



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

CHANNEL 5 PUBLIC BROADCASTING, INC.

September 30, 2022 and 2021



MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
Channel 5 Public Broadcasting, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Channel 5 Public Broadcasting, Inc. (the Organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon
January 19, 2023

Channel 5 Public Broadcasting, Inc.
Statements of Financial Position

ASSETS

	September 30,	
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,404,363	\$ 506,570
Investments	5,243,385	6,727,426
Accounts receivable, net	24,328	45,294
Prepaid expenses and other assets	149,838	98,831
Total current assets	6,821,914	7,378,121
 LAND HELD FOR SALE	459,000	560,000
 PROPERTY AND EQUIPMENT, NET	2,342,663	2,430,325
 OTHER ASSETS		
Beneficial interest in assets held by community foundation	17,342	19,480
Total assets	\$ 9,640,919	\$ 10,387,926

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 134,408	\$ 154,064
Accrued payroll expenses	157,918	283,721
Deferred revenue	53,236	49,646
Total current liabilities	345,562	487,431
 NET ASSETS		
Without donor restrictions		
Undesignated	4,049,835	3,244,046
Board-designated endowment	4,224,976	5,308,401
Total net assets without donor restrictions	8,274,811	8,552,447
With donor restrictions		
Perpetual in nature	1,020,546	1,348,048
Total net assets with donor restrictions	1,020,546	1,348,048
Total net assets	9,295,357	9,900,495
Total liabilities and net assets	\$ 9,640,919	\$ 10,387,926

Channel 5 Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, GAINS, AND LOSSES			
Federal funding	\$ 1,235,363	\$ -	\$ 1,235,363
Local and state funding	251,712	-	251,712
Foundations/private grants	1,527,785	-	1,527,785
Corporate support	632,540	-	632,540
Individual giving			
Membership	1,447,059	-	1,447,059
Silver Circle	763,145	-	763,145
Education, local production, and underwriting	770,488	-	770,488
Special events revenue, net of expenses totaling \$92,719	222,447	-	222,447
Investment loss, net	(1,199,765)	(283,969)	(1,483,734)
Other loss	(96,768)	-	(96,768)
Contributed nonfinancial assets	488,988	-	488,988
Change in value of beneficial interest in assets held by community foundation	(2,138)	-	(2,138)
Net assets released from restrictions	43,533	(43,533)	-
Total revenue, support, gains, and losses	6,084,389	(327,502)	5,756,887
EXPENSES			
Program services			
Broadcasting	1,086,998	-	1,086,998
Education and outreach	554,702	-	554,702
Production	793,368	-	793,368
Programming	1,151,051	-	1,151,051
Total program services	3,586,119	-	3,586,119
Supporting services			
General and administration	1,005,398	-	1,005,398
Marketing	701,574	-	701,574
Fundraising	1,068,934	-	1,068,934
Total supporting services	2,775,906	-	2,775,906
Total expenses	6,362,025	-	6,362,025
CHANGE IN NET ASSETS	(277,636)	(327,502)	(605,138)
NET ASSETS, beginning of year	8,552,447	1,348,048	9,900,495
NET ASSETS, end of year	\$ 8,274,811	\$ 1,020,546	\$ 9,295,357

Channel 5 Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Federal funding	\$ 1,569,703	\$ -	\$ 1,569,703
Local and state funding	122,227	-	122,227
Foundations/private grants	1,005,230	-	1,005,230
Corporate support	220,878	-	220,878
Individual giving			
Membership	1,455,890	-	1,455,890
Silver Circle	764,006	-	764,006
Education, local production, and underwriting	254,252	-	254,252
Bequests	-	97,550	97,550
Special events revenue, net of expenses totaling \$46,925	116,135	-	116,135
PBS copyright royalties	21,117	-	21,117
Extinguishment of loan payable	437,465	-	437,465
Investment return, net	1,238,961	298,823	1,537,784
Other income	2,712	-	2,712
Contributed nonfinancial assets	436,051	-	436,051
Change in value of beneficial interest in assets held by community foundation	3,244	-	3,244
Total revenue, support, and gains	7,647,871	396,373	8,044,244
EXPENSES			
Program services			
Broadcasting	1,025,043	-	1,025,043
Education and outreach	555,167	-	555,167
Production	728,920	-	728,920
Programming	1,037,536	-	1,037,536
Total program services	3,346,666	-	3,346,666
Supporting services			
General and administration	982,617	-	982,617
Marketing	589,880	-	589,880
Fundraising	1,053,335	-	1,053,335
Total supporting services	2,625,832	-	2,625,832
Total expenses	5,972,498	-	5,972,498
CHANGE IN NET ASSETS	1,675,373	396,373	2,071,746
NET ASSETS, beginning of year	6,877,074	951,675	7,828,749
NET ASSETS, end of year	\$ 8,552,447	\$ 1,348,048	\$ 9,900,495

See accompanying notes.

