



**NORTHEASTERN EDUCATIONAL  
TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

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FINANCIAL STATEMENTS

For the Years Ended June 30, 2022  
(With summarized comparative information for  
June 30, 2021)

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**NORTHEASTERN EDUCATIONAL  
TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

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274 White Pond Drive  
Akron, OH 44320  
330.864.6661

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Northeastern Educational Television of Ohio, Inc.  
Dba PBS Western Reserve

### **Opinion**

We have audited the accompanying financial statements of Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles general accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve'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.

### **Summarized Comparative Information**

We have previously audited the Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve's 2021 financial statements, and we expressed an unmodified opinion on those audited statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sikich LLP*

Akron, Ohio  
October 27, 2022

**NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2022**

**(with summarized comparative financial information as of June 30, 2021)**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,336,308	\$ 1,727,301
Pledges receivable, net	256,725	257,064
Other accounts receivable	76,131	100,137
Prepays	29,459	9,607
Other assets	1,010	1,010
	<u>1,699,633</u>	<u>2,095,119</u>
<b>NONCURRENT ASSETS</b>		
Beneficial interest held at foundation	1,646,454	1,571,948
Property and equipment, net	5,207,649	4,838,649
	<u>6,854,103</u>	<u>6,410,597</u>
	<u>\$ 8,553,736</u>	<u>\$ 8,505,716</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 74,878	\$ 71,810
Accrued expenses	145,719	140,315
Deferred revenue, current	370,820	389,076
	<u>591,417</u>	<u>601,201</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>7,962,319</u>	<u>7,904,515</u>
	<u>7,962,319</u>	<u>7,904,515</u>
	<u>\$ 8,553,736</u>	<u>\$ 8,505,716</u>

*See accompanying notes to financial statements.*

**NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.**  
**DBA PBS WESTERN RESERVE**

**STATEMENTS OF ACTIVITIES**  
**for the year ended June 30, 2022**  
**(with summarized comparative financial information for the year ended June 30, 2021)**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Ohio BEMC - General grant	\$ 312,566	\$ -	\$ 312,566	\$ 290,557
Ohio BEMC - Education grant	175,362	-	175,362	88,896
Ohio BEMC - Capital grant	207,822	-	207,822	-
ODE EdTech - Education grant	225,028	-	225,028	225,028
Membership and individual contributions	2,071,486	-	2,071,486	2,081,575
Underwriting income and public support	133,225	-	133,225	183,509
Rental income	498,177	-	498,177	597,539
Channel sharing revenue	660,000	-	660,000	660,000
FCC repack reimbursement grant	179,082	-	179,082	884,456
Ohio Ready to Learn grant	60,367	-	60,367	70,375
Corporation for Public Broadcasting grant	1,032,680	-	1,032,680	1,503,602
Other income	87,223	-	87,223	132,820
Contribution - PPP	-	-	-	215,441
In-kind broadcast services	916,750	-	916,750	783,197
Total revenue and support	<u>6,559,768</u>	<u>-</u>	<u>6,559,768</u>	<u>7,716,995</u>
<b>EXPENSES</b>				
Broadcasting	2,073,801	-	2,073,801	1,887,043
Educational services	241,306	-	241,306	211,604
PTV programming	1,838,232	-	1,838,232	1,626,621
Communications	559,276	-	559,276	501,399
Total program services	4,712,615	-	4,712,615	4,226,667
Fundraising and development	865,753	-	865,753	846,923
General and administrative	668,102	-	668,102	555,517
Total expenses	<u>6,246,470</u>	<u>-</u>	<u>6,246,470</u>	<u>5,629,107</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Change in beneficial interest in assets held at foundation	(255,494)	-	(255,494)	248,917
CHANGE IN NET ASSETS	57,804	-	57,804	2,336,805
NET ASSETS, BEGINNING OF YEAR	<u>7,904,515</u>	<u>-</u>	<u>7,904,515</u>	<u>5,567,710</u>
NET ASSETS, END OF YEAR	<u>\$ 7,962,319</u>	<u>\$ -</u>	<u>\$ 7,962,319</u>	<u>\$ 7,904,515</u>

NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE

STATEMENTS OF FUNCTIONAL EXPENSES  
for the year ended June 30, 2022  
(with summarized comparative information for the year ended June 30, 2021)

	2022							2021	
	Broadcasting	Educational Services	PTV Programming	Communications	Total Program Services	Fundraising and Development	General and Administrative	Total	Total
<b>OPERATING EXPENSES</b>									
Salaries	\$ 233,113	\$ 133,177	\$ 91,451	\$ 297,738	\$ 755,479	\$ 162,296	\$ 63,352	\$ 981,127	\$ 796,999
Payroll taxes and retirement	36,572	21,722	15,285	48,930	122,509	24,401	10,765	157,675	116,769
Benefits	29,198	6,944	7,348	27,238	70,728	10,725	19,059	100,512	85,740
Bank fees	-	-	-	-	-	50,483	7,270	57,753	55,276
Dues and fees	7,524	6,341	17,872	6,341	38,078	6,341	33,364	77,783	114,118
Maintenance and repair	19,836	5,714	5,914	5,714	37,178	5,714	5,714	48,606	68,972
Outside services and contracts	51,860	48,305	218,167	19,724	338,056	323,350	23,975	685,381	613,943
Insurance	-	-	-	-	-	-	88,430	88,430	97,759
Mailing and postage	-	-	-	-	-	57,032	-	57,032	33,560
Incentive gifts	-	-	-	-	-	137,599	-	137,599	166,715
Pledge call service	-	-	-	-	-	38,394	-	38,394	43,364
Professional fees	14,870	-	-	-	14,870	-	106,911	121,781	75,527
Supplies and office expenses	2,348	11,790	5,280	25,914	45,332	11,294	36,175	92,801	66,182
Program guide	-	-	-	119,543	119,543	-	-	119,543	103,078
Production costs	-	-	1,437,894	-	1,437,894	-	-	1,437,894	1,398,342
Building rent	33,556	-	-	-	33,556	-	-	33,556	35,673
Travel and conferences	1,873	637	28	1,457	3,995	1,293	4,698	9,986	9,622
Utilities	101,805	6,676	6,676	6,677	121,834	6,676	6,676	135,186	148,589
Equipment removal	13,104	-	-	-	13,104	-	-	13,104	22,927
In-kind broadcast services	916,750	-	-	-	916,750	-	-	916,750	783,197
Miscellaneous	-	-	-	-	-	30,155	21,472	51,627	35,327
Bad debt expense	-	-	-	-	-	-	185,143	185,143	126,237
Interest	-	-	-	-	-	-	-	-	46
Total expenses before depreciation	1,462,409	241,306	1,805,915	559,276	4,068,906	865,753	613,004	5,547,663	4,997,962
<b>DEPRECIATION</b>	611,392	-	32,317	-	643,709	-	55,098	698,807	631,145
Total functional expenses	\$ 2,073,801	\$ 241,306	\$ 1,838,232	\$ 559,276	\$ 4,712,615	\$ 865,753	\$ 668,102	\$ 6,246,470	\$ 5,629,107

See accompanying notes to financial statements.

**NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.**  
**DBA PBS WESTERN RESERVE**

**STATEMENTS OF CASH FLOWS**

**for the year ended June 30, 2022**

**(with summarized comparative financial information for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 57,804	\$ 2,336,805
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	698,807	631,145
Change in beneficial interest in assets held at foundation	255,494	(248,917)
Bad debt expense	185,143	126,237
Changes in operating assets:		
Pledges receivable	339	(52,876)
Grants Receivable	-	57,350
Other accounts receivable	(161,137)	(158,801)
Other assets and prepaids	(19,852)	6,157
Changes in operating liabilities:		
Accounts payable	3,068	(102,580)
Accrued expenses	5,404	2,905
Refundable advance	-	(215,441)
Deferred revenue	(18,256)	23,375
Total adjustments	<u>949,010</u>	<u>68,554</u>
Net cash from operating activities	<u>1,006,814</u>	<u>2,405,359</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,067,807)	(1,153,942)
Contributions to beneficial interest	(330,000)	(660,000)
Net cash from investing activities	<u>(1,397,807)</u>	<u>(1,813,942)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (390,993)	 591,417
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,727,301</u>	<u>1,135,884</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 1,336,308</u></b>	<b><u>\$ 1,727,301</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Non-cash investing activities:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 46</u>

