



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

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FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

For the Years Ended June 30, 2023  
(With summarized comparative information for  
June 30, 2022)

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**NORTHEASTERN EDUCATIONAL  
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DBA PBS WESTERN RESERVE**

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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, 2023, 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, 2023, and the changes in its net assets and its 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.

### **Emphasis of Matter**

As further described in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 842 Leases, effective July 1, 2022. Topic 842 requires most prominently, the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position, as well as related disclosures, which are included in Notes 9 and 10. Our opinion is not modified with respect to this matter.

## **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 2022 financial statements, and we expressed an unmodified opinion on those audited statements in our report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sikich LLP*

Akron, Ohio  
October 26, 2023

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

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2023**

**(with summarized comparative financial information as of June 30, 2022)**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 1,451,618	\$ 1,336,308
Pledges receivable, net	233,741	256,725
Other accounts receivable	153,012	76,131
Prepays	43,775	29,459
Other assets	1,010	1,010
Operating right-of-use asset, net	160,845	-
Beneficial interest held at foundation	2,005,583	1,646,454
Property and equipment, net	4,662,286	5,207,649
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 8,711,870</b>	<b>\$ 8,553,736</b>
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 142,359	\$ 74,878
Accrued expenses	61,588	145,719
Operating lease liabilities	160,845	-
Deferred revenue, current	220,134	370,820
	<hr/>	<hr/>
Total liabilities	584,926	591,417
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Without donor restrictions	8,054,835	7,962,319
With donor restrictions	72,109	-
	<hr/>	<hr/>
Total net assets	8,126,944	7,962,319
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,711,870</b>	<b>\$ 8,553,736</b>
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**NORTHEASTERN EDUCATION TELEVISION OF OHIO, INC.**  
**DBA PBS WESTERN RESERVE**

**STATEMENT OF ACTIVITIES**

for the year ended June 30, 2023

(with summarized comparative financial information for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Ohio BEMC - General grant	\$ 312,565	\$ -	\$ 312,565	\$ 312,566
Ohio BEMC - Education grant	167,394	-	167,394	175,362
Ohio BEMC - Capital grant	-	-	-	207,822
ODE EdTech - Education grant	225,028	-	225,028	225,028
Membership and individual contributions	2,098,624	-	2,098,624	2,071,486
Underwriting income and public support	249,783	72,109	321,892	133,225
Rental income	505,970	-	505,970	498,177
Channel sharing revenue	510,000	-	510,000	660,000
FCC repack reimbursement grant	-	-	-	179,082
Ohio Ready to Learn grant	58,918	-	58,918	60,367
Ohio 360 grant	144,421	-	144,421	-
Corporation for Public Broadcasting grant	1,064,827	-	1,064,827	1,032,680
Education Grants	286,080	-	286,080	-
Other income	35,093	-	35,093	87,223
In-kind broadcast services	831,102	-	831,102	916,750
Total revenue and support	<u>6,489,805</u>	<u>72,109</u>	<u>6,561,914</u>	<u>6,559,768</u>
<b>EXPENSES</b>				
Broadcasting	2,007,391	-	2,007,391	2,073,801
Educational services	360,679	-	360,679	241,306
PTV programming	1,894,946	-	1,894,946	1,838,232
Communications	621,224	-	621,224	559,276
Total program services	4,884,240	-	4,884,240	4,712,615
Fundraising and development	841,239	-	841,239	865,753
General and administrative	853,939	-	853,939	668,102
Total expenses	<u>6,579,418</u>	<u>-</u>	<u>6,579,418</u>	<u>6,246,470</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Change in beneficial interest in assets held at foundation	182,129	-	182,129	(255,494)
CHANGE IN NET ASSETS	92,516	72,109	164,625	57,804
NET ASSETS, BEGINNING OF YEAR	7,962,319	-	7,962,319	7,904,515
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 8,054,835</u>	<u>\$ 72,109</u>	<u>\$ 8,126,944</u>	<u>\$ 7,962,319</u>

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

STATEMENT OF FUNCTIONAL EXPENSES  
for the year ended June 30, 2023  
(with summarized comparative information for the year ended June 30, 2022)