Channel 5 Public Broadcasting, Inc.
Statement of Functional Expenses
Year Ended September 30, 2022

	Broadcasting	Education and Outreach	Production	Programming	Total Program Services	General and Administration	Marketing	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 369,222	\$ 215,509	\$ 499,349	\$ 114,857	\$ 1,198,937	\$ 367,341	\$ 162,178	\$ 498,751	\$ 1,028,270	\$ 2,227,207
Payroll taxes and expenses	28,823	17,707	38,725	7,776	93,031	35,299	13,572	38,125	86,996	180,027
Employee benefits	32,276	24,551	40,045	17,546	114,418	17,134	15,823	31,686	64,643	179,061
Total salaries and related expenses	430,321	257,767	578,119	140,179	1,406,386	419,774	191,573	568,562	1,179,909	2,586,295
Professional services	191,310	142,301	38,847	43,546	416,004	137,289	1,909	333,302	472,500	888,504
Program rights	-	-	-	900,921	900,921	-	-	-	-	900,921
Depreciation and amortization	143,931	-	116,754	-	260,685	90,626	9,251	778	100,655	361,340
Advertising and marketing	-	1,271	-	-	1,271	-	357,836	88	357,924	359,195
Donor relations	-	4,225	16,601	-	20,826	12,005	-	74,487	86,492	107,318
Supplies	10,554	136,684	8,817	-	156,055	23,506	12,229	16,373	52,108	208,163
Printing and publications	-	1,114	-	-	1,114	-	128,297	1,552	129,849	130,963
Computer and equipment maintenance	83,367	-	-	23,951	107,318	11,334	-	-	11,334	118,652
Facilities and occupancy	105,638	-	-	-	105,638	118,919	-	-	118,919	224,557
Insurance	-	-	-	-	-	103,373	-	-	103,373	103,373
Rent	86,953	5,209	5,168	-	97,330	310	-	-	310	97,640
Employee welfare and professional development	7,521	2,087	5,839	442	15,889	35,719	312	22,153	58,184	74,073
Dues and subscriptions	9,860	289	2,471	-	12,620	32,146	15	2,785	34,946	47,566
Bank and service charges	42	-	-	-	42	11,817	-	34,487	46,304	46,346
Program services	-	-	-	42,000	42,000	-	-	-	-	42,000
Travel	7,622	2,571	15,806	-	25,999	1,557	-	672	2,229	28,228
Miscellaneous	9,609	-	4,883	-	14,492	4,661	-	-	4,661	19,153
Postage	71	1,184	63	12	1,330	905	152	13,468	14,525	15,855
Board expenses	-	-	-	-	-	954	-	-	954	954
Freight/shipping	199	-	-	-	199	503	-	227	730	929
Total expenses by function	\$ 1,086,998	\$ 554,702	\$ 793,368	\$ 1,151,051	\$ 3,586,119	\$ 1,005,398	\$ 701,574	\$ 1,068,934	\$ 2,775,906	\$ 6,362,025

Channel 5 Public Broadcasting, Inc.
Statement of Functional Expenses
Year Ended September 30, 2021

