27, 2022

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>September 30</u>	
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,846,346	\$ 2,342,775
Accounts receivable, net	450,575	281,676
Grants receivable	2,275,668	2,171,335
Prepaid expenses	140,499	156,051
Investments	14,903,227	12,760,065
Property and equipment, net	4,244,294	4,547,609
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 26,860,609</u>	<u>\$ 22,259,511</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 780,084	\$ 857,216
Accrued liabilities	749,493	796,414
Deferred revenue	201,303	162,106
Deferred grant revenue	-	1,060,400
	<u>                    </u>	<u>                    </u>
Total Current Liabilities	1,730,880	2,876,136
<b>NET ASSETS</b>		
Without Donor Restrictions	12,612,831	9,529,777
With Donor Restrictions	12,516,898	9,853,598
	<u>                    </u>	<u>                    </u>
Total Net Assets	<u>25,129,729</u>	<u>19,383,375</u>
	<u>                    </u>	<u>                    </u>
Total Liabilities And Net Assets	<u>\$ 26,860,609</u>	<u>\$ 22,259,511</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES AND SUPPORT</b>			
Contributed income:			
Membership	\$ 5,915,246	-	\$ 5,915,246
Government grants and contributions	1,050,646	\$ 4,236,549	5,287,195
Foundation grants and contributions	121,985	816,000	937,985
Corporate grants and contributions	121,710	24,000	145,710
Other:			
Sales and underwriting	757,793	823,879	1,581,672
Distribution, royalties and ancillary services	1,847,471	24,390	1,871,861
Investment income	609,295	1,604,801	2,214,096
Other	-	-	-
	<u>10,424,146</u>	<u>7,529,619</u>	<u>17,953,765</u>
Net assets released from restrictions	4,866,319	(4,866,319)	-
	<u>15,290,465</u>	<u>2,663,300</u>	<u>17,953,765</u>
<b>EXPENSES AND OTHER DEDUCTIONS</b>			
Salaries and benefits	5,637,364	-	5,637,364
Program acquisition	1,800,276	-	1,800,276
Legal and consulting	1,394,304	-	1,394,304
Occupancy	840,521	-	840,521
Depreciation	617,727	-	617,727
Supplies	501,848	-	501,848
Equipment rental and maintenance	387,688	-	387,688
Miscellaneous	319,114	-	319,114
Telephone	178,663	-	178,663
Advertising and promotion	135,445	-	135,445
PBS affiliation fees and other duties	93,336	-	93,336
Production freelance and outside services	73,235	-	73,235
Printing and publication	64,404	-	64,404
Accounting fees	61,807	-	61,807
Postage and shipping	40,062	-	40,062
Trade expenses	32,633	-	32,633
Travel and training	18,634	-	18,634
Story, music and talent rights	10,350	-	10,350
	<u>12,207,411</u>	<u>-</u>	<u>12,207,411</u>
Changes In Net Assets	3,083,054	2,663,300	5,746,354
<b>NET ASSETS</b>			
Beginning of year	<u>9,529,777</u>	<u>9,853,598</u>	<u>19,383,375</u>
End of year	<u>\$12,612,831</u>	<u>\$ 12,516,898</u>	<u>\$ 25,129,729</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,637,381	-	\$ 5,637,381
-	\$ 3,012,292	3,012,292
132,244	307,036	439,280
-	104,401	104,401
927,728	856,763	1,784,491
1,432,253	-	1,432,253
213,980	380,754	594,734
381	-	381
<u>8,343,967</u>	<u>4,661,246</u>	<u>13,005,213</u>
<u>5,153,359</u>	<u>(5,153,359)</u>	<u>-</u>
13,497,326	(492,113)	13,005,213
5,713,053	-	5,713,053
1,727,972	-	1,727,972
1,207,740	-	1,207,740
877,992	-	877,992
645,743	-	645,743
705,122	-	705,122
436,543	-	436,543
267,894	-	267,894
204,476	-	204,476
91,827	-	91,827
84,151	-	84,151
341,329	-	341,329
48,310	-	48,310
66,958	-	66,958
46,469	-	46,469
163,584	-	163,584
117,618	-	117,618
35,276	-	35,276
<u>12,782,057</u>	<u>-</u>	<u>12,782,057</u>
715,269	(492,113)	223,156
<u>8,814,508</u>	<u>10,345,711</u>	<u>19,160,219</u>
<u>\$ 9,529,777</u>	<u>\$ 9,853,598</u>	<u>\$ 19,383,375</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

