

Public Television 19, Inc.

Financial Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Public Television 19, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Public Television 19, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Television 19, Inc. as of June 30, 2020 and 2019, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
September 11, 2020

Public Television 19, Inc.

**Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,641,146	\$ 1,513,869
Receivables:		
Accounts, net of allowance for doubtful accounts of \$15,000 in 2020 and 2019	139,365	178,924
Pledges, net of discount of \$59,686 and \$156,721 in 2020 and 2019, respectively	1,651,339	2,368,173
Prepaid expenses	249,394	237,445
Investments	3,997,294	3,225,382
Deferred lease asset	1,132,085	1,054,537
Property and equipment, net	3,939,085	4,202,009
	<u>\$ 15,749,708</u>	<u>\$ 12,780,339</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 287,457	\$ 248,361
Accrued expenses	450,643	364,825
Deferred revenue	858,480	873,836
Long-term debt	1,981,704	1,172,785
	<u>3,578,284</u>	<u>2,659,807</u>
Net assets:		
Without donor restrictions (undesignated)	5,355,831	3,193,848
Without donor restrictions (board designated)	3,997,294	3,225,382
With donor restrictions	2,818,299	3,701,302
	<u>12,171,424</u>	<u>10,120,532</u>
	<u>\$ 15,749,708</u>	<u>\$ 12,780,339</u>

See notes to financial statements.

Public Television 19, Inc.

**Statement of Activities
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Membership income	\$ 4,595,808	\$ -	\$ 4,595,808
Grants	1,832,969	-	1,832,969
Contributions, bequests and capital grants	2,170,395	-	2,170,395
Contributions, capital campaign	1,527,953	629,190	2,157,143
In-kind contributions	74,698	-	74,698
Program and production underwriting	964,362	-	964,362
Educational services	133,164	-	133,164
Rental income	1,088,978	-	1,088,978
Broadcast royalties	2,258	-	2,258
Miscellaneous	1,654	-	1,654
Investment income	160,020	-	160,020
Net assets released from restrictions	1,512,193	(1,512,193)	-
Total revenues, gains and other support	14,064,452	(883,003)	13,181,449
Expenses:			
Program services	7,475,185	-	7,475,185
Fundraising	2,251,562	-	2,251,562
Management and general	1,403,810	-	1,403,810
Total expenses (including total depreciation of \$805,276)	11,130,557	-	11,130,557
Changes in net assets	2,933,895	(883,003)	2,050,892
Net assets:			
Beginning	6,419,230	3,701,302	10,120,532
Ending	<u>\$ 9,353,125</u>	<u>\$ 2,818,299</u>	<u>\$ 12,171,424</u>

See notes to financial statements.

Public Television 19, Inc.

**Statement of Activities
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Membership income	\$ 4,033,676	\$ -	\$ 4,033,676
Grants	1,629,176	-	1,629,176
Contributions, bequests and capital grants	2,019,664	-	2,019,664
Contributions, capital campaign	1,082,350	3,223,299	4,305,649
In-kind contributions	70,512	-	70,512
Program and production underwriting	1,153,794	-	1,153,794
Educational services	105,834	-	105,834
Rental income	1,052,330	-	1,052,330
Broadcast royalties	1,563	-	1,563
Miscellaneous	14,600	-	14,600
Investment income	185,123	-	185,123
Net assets released from restrictions	220,635	(220,635)	-
Total revenues, gains and other support	11,569,257	3,002,664	14,571,921
Expenses:			
Program services	7,491,049	-	7,491,049
Fundraising	2,008,327	-	2,008,327
Management and general	1,616,351	-	1,616,351
Total expenses (including total depreciation of \$1,002,747)	11,115,727	-	11,115,727
Changes in net assets	453,530	3,002,664	3,456,194
Net assets:			
Beginning	5,965,700	698,638	6,664,338
Ending	\$ 6,419,230	\$ 3,701,302	\$ 10,120,532

See notes to financial statements.