	Broadcasting	Education and Outreach	Production	Programming	Total Program Services	General and Administration	Marketing	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 312,954	\$ 188,288	\$ 465,540	\$ 101,552	\$ 1,068,334	\$ 341,233	\$ 134,972	\$ 471,105	\$ 947,310	\$ 2,015,644
Payroll taxes and expenses	23,134	14,036	34,384	7,472	79,026	24,144	10,325	35,494	69,963	148,989
Employee benefits	22,741	13,416	39,015	15,956	91,128	10,948	13,438	27,323	51,709	142,837
Total salaries and related expenses	358,829	215,740	538,939	124,980	1,238,488	376,325	158,735	533,922	1,068,982	2,307,470
Professional services	208,420	107,662	26,885	44,384	387,351	150,489	2,100	369,379	521,968	909,319
Program rights	-	-	-	804,327	804,327	-	-	1,440	1,440	805,767
Depreciation and amortization	150,667	-	118,666	-	269,333	82,351	7,161	778	90,290	359,623
Advertising and marketing	-	1,987	-	-	1,987	-	302,077	-	302,077	304,064
Donor relations	-	16,435	8,865	-	25,300	5,888	-	83,595	89,483	114,783
Supplies	10,199	187,857	5,279	-	203,335	31,657	8,644	5,065	45,366	248,701
Printing and publications	-	13,369	-	-	13,369	-	111,108	3,061	114,169	127,538
Computer and equipment maintenance	100,389	-	-	25,331	125,720	10,232	-	-	10,232	135,952
Facilities and occupancy	102,990	-	-	-	102,990	117,730	-	-	117,730	220,720
Insurance	-	-	-	-	-	100,654	-	-	100,654	100,654
Rent	80,138	7,340	-	-	87,478	-	-	-	-	87,478
Employee welfare and professional development	484	136	1,799	-	2,419	36,883	39	9,290	46,212	48,631
Dues and subscriptions	1,418	755	1,757	-	3,930	32,484	-	1,984	34,468	38,398
Bank and service charges	507	-	24,556	-	25,063	12,085	-	35,660	47,745	72,808
Program services	-	-	-	38,500	38,500	-	-	-	-	38,500
Travel	3,515	2,212	2,155	-	7,882	1,014	-	200	1,214	9,096
Miscellaneous	6,041	-	-	-	6,041	23,330	-	-	23,330	29,371
Postage	15	1,674	19	1	1,709	1,297	16	8,584	9,897	11,606
Board expenses	-	-	-	-	-	75	-	-	75	75
Freight/shipping	1,431	-	-	13	1,444	123	-	377	500	1,944
Total expenses by function	\$ 1,025,043	\$ 555,167	\$ 728,920	\$ 1,037,536	\$ 3,346,666	\$ 982,617	\$ 589,880	\$ 1,053,335	\$ 2,625,832	\$ 5,972,498

See accompanying notes.

Channel 5 Public Broadcasting, Inc.

Statements of Cash Flows

	September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (605,138)	\$ 2,071,746
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	361,340	359,623
Change in value of beneficial interest held by community foundation	2,138	(3,244)
Investment return	1,483,734	(1,537,784)
Impairment of land held for sale	101,000	-
Gain on extinguishment of loan payable	-	(437,465)
Changes in assets and liabilities		
Accounts receivable	20,966	27,498
Prepaid expenses and other assets	(51,007)	(23,771)
Accounts payable	(19,656)	(13,533)
Accrued payroll expenses	(125,803)	(31,504)
Deferred revenue	3,590	(122,827)
Net cash from operating activities	1,171,164	288,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(273,678)	(171,028)
Purchases of investments	(736,484)	(4,032,974)
Proceeds from sale of investments	736,791	3,633,870
Net cash used in investing activities	(273,371)	(570,132)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease	-	(199,529)
Net cash used in financing activities	-	(199,529)
Net change in cash and cash equivalents	897,793	(480,922)
CASH AND CASH EQUIVALENTS, beginning of year	506,570	987,492
CASH AND CASH EQUIVALENTS, end of year	\$ 1,404,363	\$ 506,570
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Gain on extinguishment of loan payable	\$ -	\$ 437,465

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 1 – Organization and Nature of Operations

Channel 5 Public Broadcasting, Inc. (PBS Reno or the Organization) is a nonprofit corporation organized on January 15, 1981 under the laws of the State of Nevada to operate a public television station in Reno, Nevada. PBS Reno is supported through individual giving, federal funding, corporate support, foundations and private grants, production services and special events.

The following describes the nature of PBS Reno's program and supporting services:

Broadcasting

PBS Reno's mission is to entertain your curiosity.

Education and outreach

PBS Reno's education and outreach activities extend the value of programming into the classroom and the community. Professional development for teachers, media literacy workshops for parents, events for children and opportunities for adults to discuss important issues ensure that program services are not confined to a broadcast schedule.

