

WQED MULTIMEDIA AND SUBSIDIARY
Pittsburgh, Pennsylvania

Consolidated Financial Statements
and
Supplementary Information
For the years ended September 30, 2023 and 2022

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, 2023 and 2022, and the related consolidated statements of activities 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, 2023 and 2022, 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.

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, 2023 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 19, 2024

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>September 30</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 684,884	\$ 1,235,091
Accounts receivable, net	435,502	580,892
Grants receivable	2,464,200	2,093,321
Prepaid expenses	294,416	242,089
Investments	17,430,558	16,133,366
Property and equipment, net	3,855,495	3,913,537
Operating lease right-of-use assets	161,963	-
	<u>161,963</u>	<u>-</u>
Total Assets	<u>\$ 25,327,018</u>	<u>\$ 24,198,296</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,432,365	\$ 828,331
Accrued liabilities	519,077	830,914
Deferred revenue	74,065	77,315
Operating lease obligations	161,963	-
	<u>161,963</u>	<u>-</u>
Total Current Liabilities	2,187,470	1,736,560
NET ASSETS		
Without donor restrictions	12,434,711	12,106,177
With donor restrictions	10,704,837	10,355,559
	<u>10,704,837</u>	<u>10,355,559</u>
Total Net Assets	<u>23,139,548</u>	<u>22,461,736</u>
Total Liabilities And Net Assets	<u>\$ 25,327,018</u>	<u>\$ 24,198,296</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
OPERATING REVENUES AND SUPPORT			
Contributed income:			
Membership	\$ 5,318,406	\$ 70,000	\$ 5,388,406
Government grants and contributions	-	3,097,682	3,097,682
Foundation grants and contributions	189,785	899,116	1,088,901
Corporate grants and contributions	11,405	38,750	50,155
In-kind donations	335,000	-	335,000
Other:			
Sales and underwriting	867,241	527,944	1,395,185
Distribution, royalties and ancillary services	1,249,310	-	1,249,310
Investment income (loss)	801,691	1,108,888	1,910,579
Other	162,949	-	162,949
	<u>8,935,787</u>	<u>5,742,380</u>	<u>14,678,167</u>
Net assets released from restrictions	5,393,102	(5,393,102)	-
	<u>14,328,889</u>	<u>349,278</u>	<u>14,678,167</u>
EXPENSES AND OTHER DEDUCTIONS			
Salaries and benefits	6,103,006	-	6,103,006
Program acquisition	1,922,703	-	1,922,703
Legal and consulting	1,778,969	-	1,778,969
Occupancy	969,580	-	969,580
Equipment repair and maintenance	598,338	-	598,338
Depreciation and amortization	586,139	-	586,139
Supplies	486,933	-	486,933
Miscellaneous	327,150	-	327,150
Production freelance and outside services	282,532	-	282,532
Travel and training	250,848	-	250,848
Telephone	164,200	-	164,200
Accounting fees	101,203	-	101,203
Advertising and promotion	97,777	-	97,777
Printing and publication	94,804	-	94,804
PBS affiliation fees and other duties	82,440	-	82,440
Trade expenses	74,595	-	74,595
Postage and shipping	40,527	-	40,527
Story, music and talent rights	38,611	-	38,611
	<u>14,000,355</u>	<u>-</u>	<u>14,000,355</u>
Changes In Net Assets	328,534	349,278	677,812
NET ASSETS			
Beginning of year	12,106,177	10,355,559	22,461,736
Reclassification (see Note 9.)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 12,434,711</u>	<u>\$ 10,704,837</u>	<u>\$ 23,139,548</u>