Public Television 19, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2020**

	Program Services Expense	Fundraising Expense	Management and General Expense	Total Expenses
Operating expenses:				
Salaries and wages	\$ 2,719,303	\$ 929,972	\$ 581,599	\$ 4,230,874
Payroll taxes	202,478	107,937	304	310,719
Health benefits	372,383	104,721	60,816	537,920
Retirement expense	120,858	38,075	8,361	167,294
Equipment rental	100	-	5,553	5,653
Debt service	42,165	-	-	42,165
Taxes	-	-	5,634	5,634
Endowment admin fees	-	-	14,488	14,488
Affiliate payments	1,575,735	-	-	1,575,735
Tower rental	28,240	-	-	28,240
Postage	-	-	2,082	2,082
Vehicle expense	2,996	-	-	2,996
Direct mail	-	243,417	-	243,417
Guide expense	112,597	-	-	112,597
Printing	3,066	10,363	940	14,369
Office supplies	365	40	7,591	7,996
Telephone	71,180	-	-	71,180
IT services	57,066	-	-	57,066
Maintenance and repair	114,438	-	79,683	194,121
Travel	29,615	30,791	20,087	80,493
Utilities	159,535	-	102,766	262,301
Studio supplies	16,687	-	-	16,687
Liability insurance	13,000	-	112,271	125,271
Dues and subscriptions	135,899	3,984	65,286	205,169
Premiums	1,017	252,899	-	253,916
Advertising	71,827	-	-	71,827
Professional services	488,471	359,700	285,676	1,133,847
Special projects	273,996	40,602	17,946	332,544
Miscellaneous	57,563	129,061	32,056	218,680
Total expenses before depreciation	6,670,580	2,251,562	1,403,139	10,325,281
Depreciation	804,605	-	671	805,276
Total expenses	\$ 7,475,185	\$ 2,251,562	\$ 1,403,810	\$ 11,130,557

See notes to financial statements.

Public Television 19, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services Expense	Fundraising Expense	Management and General Expense	Total Expenses
Operating expenses:				
Salaries and wages	\$ 2,560,375	\$ 841,175	\$ 587,374	\$ 3,988,924
Payroll taxes	195,179	81,222	19,642	296,043
Health benefits	336,210	91,546	60,526	488,282
Retirement expense	112,002	34,138	16,807	162,947
Equipment rental	142	-	9,827	9,969
Debt service	50,413	-	-	50,413
Taxes	-	7,992	8,596	16,588
Interest expense	-	-	1,168	1,168
Endowment admin fees	-	-	13,171	13,171
Affiliate payments	1,477,195	-	-	1,477,195
Tower rental	25,166	-	-	25,166
Postage	-	-	25,217	25,217
Vehicle expense	5,802	-	-	5,802
Direct mail	-	166,101	-	166,101
Guide expense	119,209	-	-	119,209
Printing	146	29,868	252	30,266
Office supplies	177	-	10,682	10,859
Telephone	101,106	-	-	101,106
IT services	55,532	-	-	55,532
Maintenance and repair	125,992	-	128,671	254,663
Travel	61,002	32,189	21,568	114,759
Utilities	131,651	-	159,615	291,266
Studio supplies	10,334	303	-	10,637
Liability insurance	12,600	-	111,784	124,384
Dues and subscriptions	139,058	10,948	50,344	200,350
Premiums	-	251,420	-	251,420
Advertising	109,642	1,313	-	110,955
Professional services	486,015	354,135	340,158	1,180,308
Special projects	369,053	91,420	5,605	466,078
Miscellaneous	6,348	14,557	43,297	64,202
Total expenses before depreciation	6,490,349	2,008,327	1,614,304	10,112,980
Depreciation	1,000,700	-	2,047	1,002,747
Total expenses	\$ 7,491,049	\$ 2,008,327	\$ 1,616,351	\$ 11,115,727

See notes to financial statements.

Public Television 19, Inc.