	2023							2022	
	Broadcasting	Educational Services	PTV Programming	Communications	Total Program Services	Fundraising and Development	General and Administrative	Total	Total
<b>OPERATING EXPENSES</b>									
Salaries	\$ 221,816	\$ 221,033	\$ 118,021	\$ 318,767	\$ 879,637	\$ 181,370	\$ 73,971	\$ 1,134,978	\$ 981,127
Payroll taxes and retirement	35,479	32,413	16,298	47,725	131,915	25,989	10,997	168,901	157,675
Benefits	36,161	15,935	8,532	28,804	89,432	9,780	9,310	108,522	100,512
Bank fees	-	-	-	-	-	53,419	6,203	59,622	57,753
Dues and fees	5,312	3,258	24,066	9,773	42,409	8,145	6,353	56,907	77,783
Maintenance and repair	43,035	3,643	3,640	3,642	53,960	3,643	3,643	61,246	48,606
Outside services and contracts	45,855	57,734	105,965	17,012	226,566	293,274	63,157	582,997	685,381
Insurance	-	-	-	-	-	-	119,046	119,046	88,430
Mailing and postage	-	-	-	-	-	55,473	-	55,473	57,032
Incentive gifts	-	-	-	-	-	112,340	-	112,340	137,599
Pledge call service	-	-	-	-	-	34,002	-	34,002	38,394
Professional fees	6,405	-	-	-	6,405	-	114,975	121,380	121,781
Supplies and office expenses	1,762	16,500	9,661	4,848	32,771	16,651	97,150	146,572	92,801
Program guide	-	-	-	173,544	173,544	-	-	173,544	119,543
Production costs	-	-	1,530,341	-	1,530,341	-	-	1,530,341	1,437,894
Building rent	56,824	-	-	-	56,824	-	-	56,824	33,556
Travel and conferences	2,412	3,329	-	10,283	16,024	-	-	16,024	9,986
Utilities	96,040	6,834	6,834	6,826	116,534	1,201	4,637	122,372	135,186
Equipment removal	1,833	-	-	-	1,833	6,834	6,834	15,501	13,104
In-kind broadcast services	831,102	-	-	-	831,102	-	-	831,102	916,750
Miscellaneous	-	-	-	-	-	39,118	4,251	43,369	51,627
Bad debt expense	-	-	-	-	-	-	284,418	284,418	185,143
Total expenses before depreciation	1,384,036	360,679	1,823,358	621,224	4,189,297	841,239	804,945	5,835,481	5,547,663
<b>DEPRECIATION</b>	623,355	-	71,588	-	694,943	-	48,994	743,937	698,807
Total functional expenses	\$ 2,007,391	\$ 360,679	\$ 1,894,946	\$ 621,224	\$ 4,884,240	\$ 841,239	\$ 853,939	\$ 6,579,418	\$ 6,246,470

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, 2023

(with summarized comparative financial information for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 164,625	\$ 57,804
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	743,937	698,807
Gain on disposition of assets	(17,573)	-
Change in beneficial interest in assets held at foundation	(182,129)	255,494
Bad debt expense	284,418	185,143
Changes in operating assets:		
Pledges receivable	22,984	339
Other accounts receivable	(361,299)	(161,137)
Other assets and prepaids	(14,316)	(19,852)
Changes in operating liabilities:		
Accounts payable	67,481	3,068
Accrued expenses	(84,131)	5,404
Deferred revenue	(150,686)	(18,256)
Total adjustments	<u>308,686</u>	<u>949,010</u>
Net cash from operating activities	<u>473,311</u>	<u>1,006,814</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	19,500	-
Purchase of property and equipment	(200,501)	(1,067,807)
Contributions to beneficial interest	(177,000)	(330,000)
Net cash from investing activities	<u>(358,001)</u>	<u>(1,397,807)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	115,310	(390,993)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,336,308</u>	<u>1,727,301</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,451,618</u>	<u>\$ 1,336,308</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Non-cash investing activities:		
Addition of Operating right-of-use asset and liabilities upon adoption of ASC 842	<u>\$ 160,845</u>	<u>\$ -</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2023**

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

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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, 2023

(with summarized comparative financial information for the year ended June 30, 2022)

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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, 2023 and 2022, these deposits totaled \$1,004,169 and \$849,137, 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022 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, 2023 and 2022, 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, 2023**

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

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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, 2023 and 2022, the Organization had an allowance for pledges receivable of \$190,187 and \$193,441, 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, 2023 and 2022.

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, 2023 and 2022:

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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

There are no significant judgements involved in the recognition of the channel sharing income.

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.