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2022**

**(with summarized comparative financial information for the year ended June 30, 2021)**

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**1. NATURE OF OPERATIONS**

**Nature of Activities** – Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve (the Organization) was incorporated in July 1971 as a nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is a consortium of the University of Akron, Kent State University and Youngstown State University (the Consortium). The Organization operates two public television stations, WNEO, Channel 45 and WEAO, Channel 49.

**Broadcasting:** The organization is the owner and operator of two full-power educational “set-aside,” noncommercial broadcast television channels (WNEO and WEAO) and one translator channel (W13 DP-D), all licensed by the Federal Communications Commission. WNEO is licensed to the city of Alliance and serves the Youngstown designated television market. WEAO is licensed to the city of Akron and serves the Cleveland/Akron/Canton designated television market. W13 DP-D is a translator license and serves areas of Mahoning Valley that cannot receive WNEO. The organization also owns and operates two broadcast towers and 4 higher frequency Educational Broadband Service (EBS—formerly known as Instructional Television Fixed Service or ITFS) channels in Youngstown market and co-owns with Akron Public Schools 4 EBS channels in Akron.

**Educational Services:** The Educational Services Department, funded in large part by the Ohio Department of Education, serves K-12 students and educators in 10 Ohio counties. Since 1973, Educational Services has been training teachers to use the latest educational technologies in their classrooms. Teachers also use the station’s instructional television programming, locally produced multimedia curriculum projects and in-school technology and consultation services. PBS Western Reserve is part of the statewide network of educational technology agencies that provide collaborative training to all educators across the state.

**PTV Programming:** For its broadcast service, the organization offers three separately programmed 24/7 noncommercial television channels: 1. A high-definition broadcast service that mainly consist of programming provided by the Public Broadcasting Service (PBS) 2. Fusion, which is a standard definition service that has an 8-hour block of programming provided by the Ohio Government Channel; an 8-hour block of programming provided by the Classic Arts Channel; and another 8 hours of programming that is mostly a mix of PBS, syndicated and local/regional programming. All three channels offer a wide range of programs on subjects including science and nature; drama, art and music; how-tos, travel and adventure; history and biography; and news and public affairs.

**Communications:** The Organization extends their brand through strategic partnerships. They collaborate with other community entities through local events, reciprocal agreements and other types of support. The Organization’s program guide, The Alternative, circulates to members monthly, while our Monday morning e-blast, The Prompter, is sent and highlights programming for the week.

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2022**

**(with summarized comparative financial information for the year ended June 30, 2021)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

**Basis of Presentation** – The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

***Net assets without donor restrictions*** are for general operations and board-designated net assets of the Organization and are not subject to donor-imposed restrictions. These net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

***Net assets with donor restrictions*** are subject to stipulations imposed by donors and grantors. Some donor restrictions are for actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**Cash and Cash Equivalents** – The Organization considers all short-term liquid investments with maturities, when purchased, of 90 days or less to be cash equivalents.

**Concentration of Credit Risk** – The Organization maintains cash and cash equivalents in accounts with financial institutions which, at times, may exceed federally insured limits and at June 30, 2022 and 2021, these deposits totaled \$849,137 and \$1,257,187, respectively. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Comparative Financial Information** – The financial statements include certain prior year summarized comparative information in total but not by net asset class for the statement of activities. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

**Other Accounts Receivable** – Other accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. The potential risk is limited to the amounts recorded in the financial statements. Receivables are considered past due based on various contractual terms. Management provides for probable uncollectible amounts through a provision for doubtful accounts and an adjustment 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 accounts receivable. As of June 30, 2022 and 2021, the Organization had no allowance for other accounts receivable.

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2022**

**(with summarized comparative financial information for the year ended June 30, 2021)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, (Continued)**

**Pledges Receivable** – Pledges receivable are stated at the amount management expects to collect from balances outstanding at year end. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on historical experience and management’s analysis of specific promises made. As of June 30, 2022 and 2021, the Organization had an allowance for grants and pledges receivable of \$193,441 and \$171,375, respectively. All pledge receivable balances are due within 1 year.