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,716,698	-	\$ 5,716,698
3,915	\$ 3,241,817	3,245,732
410,514	926,100	1,336,614
6,783	15,000	21,783
335,000	-	335,000
1,780,905	93,154	1,874,059
1,066,485	-	1,066,485
(943,115)	(1,985,407)	(2,928,522)
103,088	-	103,088
8,480,273	2,290,664	10,770,937
5,132,461	(5,132,461)	-
13,612,734	(2,841,797)	10,770,937
5,974,992	-	5,974,992
1,874,278	-	1,874,278
1,548,460	-	1,548,460
917,699	-	917,699
603,469	-	603,469
695,320	-	695,320
386,765	-	386,765
289,168	-	289,168
253,841	-	253,841
140,653	-	140,653
151,451	-	151,451
69,817	-	69,817
195,774	-	195,774
94,093	-	94,093
87,124	-	87,124
111,697	-	111,697
37,949	-	37,949
6,380	-	6,380
13,438,930	-	13,438,930
173,804	(2,841,797)	(2,667,993)
12,612,831	12,516,898	25,129,729
(680,458)	680,458	-
\$ 12,106,177	\$ 10,355,559	\$ 22,461,736

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Activities			Total Program Activities
	TV	FM	Education	
Salaries and benefits	\$ 2,284,190	\$ 705,471	\$ 1,207,426	\$ 4,197,087
Program acquisition	1,758,642	130,914	7,254	1,896,810
Legal and consulting	809,556	500,431	249,846	1,559,833
Occupancy	493,575	24,759	-	518,334
Equipment repair and maintenance	259,515	6,974	54,731	321,220
Depreciation and amortization	212,890	67,754	115,962	396,606
Supplies	9,766	4,221	242,268	256,255
Production freelance and outside services	123,168	9,935	79,238	212,341
Miscellaneous	11,051	24,827	6,629	42,507
Travel and training	92,990	6,335	84,586	183,911
Telephone	20,860	17,654	5,618	44,132
Accounting fees	-	-	-	-
Advertising and promotion	38,292	8,236	34,024	80,552
Printing and publication	22,589	3,052	57,628	83,269
PBS affiliation fees and other duties	5,511	9,955	7,112	22,578
Trade expenses	7,970	60,825	-	68,795
Postage and shipping	2,115	340	10,907	13,362
Story, music and talent rights	37,263	-	-	37,263
	<u>\$ 6,189,943</u>	<u>\$ 1,581,683</u>	<u>\$ 2,163,229</u>	<u>\$ 9,934,855</u>

Supporting Activities

General and Administrative	Fundraising Costs	Total Supporting Activities	Total 2023
\$ 1,075,899	\$ 830,020	\$ 1,905,919	\$ 6,103,006
-	25,893	25,893	1,922,703
173,939	45,197	219,136	1,778,969
451,246	-	451,246	969,580
242,449	34,669	277,118	598,338
109,817	79,716	189,533	586,139
55,947	174,731	230,678	486,933
1,455	113,354	114,809	327,150
110,364	129,661	240,025	282,532
40,975	25,962	66,937	250,848
35,282	84,786	120,068	164,200
101,203	-	101,203	101,203
11,710	5,515	17,225	97,777
7,782	3,753	11,535	94,804
25,840	34,022	59,862	82,440
5,800	-	5,800	74,595
5,507	21,658	27,165	40,527
1,213	135	1,348	38,611
<u>\$ 2,456,428</u>	<u>\$ 1,609,072</u>	<u>\$ 4,065,500</u>	<u>\$ 14,000,355</u>

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

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

	Program Activities			Total Program Activities
	TV	FM	Education	
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 repair and maintenance	264,947	13,949	56,807	335,703
Depreciation and amortization	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

<u>General and Administrative</u>	<u>Fundraising Costs</u>	<u>Total Supporting Activities</u>	<u>Total 2022</u>
\$ 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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 677,812	\$ (2,667,993)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	586,139	603,469
Net realized and unrealized (gain) loss on investments	(1,421,396)	3,229,249
Change in provision for uncollectible accounts	(10,000)	-
Reduction in operating lease right-of-use assets	67,423	-
Changes in assets and liabilities:		
Accounts receivable	155,390	(130,317)
Grants receivable	(370,879)	182,347
Prepaid expenses and other assets	(52,327)	(101,590)
Accounts payable	604,034	48,247
Accrued liabilities	(311,837)	81,421
Deferred revenue	(3,250)	(123,988)
Operating lease liabilities	(67,423)	-
Net Cash (Used In) Provided By Operating Activities	(146,314)	1,120,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	467,139	-
Purchase of investments	(342,935)	(4,459,388)
Purchase of property and equipment	(528,097)	(272,712)
Net Cash Used In Investing Activities	(403,893)	(4,732,100)
Net Decrease In Cash And Cash Equivalents	(550,207)	(3,611,255)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,235,091	4,846,346
End of year	\$ 684,884	\$ 1,235,091