**In-Kind Contributions and Services** – 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 \$831,102 in 2023 and \$916,750 in 2022. 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. Contributed nonfinancial assets did not have donor-imposed restrictions.

**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.

**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.

The Organization follows guidance issued by the Financial Accounting Standards Board (FASB) on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization's return for tax years 2019 and later remain subject to examination by taxing authorities.

NOTES TO FINANCIAL STATEMENTS, Continued

For the year ended June 30, 2023

(with summarized comparative financial information for the year ended June 30, 2022)

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2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, (Continued)

**Use of Estimates** – The preparation of financial statements in conformity with 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 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 26, 2023, the date the financial statements were available to be issued, and determined that there were no significant non-recognized subsequent events through that date.

**Future Accounting Guidance** - In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326). This standard requires nonprofits to change their measurement of credit losses on financial instruments to be based on forward-looking estimates. ASU 2016-13, as amended by ASU No. 2019-10, is effective for non-public entities for fiscal years beginning after December 15, 2022 and interim periods within fiscal years beginning after December 15, 2023. The Organization is currently assessing the impact of this new standard.

**Recently Adopted Accounting Guidance** - In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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

**Recently Adopted Accounting Guidance, continued** - As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 an operating lease liability of \$200,845, which represents the present value of the remaining operating lease payments of \$223,354, discounted using the Organization's risk-free of 2.91%, and an operating right-of-use (ROU) asset of \$200,845.

The standard had a material impact on the Organization's statement of financial position but did not have a material impact on the Organization's statement of activities or statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The Organization determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset, and the Organization has the right to control the asset. Operating leases are included in operating lease ROU assets and operating lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization utilizes the risk-free rate in determining the present value of lease payments unless the implicit rate is readily determinable. The risk-free rate is based on the constant maturity treasury rate that is published by the U.S. Department of the Treasury.

Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

**Recently Adopted Accounting Guidance, continued** - The Organization has lease agreements with lease and non-lease components, which are generally accounted for as a single lease component for all asset classes. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease component is typically revised from one period to the next. These variable lease payments, which are primarily comprised of real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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**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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,451,618	\$ 1,336,308
Pledges receivable, net	233,741	256,725
Other accounts receivable	<u>153,012</u>	<u>76,131</u>
 Total financial assets	 <u>1,838,371</u>	 <u>1,669,164</u>
 Less financial assets held to meet donor imposed restrictions	 <u>72,109</u>	 <u>-</u>
 Total financial assets liquid within one year	 <u>\$ 1,766,262</u>	 <u>\$ 1,669,164</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 2024 fiscal year.

**4. PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
Buildings	\$ 2,097,548	\$ 2,057,783
Furniture and fixtures	80,980	82,420
Machinery and equipment	8,495,637	8,220,539
Intangible assets	39,363	39,363
Construction in progress	<u>14,212</u>	<u>156,131</u>
	10,727,740	10,556,236
Less accumulated depreciation	<u>6,065,454</u>	<u>5,348,587</u>
 <b>NET PROPERTY AND EQUIPMENT</b>	 <u>\$ 4,662,286</u>	 <u>\$ 5,207,649</u>

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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**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 (8.25% at June 30, 2023). There were no balances outstanding at June 30, 2023 and 2022. The lines are collateralized by all business assets. One of the lines of credit was closed subsequent to year end.

**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.

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, 2023 and 2022.

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 years ended June 30, 2023 and 2022.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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

**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:

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets held at foundation	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>2,005,583</u>	\$ <u>2,005,583</u>
Total assets				\$ <u>2,005,583</u>

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

**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>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,646,454	\$ 1,571,948
Contribution	177,000	330,000
Change in beneficial interest in assets held at foundations	<u>182,129</u>	<u>(255,494)</u>
Balance, end of year	<u>\$ 2,005,583</u>	<u>\$ 1,646,454</u>

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

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

**NOTES TO FINANCIAL STATEMENTS, Continued  
For the year ended June 30, 2023**

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

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**7. NET ASSETS**

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

	<u>2023</u>	<u>2022</u>
Operating surplus	\$ 1,386,966	\$ 1,108,216
Net investment in property and equipment	4,662,286	5,207,649
Board-designated funds functioning as endowment	<u>2,005,583</u>	<u>1,646,454</u>
Total net assets without donor restriction	<u>\$ 8,054,835</u>	<u>\$ 7,962,319</u>

Net Assets with time or purpose donor-imposed restrictions are restricted for the following purposes as of June 30:

	<u>2023</u>	<u>2022</u>
Underwriting	<u>\$ 72,109</u>	<u>\$ -</u>

**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 an asset of the Organization as it is held by the Akron Community Foundation in a separate fund and was created by the assets of the Organization. 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 \$ 2,005,583 and \$ 1,646,454 at June 30, 2023 and 2022, respectively.