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 2,050,892	\$ 3,456,194
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Investment income	(160,020)	(185,123)
Depreciation	805,276	1,002,747
Contributions and grants restricted for capital acquisition and construction	(2,165,287)	(2,218,127)
(Increase) decrease in operating assets:		
Accounts receivable	39,559	(26,034)
Pledges receivable	716,834	(1,923,098)
Prepaid expenses	(11,949)	(35,478)
Deferred lease asset	(77,548)	(87,483)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	124,914	40,268
Deferred revenue	(15,356)	(35,391)
Net cash provided by (used in) operating activities	1,307,315	(11,525)
Cash flows from investing activities:		
Purchases of property and equipment	(542,352)	(316,950)
Contribution to investments	(757,961)	(747,000)
Withdrawal from investments	146,069	387,466
Net cash used in investing activities	(1,154,244)	(676,484)
Cash flows from financing activities:		
Principal payments on long-term debt	(125,128)	(545,585)
Principal payments on line of credit	-	(250,000)
Proceeds from long-term debt	934,047	-
Proceeds from line-of-credit borrowings	-	250,000
Proceeds from contributions and grants restricted for capital acquisition and construction	2,165,287	2,218,127
Net cash provided by financing activities	2,974,206	1,672,542
Increase in cash and cash equivalents	3,127,277	984,533
Cash and cash equivalents:		
Beginning	1,513,869	529,336
Ending	\$ 4,641,146	\$ 1,513,869
Supplemental disclosures of cash flow information, cash paid during the year for interest	\$ 42,165	\$ 52,069

See notes to financial statements.

Public Television 19, Inc.

Notes to Financial Statements

Note 1. Nature of the Station and Summary of Significant Accounting Policies

Description of the Station: Public Television 19, Inc. (the Station) is a nonprofit corporation that operates a noncommercial public television station (KCPT) and a AAA Public Radio Station (KTBG) in Kansas City that serves numerous cities and towns in Missouri and Kansas. The Station is organized under the General Not for Profit Laws of the State of Missouri.

A summary of significant accounting policies is as follows:

Basis of presentation: The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Station presents its financial statements based on *FASB Accounting Standards Codification (ASC) Topic 958, Presentation of Financial Statements*.

Net assets without donor restrictions: Net assets without donor restrictions are not subject to donor-imposed restrictions but may be subject to board designations. Earnings on investments are reported as increases in net assets without donor restrictions unless their use is limited by donor stipulation or by laws.

Net assets with donor restrictions: Net assets with donor restrictions include gifts for which donor-imposed restrictions have not been met, deferred gifts and pledges receivable. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization that require that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Restricted and unrestricted revenue and support: Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. Donor-restricted support whose restrictions are satisfied in the same reporting period in which the contributions are received is classified as increases to net assets without donor restrictions.

The Station reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grant revenue: Grant revenues are recognized when program expenses are incurred in accordance with program guidelines.

Program and production underwriting and educational services: Revenues generated from these sources are recognized as revenue when the applicable services are provided.

Public Television 19, Inc.

Notes to Financial Statements

Note 1. Nature of the Station and Summary of Significant Accounting Policies (Continued)

Memberships: Memberships are recognized as revenue over the period of membership.

In-kind contributions: In-kind contributions and in-kind services expense are recorded in the accompanying financial statements. In-kind contributions consist of donated broadcasting by commercial stations, services provided in exchange for underwriting services, and services that require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation. These donations are recorded at fair value.

Accounts receivable: Accounts receivable are carried at original invoice less an estimate for doubtful accounts based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history. Receivables are written off when deemed uncollectible. A receivable is considered to be past due if the balance is outstanding after 30 days. Interest is not charged on past-due accounts.

Pledges receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

The Station also receives conditional promises to give from donors, which are not recognized as revenue or included in receivables until such time as the conditions are substantially met. As of June 30, 2020 and 2019, the Station had \$1,475,000 and \$1,825,000, respectively, of outstanding conditional promises to give.

Donated personal services of volunteers: Due to the nature of donated services, no amounts have been reflected in the financial statements for such services, since the services do not require specialized skills. The estimated fair value of donated personal services of volunteers incurred in connection with the annual auction and pledge drives, based upon standard valuation rates and job classifications developed by the Corporation for Public Broadcasting, was \$53,829 and \$65,152 for the years ended June 30, 2020 and 2019, respectively.

Deferred revenue: Grants received for programs that will be aired principally in the next fiscal year are included as deferred revenue. As the programs are telecast, the deferred revenue will be recognized as revenue. The Station also receives various down payments on operating lease income. The Station amortizes the payments over the life of the lease.

Deferred lease asset and rental income: The Station has an operating lease with annual rent increases. The Station recognizes rent revenue ratably over the term of the lease, with rent revenue based on the total payments received under the lease agreement recognized on a straight-line basis over the lease term. The deferred lease asset represents rent revenue in excess of cash payments received to date.