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

Operating lease right-of-use assets and liabilities of \$205,045 as of October 1, 2022 as a result of adoption of Topic 842 - Leases. (See Note 11.)

During the year ended September 30, 2023, WQED entered into a new operating lease agreement in which an operating lease right-of-use asset was obtained in exchange for a new operating lease liability of \$16,937.

See notes to the consolidated financial statements.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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, 2023 AND 2022

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 2023 and 2022.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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 \$65 and \$10,000 at September 30, 2023 and 2022, respectively.

Grants Receivable - Grants receivable, primarily for net assets with donor restrictions, are recognized as revenues or gains in the period the grant is received. Grants receivable include assets and decreases of liabilities or expenses, depending on the form of the benefits received. WQED expects that substantially all of the grants will be collected within one year. As of September 30, 2023 and 2022, no allowance for uncollectible grants was considered to be necessary. Two donors accounted for approximately 85% and 94% of WQED's grants receivable at September 30, 2023 and 2022, 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, 2023 and 2022.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases - In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing agreements. WQED adopted this standard on October 1, 2022 and has elected to utilize the optional transition method. It also elected the practical expedient package permitted under the transition approach. As such, WQED did not reassess whether any expired or existing contracts are or contain leases, did not reassess historical lease classification and did not reassess initial direct costs for any leases that existed prior to October 1, 2022. As of the date of adoption, WQED recognized operating lease right-of-use assets and liabilities of \$205,045.

Leases are recognized under Topic 842. WQED determines whether a contract contains a lease at contract inception and classifies it as either finance or operating. A contract contains a lease if there is an identified asset and WQED has the right to control the asset.

Operating lease right-of-use assets represent WQED's right to use an underlying asset for the lease term, and lease liabilities represent WQED's obligation to make lease payments arising from the lease. In the accompanying statement of activities, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Topic 842 allows lessees an option to not recognize right-of-use assets and lease liabilities arising from short-term leases. A short-term lease is defined as a lease with an initial term of 12 months or less. WQED elected to not recognize short-term leases as right-of-use assets and lease liabilities on the accompanying consolidated statement of financial position. All short-term leases that are not included on WQED's accompanying consolidated statement of financial position are recognized within lease expense. Leases that have an initial term of 12 months or less with an option for renewal need to be assessed in order to determine if the lease qualifies for the short-term lease exception. If the option is reasonably certain to be exercised, the lease does not qualify as a short-term lease.

Operating lease right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. WQED's lease liabilities are recognized based on the present value of the remaining fixed-lease payments, over the lease term, using a discount rate. For the purpose of lease liability measurement, WQED considers only payments that are fixed and determinable at the time of commencement. WQED uses its incremental borrowing rate at the commencement date in determining the present value of the lease payments for all asset classes unless the implicit rate is readily determinable. WQED's lease terms may include options to extend or terminate the lease and are recognized when it is reasonably certain that WQED will exercise that option. WQED has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all classes of leased assets for which WQED is the lessee. For certain equipment leases, the portfolio approach is applied to account for the operating lease right-of-use assets and lease liabilities. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

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.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022.