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

**NOTES TO FINANCIAL STATEMENTS, Continued  
For the year ended June 30, 2023**

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

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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, 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>
Contributions	177,000	177,000
Change in beneficial assets held By Foundation	<u>182,129</u>	<u>182,129</u>
Endowment net assets, June 30, 2023	\$ <u>2,005,583</u>	\$ <u>2,005,583</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. RENTAL INCOME**

The Organization, as the lessor, leases broadcasting tower space and spectrum to various companies under noncancelable leases through 2030. These agreements typically include provisions for a monthly payment. The carrying value of the underlying leased property is \$3,246,527 as reported within property and equipment on the statement of financial position. Total rental income was \$ 505,970 and \$ 498,177 in 2023 and 2022, respectively.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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**9. RENTAL INCOME, (Continued)**

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, 2023, are as follows for each of the years ending June 30:

2024	\$	484,265
2025		441,716
2026		408,964
2027		216,913
2028		154,481
Thereafter		<u>694,975</u>
	\$	<u>2,401,313</u>

**10. LEASES**

The Organization has operating leases for a copier and a land easement previously accounted for under FASB ASC 840. Leases have remaining lease terms of 1 year to 7 years, all of which include options to extend the leases for up to 5 years. Management has determined that renewal options are not reasonably certain to be exercised, and such renewal periods are excluded in the ROU assets.

The components of lease expenses for 2022 are as follows:

	<u><b>2023</b></u>
Operating lease cost	\$ 56,824
<b>Other Lease Information</b>	<u><b>2023</b></u>
Supplemental cash flows information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 56,824

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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**10. LEASES, (Continued)**

The following table summarizes the lease-related assets and liabilities recorded in the statements of financial position as of June 30, 2023:

Operating lease right-of-use assets, net	<u>\$ 160,845</u>
Operating lease liabilities	<u>\$ 160,845</u>
Weighted-average remaining lease terms (years)	
Operating leases	6.7
Weighted-average discount rate	
Operating leases	2.91%

The following table provides the maturities of lease liabilities at June 30, 2023:

	<u>Operating</u>
2024	\$ 46,936
2025	32,124
2026	20,795
2027	20,990
2028	21,194
Thereafter	<u>29,660</u>
Total future undiscounted lease payments	171,699
Less: Interest	<u>(10,854)</u>
Present value of lease liabilities	<u>\$ 160,845</u>

During 2022, which was prior to the adoption of Topic 842, rent expense was \$ 33,556.

**11. 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.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**For the year ended June 30, 2023**

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

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**11. BENEFIT PLANS, (Continued)**

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 \$151,839 in 2023 and \$130,175 in 2022, 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 \$0 and \$47,659 at June 30, 2023 and 2022, respectively, which is included in accounts payable, accrued expenses and other liabilities.

**12. CONCENTRATIONS**

Revenue from the Organization's largest funding source for the year ended June 30, 2023, and June 30, 2022 totaled \$1,064,827 and \$1,032,680, respectively, which was 16% total funding revenue for each year.

**13. 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).

**14. 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.

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## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION**

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

We have audited the accompanying financial statements of Northeastern Educational Television of Ohio, Inc. dba PBS Western Reserve (the Organization) as of and for the year ended June 30, 2023, and our report thereon dated October 26, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Additional Payment Due Under the Terms of the Lockhart Lease 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 audit 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.

*SiKich LLP*

Akron, Ohio  
October 26, 2023

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

**SCHEDULE OF ADDITIONAL PAYMENT DUE UNDER THE TERMS OF THE LOCKHART LEASE  
for the year ended June 30, 2023**

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I.	Billable rents of 1989	\$	62,772
II.	Billable rents for 2023		<u>150,458</u>
III.	Difference between Line I and Line II	\$	<u>87,686</u>
IV.	35% of Line III	\$	<u>30,690</u>
	Additional payment due under the Lockhart Lease	\$	<u>30,690</u>