**Property and Equipment** – Acquisitions of property and equipment and expenditures for repairs, maintenance, and betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated utilizing the straight-line method over the estimated useful lives. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. When property is retired or otherwise disposed of, the cost of property and accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are charged or credited to operations for the period. Assets are depreciated based on the following estimated useful lives:

Buildings	7 – 30 years
Furniture and fixtures	3 – 10 years
Machinery and equipment	3 – 20 years
Intangible assets	5 – 7 years

**Rental Income** – Rental income is recognized by the Organization ratably over the rental period as tower services are rendered to the third parties.

**Support and Revenue Recognition** – Contributions, grants, underwriting and public support and membership income are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There are no conditional grants as of June 30, 2022 or 2021.

Membership and individual contributions are nonrefundable and are comprised of a contribution and exchange element. The exchange element is deemed to be insignificant and therefore memberships are considered contributions and are recognized immediately.

The Organization records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending June 30, 2022 and 2021:

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2022**

**(with summarized comparative financial information for the year ended June 30, 2021)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, (Continued)**

**Support and Revenue Recognition, (Continued)**

*Channel sharing income* – The Organization has a nonrefundable channel sharing agreement with a third party in which it shares the WEAO broadcast channel for an agreed upon price. Revenue is billed and paid once a year and revenue is recognized ratably over time over the course of the year as that is how the channel share is provided to the third party.

Deferred revenue consists of channel sharing income and is recognized as deferred revenue at the time of receipt and recognized as revenue over the life of the annual agreement.

Various economic factors, such as unforeseen circumstance that would result in the Organization not being able to operate their channels, could affect the recognition of revenue and cash flows.

**Refundable Advance** – The Organization received \$215,441 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The loan is forgivable over an established period of time as long as the funds are used for eligible purposes. The loan was forgiven in December 2020 and therefore was accounted for as a contribution on the statements of activities during fiscal year ending June 30, 2021.

**In-Kind Contributions and Services** – The Organization adopted 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* for the year ended June 30, 2022. Contributed services are recognized as revenues at their estimated fair value only when they create or enhance nonfinancial assets, or they require specialized skills which would need to be purchased if they were not donated. In-kind contributions and services consist primarily of technical and program services donated by the Ohio Broadcast Educational Media Commission (Ohio BEMC), the State of Ohio and certain broadcast-related activities donated by private sources. The Organization received in-kind services as noted above in the amount of \$916,750 in 2022 and \$783,197 in 2021. The Organization values the technical and program services at the fair value prices which are established based on a percentage of operating budget of Ohio BEMC. The in-kind services are utilized in the Organization’s programs.

**Functional Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between program services, supporting services, and fundraising expenses. Salaries, payroll taxes and retirement and benefits are allocated on the basis of estimated time and effort. All other expenses are charged directly to the functional category in which they relate at the time the expense is incurred.

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2022**

**(with summarized comparative financial information for the year ended June 30, 2021)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, (Continued)**

**Tax Status** – The Organization is a nonprofit organization exempt from federal income taxes under the current provisions of Internal Revenue Code Section 501(c)(3). Accordingly, the Organization has not recorded provisions for federal and state income taxes. The Organization is not classified as a private foundation.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** – Management has evaluated subsequent events and transactions for potential recognition or disclosure through October 27, 2022, the date the financial statements were available to be issued, and determined that there were no significant non-recognized subsequent events through that date.

**3. LIQUIDITY**

The following represents the Organization’s financial assets available for operating expenses and capital expenditures on fixed assets within one year of the statement of financial position date at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,336,308	\$ 1,727,301
Pledges receivable, net	256,725	257,064
Other accounts receivable	<u>76,131</u>	<u>100,137</u>
	<u>\$ 1,669,164</u>	<u>\$ 2,084,502</u>
Total financial assets liquid within one year	<u>\$ 1,669,164</u>	<u>\$ 2,084,502</u>

Based on the above financial assets and the Organization’s \$400,000 line of credit available as described in Note 5, the Organization has the resources to meet cash flow needs. In addition, the Organization will continue to receive operating revenues for the 2023 fiscal year.