Property and equipment: Property and equipment are recorded at cost or, if donated, at the approximate fair value at date of donation. Major renewals and betterments are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are charged against net assets in the current period. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from three to 40 years.

The Station periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Public Television 19, Inc.

Notes to Financial Statements

Note 1. Nature of the Station and Summary of Significant Accounting Policies (Continued)

Income tax status: The Station is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code; however, the Station is subject to income taxes on any net income from unrelated business activities. Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes (previously FIN 48). ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded as of June 30, 2020 and 2019.

Investments: The Station has invested in pooled funds held at the Greater Kansas City Community Foundation (the Foundation), which are recorded at fair value. A portion of this balance represents money market funds, which are reported at cost, which approximates fair value.

Cash and cash equivalents: The Station considers investments purchased with an original maturity of three months or less to be cash equivalents. The Station occasionally holds cash deposits with banks in excess of federally insured limits. Management believes the Station is not exposed to any significant credit risk.

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Functional expense allocations: Certain expenses, such as depreciation, interest, building services and personnel, are allocated among program and supporting services based primarily on direct payroll charges, equipment usage, or space occupied and on estimates made by the Station's management.

Fundraising: The Station participates in various fundraising activities, such as direct mail campaigns, membership development and special events. The expenses related to these fundraising activities are recorded in fundraising in the statements of activities and aggregated \$2,228,411 and \$1,998,153 for the years ended June 30, 2020 and 2019, respectively.

Advertising: The Station expenses advertising costs as incurred. Advertising expense was \$71,827 and \$110,995 for the fiscal years ended June 30, 2020 and 2019, respectively, of which \$25,338 and \$60,513 are related to allocation of in-kind contributions, respectively.

Notes to Financial Statements

Note 1. Nature of the Station and Summary of Significant Accounting Policies (Continued)

Adopted accounting pronouncements: The Station has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, as management believes the standard improves the usefulness and understandability of the Station's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Station recognizes revenue and therefore no changes to the previously issued financial statements are required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

Pending accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14 and another year by ASU 2020-05, will be effective for annual reporting periods beginning after December 15, 2019, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Station has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02, as deferred one year by ASU 2020-05, requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2022, with early adoption permitted. The Station is in the process of evaluating the impact of this new guidance.

Public Television 19, Inc.

Notes to Financial Statements

Note 2. Pledges Receivable

Included in pledges receivable at June 30, 2020 and 2019, respectively, are the following unconditional promises to give:

	2020	2019
Restricted to future periods:		
Building renovations	\$ 50,000	\$ 1,000,000
Content Excellence Fund	471,250	656,770
Core operating systems—technology	240,125	255,125
General use	949,650	613,000
	<u>\$ 1,711,025</u>	<u>\$ 2,524,895</u>
Unconditional promises to give before unamortized discount	\$ 1,711,025	\$ 2,524,895
Less unamortized discount	(59,686)	(156,722)
	<u>\$ 1,651,339</u>	<u>\$ 2,368,173</u>
Amounts due in:		
One to five years	\$ 1,694,025	\$ 2,519,895
Six to 10 years	17,000	5,000
	<u>\$ 1,711,025</u>	<u>\$ 2,524,895</u>

Pledges receivable are considered contributions with donor restrictions due to timing, as well as restrictions specified by the donor, since the funds from such contributions are not available for use until received by the Station.

Note 3. Assets Held at the Greater Kansas City Community Foundation

The Board of Directors authorized two special trust funds established at the Foundation, an unrelated party. These trust funds were established for the benefit of the Station in the future with no variance power being granted to the Foundation. The assets held at the Foundation are directed by the Station's Board of Directors, except the original grant funds received for the Hale Center for Journalism, which were donor-restricted. Included in assets as "investments" are \$3,997,294 and \$3,225,382 for 2020 and 2019, respectively. The Hale Center for Journalism Fund was closed out in August 2018. The Public Television 19, Inc. Fund invests only in the Foundation's pooled funds and is designated for general operations in the future and had balances of \$3,997,294 and \$3,225,382 at June 30, 2020 and 2019, respectively.

Public Television 19, Inc.