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

	<u>Program Activities</u>			<u>Total Program Activities</u>
	<u>TV</u>	<u>FM</u>	<u>Education</u>	
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

<u>General and Administrative</u>	<u>Fundraising Costs</u>	<u>Total Supporting Activities</u>	<u>Total 2021</u>
\$ 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 STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Program Activities</u>			<u>Total</u>
	<u>TV</u>	<u>FM</u>	<u>Education</u>	<u>Program</u> <u>Activities</u>
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 STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 5,746,354	\$ 223,156
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	617,727	645,743
Net realized and unrealized gain on investments	(1,982,818)	(294,680)
Provision for uncollectible accounts	-	(45,092)
Changes in assets and liabilities:		
Accounts receivable	(168,899)	130,159
Grants receivable	(104,333)	60,088
Prepaid expenses and other assets	15,552	19,007
Accounts payable	(77,132)	(52,168)
Accrued liabilities	(46,921)	195,597
Deferred revenue	39,197	(81,986)
Deferred grant revenue	<u>(1,060,400)</u>	<u>1,060,400</u>
Net Cash Provided By Operating Activities	2,978,327	1,860,224
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	-	1,000,000
Purchase of investments	(160,344)	(1,241,215)
Purchase of property and equipment	<u>(314,412)</u>	<u>(157,346)</u>
Net Cash Used In Investing Activities	<u>(474,756)</u>	<u>(398,561)</u>
Net Increase In Cash And Cash Equivalents	2,503,571	1,461,663
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,342,775</u>	<u>881,112</u>
End of year	<u>\$ 4,846,346</u>	<u>\$ 2,342,775</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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, 2021 AND 2020

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 nonlicensing 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) to recognize revenue. The core principle 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 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 2021 and 2020.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020.

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, 2021 and 2020, no allowance for uncollectible grants was considered to be necessary. Two donors accounted for approximately 91% and 77% of WQED's grants receivable at September 30, 2021 and 2020, 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 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 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, 2021 and 2020.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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 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.

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, 2021 and 2020.

Recently Adopted 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 adopted this standard in the current year with no significant impact.



WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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.

In September 2020, the FASB issued 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. This standard is effective for annual periods beginning after June 15, 2021, with early adoption permitted. WQED is currently assessing the impact that this ASU will have on its consolidated financial statements.

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 7 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, 2021 AND 2020

NOTE 3 - LIQUIDITY (Continued)

WQED has budgeted a \$413,603 and \$376,749 endowment spending appropriation for the years ended September 30, 2022 and 2021, 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, 2021 and 2020, the amount of this board-designated endowment fund is \$6,064,423 and \$4,796,125, 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.

The table below presents financial assets available for general expenditures within one year ended at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,846,346	2,342,775
Accounts receivable, net	450,575	259,100
Operating investments	570,524	1,806,312
Endowment - budgeted spending rate appropriation	<u>413,603</u>	<u>376,749</u>
Total financial assets available within one year	<u>\$ 6,281,048</u>	<u>4,784,936</u>

NOTE 4 - INVESTMENTS

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

	<u>2021</u>		<u>2020</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Money market	\$ 422,261	\$ 422,261	\$ 985,882	\$ 985,882
Equity:				
Exchange traded funds	3,538,364	2,433,808	2,368,599	1,911,757
Common stock	3,505,846	2,402,866	2,854,732	2,238,022
Mutual funds	2,855,411	2,459,512	4,125,134	1,904,498
Other equity	976	976	976	976
Fixed income:				
Corporate bonds	-	-	453,074	453,886
Government bonds	-	-	125,449	122,449
Mutual funds	<u>4,580,369</u>	<u>4,659,395</u>	<u>1,846,219</u>	<u>4,094,851</u>
	<u>\$ 14,903,227</u>	<u>\$ 12,378,818</u>	<u>\$ 12,760,065</u>	<u>\$ 11,712,321</u>