Recent Accounting Pronouncements - In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326) (ASU 2016-13), the amendments of which replace the incurred loss impairment methodology under current U.S. GAAP with a methodology that reflects expected losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU is effective for annual reporting periods beginning after December 15, 2022. Early application is permitted. WQED is assessing the impact that ASU 2016-13 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 19, 2024, which is the date that the consolidated financial statements were available to be issued.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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 has budgeted a \$346,686 and \$450,762 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, 2023 and 2022, the amount of this board-designated endowment fund is \$4,982,927 and \$4,941,924, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 684,884	\$ 1,235,091
Accounts receivable, net	435,502	580,892
Operating investments	5,950,395	5,688,853
Endowment - budgeted spending rate appropriation	<u>346,686</u>	<u>450,762</u>
Total financial assets available within one year	\$ <u>7,417,467</u>	\$ <u>7,955,598</u>

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 4 - INVESTMENTS

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

	<u>2023</u>		<u>2022</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Money market	\$ 506,993	\$ 506,993	\$ 495,746	\$ 495,746
Equity:				
Exchange-traded funds	5,544,117	4,739,092	3,273,814	3,040,454
Common stock	1,532,921	2,566,883	2,924,402	2,635,182
Mutual funds	2,622,278	1,363,175	2,338,995	2,786,564
Other equity	976	976	976	976
Fixed income:				
Corporate bonds	1,898,542	1,908,814	1,974,790	1,999,770
Government bonds	241,650	240,132	239,991	240,132
Mutual funds	5,083,081	5,630,297	4,884,652	5,748,433
	<u>\$ 17,430,558</u>	<u>\$ 16,956,362</u>	<u>\$ 16,133,366</u>	<u>\$ 16,947,257</u>

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

	<u>2023</u>	<u>2022</u>
Realized income:		
Interest and dividends	\$ 489,183	\$ 298,702
Realized gain on sale of investments	<u>132,898</u>	<u>114,035</u>
	622,081	412,737
Unrealized appreciation (depreciation)	<u>1,288,498</u>	<u>(3,341,259)</u>
Net investment income (loss)	<u>\$ 1,910,579</u>	<u>\$ (2,928,522)</u>

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at September 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Transmitter:		
Building	\$ 353,091	\$ 353,091
Tower	3,262,462	3,262,462
Studio building and improvements	13,242,741	13,242,741
Technical equipment	6,439,166	6,211,563
Office furniture and equipment	2,927,491	2,914,707
	<u>26,224,951</u>	<u>25,984,564</u>
Accumulated depreciation	<u>(22,657,466)</u>	<u>(22,071,327)</u>
	3,567,485	3,913,237
Construction-in-progress	287,710	-
Land	<u>300</u>	<u>300</u>
	<u>\$ 3,855,495</u>	<u>\$ 3,913,537</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.

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, 2023 and 2022, 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% (5.44% at September 30, 2023). 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, 2023 and 2022.

NOTE 7 - GOVERNMENTAL GRANT AND CONTRACTS

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.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Program production and development	\$ 4,709,158	\$ 4,437,816
Education	485,681	661,495
Capital	250,000	-
FM radio	25,000	21,250
	<u>5,469,839</u>	<u>5,120,561</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>\$ 10,704,837</u>	<u>\$ 10,355,559</u>

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

	<u>2023</u>	<u>2022</u>
Program production and development	\$ 4,077,943	\$ 3,321,318
Capital projects	-	84,000
Education	1,208,909	1,610,818
FM radio	106,250	116,325
	<u>\$ 5,393,102</u>	<u>\$ 5,132,461</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.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 9 - ENDOWMENT (Continued)

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

	<u>Without Donor Restrictions Board- Designated</u>	<u>With Donor Restrictions Purpose Restrictions</u>	<u>With Donor Restrictions Perpetual in Nature</u>	<u>Total</u>
Endowment net assets				
September 30, 2021	\$ 6,064,424	1,617,127	5,234,998	12,916,549
Investment income, net of related expenses	73,582	102,847	-	176,429
Net depreciation	(1,095,813)	(1,533,128)	-	(2,628,941)
Reclassification of endowment funds	(680,458)	680,458	-	-
Appropriation of endowment funds	<u>580,189</u>	<u>(580,189)</u>	<u>-</u>	<u>-</u>
Endowment net assets				
September 30, 2022	4,941,924	\$ 287,115	\$ 5,234,998	\$ 10,464,037
Investment income, net of related expenses	60,630	141,814	-	202,444
Net appreciation	333,270	789,831	-	1,123,101
Appropriation of endowment funds	<u>264,672</u>	<u>(617,569)</u>	<u>-</u>	<u>(352,897)</u>
Endowment net assets				
September 30, 2023	\$ <u>5,600,496</u>	\$ <u>601,191</u>	\$ <u>5,234,998</u>	\$ <u>11,436,685</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.