Notes to Financial Statements

Note 3. Assets Held at the Greater Kansas City Community Foundation (Continued)

Individual investments within the Greater Kansas City Foundation Pooled Fund comprise the following:

	2020	2019
Public Television 19, Inc. Fund:		
Fixed-income mutual fund pool	\$ 1,368,919	\$ 1,082,888
Equity mutual fund pool	2,619,823	2,135,949
Money market fund pool	8,552	6,545
	<u>\$ 3,997,294</u>	<u>\$ 3,225,382</u>

The change in value of assets held at the Greater Kansas City Community Foundation is as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 81,688	\$ 67,515
Net realized and unrealized gains	78,332	117,608
	<u>\$ 160,020</u>	<u>\$ 185,123</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land and land improvements	\$ 419,656	\$ 419,656
Buildings	9,354,469	9,282,120
Broadcast equipment	9,994,957	9,984,876
Transmission tower	1,795,017	1,723,859
Furniture and fixtures	1,007,752	974,564
Construction in progress	355,690	-
	<u>22,927,541</u>	<u>22,385,075</u>
Less accumulated depreciation	(18,988,456)	(18,183,066)
Property and equipment, net	<u>\$ 3,939,085</u>	<u>\$ 4,202,009</u>

Public Television 19, Inc.

Notes to Financial Statements

Note 5. Pledged Assets, Line of Credit and Long-Term Debt

The Station has a \$500,000 line-of-credit agreement with Bank of America secured by property and other assets. Interest is due monthly at a variable rate equal to the LIBOR Daily Floating Rate plus 2.20% (3.90% as of June 30, 2020), with all principal due on February 28, 2021. At both June 30, 2020 and 2019, \$0 was outstanding on this line of credit.

Long-term debt consists of the following at June 30, 2020 and 2019:

	2020	2019
PPP loan due April 15, 2022, interest at 1%; payable in quarterly interest-only principal payments of \$116,756 due quarterly with interest (see disclosure below for additional information)	\$ 934,047	\$ -
Radio loan due July 27, 2022; interest at 3.9%; secured by all assets; payable in quarterly interest-only principal payments of \$41,823 due quarterly with interest	1,047,657	1,172,785
	<u>\$ 1,981,704</u>	<u>\$ 1,172,785</u>

Aggregate maturities of long-term debt outstanding at June 30, 2020, are as follows:

Years ending June 30:	
2021	\$ 419,536
2022	599,793
2023	962,375
	<u>\$ 1,981,704</u>

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Station received a Small Business Administration (SBA) Paycheck Protection Plan (PPP) loan for \$934,047 on April 15, 2020. The Station determined they qualified for the PPP loan because the Station has less than 500 employees. The loan is unsecured, bears interest at 1.00%, and matures on April 15, 2022. Under the provisions of the CARES Act and related loans, this loan will be forgiven if certain conditions are met related to the use of the loan proceeds. Those conditions on the loan proceeds include retaining workers, maintaining payroll, or making utility payments. Should the Station be required repay some portion of these funds because conditions for loan forgiveness are not met, it is the intent of the Station leadership to repay any such funds to the lender in accordance with the terms of the agreement. The Station has elected to account for the loan as a financial liability in accordance with ASC Topic 470, Debt. Therefore, the Station has elected to include the loan in the maturity schedule above until it is forgiven.

Note 6. Operating Leases

The Station is leasing tower and various equipment to several unrelated parties. Rental income for the years ended June 30, 2020 and 2019, is \$1,088,978 and \$1,052,330, respectively. As of June 30, 2020 and 2019, the Station has \$1,132,085 and \$1,054,537, respectively, recorded as a deferred lease asset on the statements of financial position due to future escalating rents. As of June 30, 2020 and 2019, the Station has \$858,480 and \$873,836, respectively, recorded as deferred revenue due to up-front cash payments on tower space leases.

Public Television 19, Inc.