Production

PBS Reno's local production tells the stories of northern Nevada communities through all public service media.

Programming

Programming is PBS Reno's core business and is the foundation on which all other station activities rest. The programming is designed to appeal to a diverse audience, with content ranging from drama, the arts, news, public affairs, history, culture and science.

General and administration

Administration expenses include functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination of PBS Reno's programs and manage the Organization's financial and budgetary responsibilities.

Marketing

PBS Reno's marketing efforts provide area outreach to highlight all of their activities and to showcase the PBS Reno brand.

Fundraising

PBS Reno's development staff manages a variety of fundraising activities which combine to keep the station financially sound. This diversity of funding sources supports all aspects of PBS Reno's services, from production and programming to education and outreach.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which is consistent with the Financial Reporting Guidelines Supplemental Guide issued by the Corporation for Public Broadcasting.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies

Financial statement presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. PBS Reno's Board has designated the use of various contributions for their discretion. The funds are used to meet operating and capital needs.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of PBS Reno and/or the passage of time. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed stipulations which must be maintained in perpetuity by PBS Reno. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Use of estimates

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

Recently adopted standards

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The standard did not have a material impact on the financial statements. The Organization has updated disclosures as necessary (see Note 10 – Contributed Nonfinancial Assets).

Cash and cash equivalents

All cash and highly liquid investments with original maturities of three months or less are considered cash and cash equivalents.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts receivable

Accounts receivable are unsecured and consist primarily of noninterest-bearing amounts due for uplinks and underwriting and are recorded net of the allowance for doubtful accounts. An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history and type of receivable. Accounts are charged off when all collection efforts have been exhausted. Accounts receivable are reported on the statements of financial position net of the allowance for doubtful accounts of \$10,000 at September 30, 2022 and 2021.

Prepaid expenses and other assets

Prepaid expenses and other assets consist of expenses paid in advance but not yet incurred and inventory of program-related merchandise held for sale. Inventory is stated at the lower of cost or net realizable value, determined by the first-in, first-out method. No allowance for inventory obsolescence was considered necessary at September 30, 2022 and 2021.

Land held-for-sale

During the year ended September 30, 2020, PBS Reno received a donation of a parcel of land. Management's intention is to sell the land as soon as is feasible. Land held-for-sale is stated at fair value and totaled \$459,000 and \$560,000 as of September 30, 2022 and 2021, respectively. During 2022, management evaluated the land held for sale and recorded an impairment loss totaling \$101,000. This is recorded in other loss on the statement of activities. No impairment loss was recorded during the year ended September 31, 2021.

Property and equipment

Property and equipment additions greater than \$2,500 are recorded at cost, or if donated, at estimated fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. The estimated useful lives by asset classification are as follows:

	<u>Life in Years</u>
Building	10–40
Broadcasting and DTV equipment	2–40
Office computer equipment	3–7
Furniture and fixtures	5–15
DDF equipment	2–20
Automobiles and trucks	5–10

PBS Reno reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Beneficial interest in assets held by community foundation

During 2013, PBS Reno established an endowment fund (the Fund) with a community foundation and named itself as beneficiary. PBS Reno granted variance power to the community foundation which allows it to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of its Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the community foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Investments

PBS Reno records investment purchases at cost on the date of purchase, or if donated, at estimated fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return or loss is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses.

Deferred revenue

Deferred revenue is primarily underwriting production and programming advances for projects in progress. Deferred revenue is recognized as expenses are incurred.

Revenue and revenue recognition

Grants and contributions – PBS Reno is supported primarily through grants and contributions from a variety of sources including individuals, federal, state and local governments, foundations, and businesses. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Membership contributions are recognized when received and are not considered an exchange transaction as no benefit is received by those purchasing memberships. Conditional promises to give – that is, those with a measurable performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been substantially met. As of September 30, 2022 and 2021, there were no refundable advances.

Underwriting – Content creation and programming is supported in the form of underwriting from individuals, businesses and community organizations. Underwriting support is recognized as revenue when broadcast. Amounts received prior to broadcast are reported as deferred revenue in the statements of financial position. As of September 30, 2022 and 2021, deferred revenue related to underwriting totaled \$53,236 and \$49,646, respectively.