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

NOTE 4 - INVESTMENTS (Continued)

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

	<u>2021</u>	<u>2020</u>
Realized income:		
Interest and dividends	\$ 231,278	\$ 320,880
Realized gain (loss) on sale of investments	<u>509,063</u>	<u>(182,958)</u>
	740,341	137,922
Unrealized appreciation	<u>1,473,755</u>	<u>456,812</u>
Net investment income	<u>\$ 2,214,096</u>	<u>\$ 594,734</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at September 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Transmitter:		
Building	\$ 353,091	\$ 328,454
Tower	3,180,744	3,162,858
Studio building and improvements	13,222,321	13,242,808
Technical equipment	6,135,537	6,061,965
Office furniture and equipment	<u>2,788,880</u>	<u>2,956,386</u>
	25,680,573	25,752,471
Accumulated depreciation	<u>(21,467,858)</u>	<u>(21,342,052)</u>
	4,212,715	4,410,419
Construction in progress	31,279	136,890
Land	<u>300</u>	<u>300</u>
	<u>\$ 4,244,294</u>	<u>\$ 4,547,609</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 \$145,714 and \$197,126 as of September 30, 2021 and 2020, respectively.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 6 - FINANCING ARRANGEMENTS

WQED has an agreement for a \$2,000,000 line of credit. The line-of-credit arrangement remains in effect until March 1, 2026, and at September 30, 2021 and 2020, 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% (0.09% at September 30, 2021). 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, 2021 and 2020.

NOTE 7 - 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). 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. 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 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.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Program production and development	\$ 6,704,267	\$ 3,857,336
Education	541,383	659,587
Capital projects	-	78,427
FM radio	<u>36,250</u>	<u>23,250</u>
	7,281,900	4,618,600
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	<u>50,000</u>	<u>50,000</u>
	<u>5,234,998</u>	<u>5,234,998</u>
	<u>\$ 12,516,898</u>	<u>\$ 9,853,598</u>

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	<u>2021</u>	<u>2020</u>
Program production and development	\$ 2,788,293	\$ 4,034,259
Capital projects	78,427	9,296
Education	1,906,349	956,014
FM radio	<u>93,250</u>	<u>153,790</u>
	<u>\$ 4,866,319</u>	<u>\$ 5,153,359</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 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 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.

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:

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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, 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	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	<u>659,310</u>	<u>(659,310)</u>	<u>-</u>	<u>-</u>
Endowment net assets				
September 30, 2021	<u>\$ 6,064,424</u>	<u>\$ 1,617,127</u>	<u>\$ 5,234,998</u>	<u>\$ 12,916,549</u>

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, 2021 AND 2020

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 2021 and 2020, the spendable return totaled \$659,310 and \$592,712, 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, 2021 and 2020.

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 and \$209,000 to the Plan in 2021 and 2020, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

WQED has employees covered under collective borrowing 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.

NOTE 12 - RISKS AND UNCERTAINTIES

The COVID-19 pandemic has adversely affected WQED and its operations. Ongoing government-imposed restrictions and quarantines resulted in direct operational and administrative disruptions to WQED's operations. WQED is unable to accurately predict how restrictions related to the 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, 2022 to be adversely impacted.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 13 - SUBSEQUENT EVENTS

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 27, 2022, which is the date that the consolidated financial statements were available to be issued.

Effective January 20, 2022, WQED assumed all the assets of Pittsburgh Entertainment Project, a Pennsylvania non-profit corporation doing business as Steeltown Entertainment Project (Steeltown). Steeltown provides workshops, educational programs and other support for filmmakers and digital storytellers in Southwestern Pennsylvania. WQED received the intellectual property rights of Steeltown and will continue certain workshops and programs that Steeltown offered.