**NORTHEASTERN EDUCATIONAL TELEVISION OF OHIO, INC.  
DBA PBS WESTERN RESERVE**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2022**

**(with summarized comparative financial information for the year ended June 30, 2021)**

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**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 2,057,783	\$ 2,057,783
Furniture and fixtures	82,420	55,516
Machinery and equipment	8,220,539	7,224,752
Intangible assets	39,363	31,261
Construction in progress	<u>156,131</u>	<u>119,115</u>
	10,556,236	9,488,427
Less accumulated depreciation	<u>5,348,587</u>	<u>4,649,778</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>\$ 5,207,649</u>	<u>\$ 4,838,649</u>

**5. FINANCING ARRANGEMENTS**

The Organization has two credit agreements with two banks at a collective maximum borrowing base of \$400,000. The lines are due on demand and interest is due monthly at the banks' prime rate (4.75% at June 30, 2022). There were no balances outstanding at June 30, 2022 and 2021. The lines are collateralized by all business assets.

**6. FAIR VALUE MEASUREMENTS**

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

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**6. FAIR VALUE MEASUREMENTS, (Continued)**

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2022 and 2021.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2022 and 2021.

**Beneficial interests in assets held at Foundation** – Valued using the fair value of the assets held. The Organization considers the measurement of its beneficial interest in assets held at foundations to be a Level 3 measurement within the hierarchy because even though that measurement is based on the fair value of assets reported by the trustee, the Organization does not have the ability to direct the trustee to redeem them.

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30:

	<b>2022</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets held at foundation	\$ -	\$ -	\$ 1,646,454	\$ 1,646,454
Total assets				<u>\$ 1,646,454</u>
	<b>2021</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets at foundation	\$ -	\$ -	\$ 1,571,948	\$ 1,571,948
Total assets				<u>\$ 1,571,948</u>

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**6. FAIR VALUE MEASUREMENTS, (Continued)**

**Unobservable (Level 3) Inputs**

The activity for the beneficial interest in assets held at foundation, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,571,948	\$ 663,031
Contribution	330,000	660,000
Change in beneficial interest in assets held at foundations	<u>(255,494)</u>	<u>248,917</u>
Balance, end of year	<u>\$ 1,646,454</u>	<u>\$ 1,571,948</u>

The change in value of the beneficial interest in the trust is reported on the statement of activities.

**7. NET ASSETS**

Net assets without donor restrictions are available for the following purposes as of June 30:

	<u>2022</u>	<u>2021</u>
Operating surplus	\$ 1,108,216	\$ 1,493,918
Net investment in property and equipment	5,207,649	4,838,649
Board-designated funds functioning as endowment	<u>1,646,454</u>	<u>1,571,948</u>
Total net assets without donor restriction	<u>\$ 7,962,319</u>	<u>\$ 7,904,515</u>

Net assets with donor restrictions totaling \$0 in 2022 and \$97,002 in 2021 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors

**8. ENDOWMENT**

The Organization is the beneficiary of assets held at a foundation which is the PBS Western Reserve Endowment Fund held by the Akron Community Foundation. This fund is held by the Organization but held by the Akron Community Foundation in a separate fund. This fund was designated by the Board of Directors to function as an endowment and is included as a beneficial interest held at a foundation in the statement of financial position. Income received from these funds are for general operations of the Organization. As required by accounting principles generally accepted in the United States of America, net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Total fair value was \$1,646,454 and \$1,571,948 at June 30, 2022 and 2021, respectively.