Notes to Financial Statements

Note 6. Operating Leases (Continued)

The minimum future rental income under operating leases is as follows:

Years ending June 30:		
2021		\$ 961,188
2022		856,715
2023		869,911
2024		764,169
2025		775,687
Thereafter		8,540,029
		<u>\$ 12,767,699</u>

Note 7. Liquidity and Availability of Resources

The Station regularly monitors liquidity required to meet its annual operating needs and other contractual requirements while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2020 and 2019, the following financial assets are available to meet annual operating needs of the 2021 and 2020 fiscal years:

	2020	2019
Assets at year-end:		
Cash and cash equivalents	\$ 4,641,146	\$ 1,513,869
Accounts receivable, net	139,365	178,924
Pledge receivables, net	1,651,339	2,368,173
Prepaid expenses	249,394	237,445
Investments	3,997,294	3,225,382
Deferred lease asset	1,132,085	1,054,537
Property and equipment, net	3,939,085	4,202,009
Total assets	<u>15,749,708</u>	<u>12,780,339</u>
Assets not available to be used		
Pledge receivables for restricted gift, net	(1,651,339)	(2,368,173)
Prepaid expenses	(249,394)	(237,445)
Deferred lease asset	(1,132,085)	(1,054,537)
Property and equipment, net	(3,939,085)	(4,202,009)
Total assets not available to be used	<u>(6,971,903)</u>	<u>(7,862,164)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,777,805</u>	<u>\$ 4,918,175</u>

The Station has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit. The Station's investments at the Greater Kansas City Community Foundation are board designated and can be withdrawn at any time with Board approval, and therefore, could be used as another source of liquidity, if needed. Note 5 discusses the Station's Bank of America Standard Credit Agreement for information about the Station's lines of credit.

Public Television 19, Inc.

Notes to Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended June 30, 2020 and 2019, were available for the following:

	2020	2019
Building renovations	\$ 2,527,375	\$ 2,427,375
Content Excellence Fund	-	1,183,003
Core operating systems—technology	290,924	90,924
	<u>\$ 2,818,299</u>	<u>\$ 3,701,302</u>

Note 9. Board-Designated Net Assets (Without Donor Restrictions)

The Station reports Board-designated net assets (without any donor restrictions) for the balance of the investments owned by the Greater Kansas City Community Foundation, as these investments are directed by the Board, except the original grant funds received for the Content Excellence Fund, which are donor-restricted. The Board-designated net asset balance as of June 30, 2020 and 2019, was \$3,997,294 and \$3,225,382, respectively.

Note 10. Net Assets Released From Donor Restriction

Net assets were released from restriction for the years ended June 30, 2020 and 2019, for the following purpose:

	2020	2019
Content excellence programs	\$ 1,512,193	\$ 220,635
	<u>\$ 1,512,193</u>	<u>\$ 220,635</u>

Note 11. Retirement Plan

The Station maintains a defined contribution retirement plan for all its employees. The plan provisions call for the Station to make discretionary contributions to the plan equal to each employee's contributions, up to a stated maximum of 5%. Station contributions to the plan are made on a biweekly basis. Employer contributions for the years ended June 30, 2020 and 2019, were \$167,294 and \$162,947, respectively.

Note 12. Significant Concentrations

A substantial portion of the Station's programming is made possible through an agreement with the Public Broadcasting Service (PBS). Programs obtained from PBS constituted approximately 61% and 60% of the Station's airtime during the years ended June 30, 2020 and 2019, respectively.

Public Television 19, Inc.

Notes to Financial Statements

Note 13. Fair Value Measurements

The Station has adopted the provisions of ASC Topic 820, Fair Value Measurements, for assets and liabilities measured and reported at fair value. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 investments include pooled investments that do not have any significant redemption restrictions that would cause liquidation and report date values to be significantly different, if redemption were requested at report date.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following tables summarize the assets measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy:

Investment held with the Foundation and in pooled funds:

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Pooled funds at the Foundation:				
Fixed-income mutual fund pool	\$ 1,368,919	\$ -	\$ 1,368,919	\$ -
Equity mutual fund pool	2,619,823	-	2,619,823	-
	<u>3,988,742</u>	<u>\$ -</u>	<u>\$ 3,988,742</u>	<u>\$ -</u>
Money market fund pool	8,552			
	<u>\$ 3,997,294</u>			

Public Television 19, Inc.