WQED MULTIMEDIA AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 9 - ENDOWMENT (Continued)

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

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, WQED relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WQED targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Investment Committee of the board of trustees, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - In accordance with Act 141, WQED annually transfers between 4% and 7% of the previous 12 quarters' market value average of the permanently restricted endowment fund to unrestricted net assets for use in current and future operations. In 2023 and 2022, the spendable return totaled \$617,569 and \$580,189, 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 had no underwater endowment funds at September 30, 2023. 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 the 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.

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 \$187,000 and \$206,000 to the Plan in 2023 and 2022, respectively.

WQED MULTIMEDIA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 11 - LEASES

WQED leases office equipment under noncancelable operating leases that expire throughout fiscal year 2028.

WQED recorded operating lease cost of \$60,020 within the consolidated statements of activities for the year ended September 30, 2023.

WQED paid cash for operating cash flows from operating leases of \$67,423 for the year ended September 30, 2023.

The aggregate annual maturities of operating lease obligations subsequent to September 30, 2023 are as follows:

Year Ending September 30	Amount
2024	\$ 68,980
2025	68,980
2026	22,636
2027	8,461
2028	1,557
	170,614
Less - Amounts representing interest	8,651
Present value of future minimum lease payments	\$ 161,963

The weighted-average remaining lease term (in years) and discount rate were as follows for the year ended September 30, 2023:

Operating lease weighted-average remaining lease term	3.22
Operating lease weighted-average discount rate	4.06%

NOTE 12 - 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, 2027.

SUPPLEMENTARY INFORMATION

WQED MULTIMEDIA AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	TV		FM		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
OPERATING REVENUES AND SUPPORT					
Contributed income:					
Membership	\$ 4,679,946	\$ 70,000	\$ 638,460	-	\$ 5,388,406
Government grants and contributions	-	2,889,241	-	\$ 208,441	3,097,682
Foundation grants and contributions	189,785	899,116	-	-	1,088,901
Corporate grants and contributions	7,710	38,750	3,695	-	50,155
In-kind donations	335,000	-	-	-	335,000
Earned income:					
Sales and underwriting	415,438	517,944	451,803	10,000	1,395,185
Distribution, royalties and ancillary services	1,240,599	-	8,711	-	1,249,310
Investment income	801,691	1,108,888	-	-	1,910,579
Other	162,949	-	-	-	162,949
	<u>7,833,118</u>	<u>5,523,939</u>	<u>1,102,669</u>	<u>218,441</u>	<u>14,678,167</u>
Net assets released from restrictions	<u>5,185,096</u>	<u>(5,185,096)</u>	<u>208,006</u>	<u>(208,006)</u>	<u>-</u>
	13,018,214	338,843	1,310,675	10,435	14,678,167
EXPENSES AND OTHER DEDUCTIONS					
Program and production	4,628,003	-	282,418	-	4,910,421
Broadcasting and engineering	1,141,152	-	128,881	-	1,270,033
Program information and promotion	646,261	-	71,282	-	717,543
Management and general	2,343,995	-	408,178	-	2,752,173
Fundraising and membership development	2,960,477	-	299,518	-	3,259,995
Underwriting and grant solicitation	458,943	-	45,108	-	504,051
Depreciation and amortization	533,685	-	52,454	-	586,139
	<u>12,712,516</u>	<u>-</u>	<u>1,287,839</u>	<u>-</u>	<u>14,000,355</u>
Changes In Net Assets	<u>\$ 305,698</u>	<u>\$ 338,843</u>	<u>\$ 22,836</u>	<u>\$ 10,435</u>	<u>\$ 677,812</u>

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

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