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**8. ENDOWMENT, (Continued)**

*Changes in Endowment Net Assets for the Years Ended June 30*

	<b>Without Donor Restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2020	\$ 663,031	\$ 663,031
Contributions	660,000	660,000
Change in beneficial assets held By Foundation	<u>248,917</u>	<u>248,917</u>
Endowment net assets, June 30, 2021	<u>1,571,948</u>	<u>1,571,948</u>
Contributions	330,000	330,000
Change in beneficial assets held By Foundation	<u>(255,494)</u>	<u>(255,494)</u>
Endowment net assets, June 30, 2022	<u>\$ 1,646,454</u>	<u>\$ 1,646,454</u>

**Return Objectives and Risk Parameters** – The Organization has adopted investment and spending policies for endowment assets based on the policies held at the Akron Community Foundation that attempt to provide a predictable stream of funding for Organization operations and programs.

**Strategies Employed for Achieving Objectives** – The Organization relies on a total return strategy at the Akron Community Foundation in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**9. LEASES**

The Organization leases equipment and broadcasting tower space under several lease agreements through 2030. Certain operating leases provide that the Organization pay taxes, maintenance and insurance applicable to the leased property. Generally, the leases include renewal options for various periods at stipulated rates. Total rental expenses were \$35,648 and \$41,375 in 2022 and 2021, respectively.

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**9. LEASES, (Continued)**

The Organization also leases broadcasting tower space and spectrum to various companies through 2030. These agreements typically include provisions for a monthly payment and may also include contingent rents based upon levels of revenue. Total rental income was \$ 498,177 and \$ 597,539 in 2022 and 2021, respectively. The Organization entered into an agreement in December 2017 to rent channel space for \$660,000 per year, which is included in channel sharing revenue in 2022 and 2021.

Future minimum lease commitments and revenues for all non-cancellable operating leases with initial or remaining terms in excess of one year at June 30, 2022, are as follows for each of the years ending June 30:

	<u>Payments</u>	<u>Receipts</u>
2023	\$ 26,402	\$ 490,708
2024	25,946	468,642
2025	24,221	461,598
2026	24,413	465,915
2027	24,608	467,818
Thereafter	<u>64,590</u>	<u>4,112,730</u>
	<u>\$ 190,180</u>	<u>\$ 6,467,411</u>

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02, as amended by ASU No. 2020-05, is effective for non-public entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the two option transition methods.

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**10. BENEFIT PLANS**

Substantially all full-time employees of the Organization are covered by and are required to contribute to the State Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system administered by the State of Ohio. Employer and employee required contributions to PERS for both retirement benefits and postretirement health care benefits are established by the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the fund's actuaries.

The current employee total contribution rate is 10.0% of gross salaries and wages and the employer total contribution rate is approximately 14.0% of related gross salaries and wages. The Organization's contribution to PERS amounted to \$130,175 in 2022 and \$110,390 in 2021, of which approximately \$0 related to postretirement health care coverage.

The Organization also provides its employees with an additional postretirement benefit for accrued and unpaid sick pay. Employees with 10 years of service who are eligible for retirement (as defined by PERS) receive a lump sum payment of 25% of the accrued unpaid sick time up to certain limits. The Organization has recorded an accrued benefit cost for sick leave of \$47,659 and \$46,618 at June 30, 2022 and 2021, respectively, which is included in accounts payable, accrued expenses and other liabilities.

**11. CONCENTRATIONS**

Revenue from the Organization's largest funding source for the year ended June 30, 2022, and two largest funding sources for the year end June 30, 2021 totaled \$1,032,680 and \$2,388,058, respectively, which was 16% and 30% of total funding revenue for each year, respectively. The funding sources from a capital reimbursement was 11% as of June 30, 2021.

**12. COMMUNITY SERVICE GRANTS**

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (Grants) to qualifying public telecommunications entities. The Grants are approved by the U.S. Congress each year and could be reduced in the future.

The Grants are reported in the accompanying financial statements as net assets without donor restrictions; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements, all of which have been satisfied during the fiscal year. These guidelines pertain to the use of Grant funds, recordkeeping, audits, financial reporting and licensee status with the Federal Communications Commission (FCC).

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**13. COLLABORATIVE AGREEMENT**

The Organization operates under a written collaborative agreement contract with the State of Ohio (the State). The contract shall be for twenty-five years expiring on July 31, 2043, unless either party gives 180 days' notice of its intent to terminate on or before the expiration date. Under the provisions of the agreement, the State provides the Organization with the right to use certain land on which the Organization operates for \$1 in total.