Notes to Financial Statements

Note 13. Fair Value Measurements (Continued)

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Pooled funds at the Foundation:				
Fixed-income mutual fund pool	\$ 1,082,888	\$ -	\$ 1,082,888	\$ -
Equity mutual fund pool	2,135,949	-	2,135,949	-
	<u>3,218,837</u>	<u>\$ -</u>	<u>\$ 3,218,837</u>	<u>\$ -</u>
Money market fund pool	6,545			
	<u>\$ 3,225,382</u>			

Assets recorded at fair value on a recurring basis: A description of the valuation methodologies used for assets on a recurring basis is set forth below:

Pooled funds at the Foundation: The Station's investments are an investment in the funds held by the Foundation. The Station invests in the Foundation's fixed-income and equity mutual fund pools, which consist of all Level 1 investments; however, since the Station's investment is in the Foundation, not the individual investments, all of the Station's investment in the Foundation is classified as Level 2. The Foundation values their individual securities as follows: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow.

The Station does not have assets and liabilities recorded at fair market value on a nonrecurring basis.

The fair value estimates presented are based on pertinent information available to management at June 30, 2020 and 2019. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have been comprehensively revalued for purposes of the financial statements since that date; therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Note 14. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including September 11, 2020, which is the date the financial statements were available to be issued.

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. Further, financial markets have recently experienced a significant decline attributed to COVID-19 concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which COVID-19 impacts the Station's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak, and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Station, but such an impact could have a material adverse effect on the financial condition of the Station.

Public Television 19, Inc.

**Statement of Activities by Department
Supplementary Information
Year Ended June 30, 2020**

	KTBG	KCPT	Total
Revenues, gains and other support:			
Membership income	\$ 343,649	\$ 4,252,159	\$ 4,595,808
Grants	101,363	1,731,606	1,832,969
Contributions, bequests and capital grants	17,450	2,152,945	2,170,395
In-kind contributions	-	74,698	74,698
Program and production underwriting	260,356	704,006	964,362
Educational services	-	133,164	133,164
Rental income	-	1,088,978	1,088,978
Broadcast royalties	-	2,258	2,258
Contributions, capital campaign	-	2,157,143	2,157,143
Miscellaneous	-	1,654	1,654
Change in value of investment in pooled funds	-	160,020	160,020
Total revenues, gains and other support	722,818	12,458,631	13,181,449
Expenses:			
Program services	730,580	6,744,605	7,475,185
Fundraising	91,494	2,160,068	2,251,562
Management and general	-	1,403,810	1,403,810
Total expenses (including depreciation of \$83,481 and \$721,795 for KTBG and KCPT, respectively)	822,074	10,308,483	11,130,557
Changes in net assets	(99,256)	2,150,148	2,050,892
Net assets:			
Beginning	(777,418)	10,897,950	10,120,532
Ending	\$ (876,674)	\$ 13,048,098	\$ 12,171,424

See notes to supplementary information.

Public Television 19, Inc.

**Statement of Activities by Department
Supplementary Information
Year Ended June 30, 2019**

	KTBG	KCPT	Total
Revenues, gains and other support:			
Membership income	\$ 338,660	\$ 3,695,016	\$ 4,033,676
Grants	102,305	1,526,871	1,629,176
Contributions, bequests and capital grants	10,174	2,009,490	2,019,664
In-kind contributions	-	70,512	70,512
Program and production underwriting	348,620	805,174	1,153,794
Educational services	-	105,834	105,834
Rental income	-	1,052,330	1,052,330
Broadcast royalties	-	1,563	1,563
Contributions, capital campaign	-	4,305,649	4,305,649
Miscellaneous	-	14,600	14,600
Change in value of investment in pooled funds	-	185,123	185,123
Total revenues, gains and other support	799,759	13,772,162	14,571,921
Expenses:			
Program services	701,212	6,789,837	7,491,049
Fundraising	100,478	1,907,849	2,008,327
Management and general	6,673	1,609,678	1,616,351
Total expenses (including depreciation of \$82,886 and \$919,861 for KTBG and KCPT, respectively)	808,363	10,307,364	11,115,727
Changes in net assets	(8,604)	3,464,798	3,456,194
Net assets:			
Beginning	(768,814)	7,433,152	6,664,338
Ending	\$ (777,418)	\$ 10,897,950	\$ 10,120,532

See notes to supplementary information.

Public Television 19, Inc.

Notes to Supplementary Information

In addition to the basic financial statements, the Station presents a statement of activities for two departments of the Station. Brief explanations of the departments are as follows:

KTBG: This department is used to account for the operating activity of the radio station acquired and operated by the Station.

KCPT: This department is used to account for all other operations of the Station.