Contributed nonfinancial assets – The Organization reports gifts of donated services and materials at fair value as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Donated services are recorded as contributed nonfinancial assets when specialized services are performed that would otherwise be purchased or performed by salaried personnel and when PBS Reno exercises control over the duties of the donor's services. See Note 10.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

It is the Organization's policy to record amounts received with donor restrictions that are released from restriction in the same fiscal year as revenue without donor restrictions.

Advertising

Advertising costs are expensed as incurred, and totaled \$10,614 and \$11,232 during the years ended September 30, 2022 and 2021, respectively.

Fundraising expenses

All costs attributable to the production, printing, and mailing of literature to the public, that have both an educational and fundraising appeal, have been recorded as fundraising expenses in the financial statements as they do not meet the requirements for the allocation of joint costs as provided by accounting standards.

Functional allocation of expenses

The costs of conducting program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and occupancy and depreciation and amortization, which are allocated based on a square footage basis, as well as salaries, employee benefits, payroll taxes and expenses, professional services, office expenses, computer and equipment maintenance, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income taxes

PBS Reno is organized as a Nevada nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

PBS Reno recognizes the tax benefit from uncertain tax positions, if any, only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. PBS Reno recognizes interest accrued and penalties related to tax matters, if any, in miscellaneous expenses.

PBS Reno had no unrecognized tax benefits at September 30, 2022 or 2021. No interest and penalties were accrued for the years ended September 30, 2022 or 2021. PBS Reno files an exempt organization return and unrelated business income tax return in the U.S. federal jurisdiction.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Financial instruments and credit risk

PBS Reno manages deposit concentration risk by placing cash and money market accounts with financial institutions that management believes to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds and exchange traded funds. To date, PBS Reno has not experienced losses in any of these accounts. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from corporations, foundations and individuals supportive of PBS Reno's mission. Investments are made by investment managers whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. PBS Reno recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. PBS Reno's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. PBS Reno has evaluated subsequent events through January 19, 2023, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability

Financial assets and funding sources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30:

	2022	2021
Cash and cash equivalents	\$ 1,404,363	\$ 506,570
Investments	5,243,385	6,727,426
Accounts receivable	24,328	45,294
Revolving line of credit (See Note 6)	250,000	250,000
Less: Board-designated endowment	(4,224,976)	(5,308,401)
Net assets with donor restrictions	<u>(1,020,546)</u>	<u>(1,348,048)</u>
	<u>\$ 1,676,554</u>	<u>\$ 872,841</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 3 – Liquidity and Availability (continued)

The Organization's Board-designated endowment of \$4,224,976 and \$5,308,401 as of September 30, 2022 and 2021, respectively, is subject to an annual spending rate as described in Note 9. Although the Organization does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditures as part of the Board's annual budget approval and appropriation), these amounts could be available if necessary.

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and mutual funds.

Note 4 – Beneficial Interest in Assets Held by Community Foundation, Investments, and Fair Value Measurements

Accounting literature defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. PBS Reno determines fair value based on quoted prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect PBS Reno's market assumptions. These two types of inputs create the following hierarchy:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. PBS Reno's own data used to develop unobservable inputs is also adjusted for market consideration when reasonably available.

PBS Reno used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the financial statements:

Investments – PBS Reno's investments are comprised of mutual funds and exchange traded funds with readily determinable fair values based on quoted market prices for identical securities in active markets with daily redemption values.

Beneficial interest in assets held by community foundation – PBS Reno's beneficial interest in assets held by community foundation is based on the fair value of fund investments as reported by the community foundation.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 4 – Beneficial Interest in Assets Held by Community Foundation, Investments, and Fair Value Measurements (continued)

PBS Reno had no liabilities that are required to be measured at fair value at September 30, 2022 and 2021. There were no changes in valuation methodologies or assumptions during the years ended September 30, 2022 and 2021.

The following table summarizes the composition of investments and the fair value hierarchy table at September 30, 2022:

Fair Value Measurements at Report Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Investments				
Mutual funds				
Domestic equities	\$ 3,363,312	\$ 3,363,312	\$ -	\$ -
International equities	744,278	744,278	-	-
Fixed income	869,168	869,168	-	-
Exchange traded funds	266,627	266,627	-	-
	<u>\$ 5,243,385</u>	<u>\$ 5,243,385</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundation	<u>\$ 17,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,342</u>

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 4 – Beneficial Interest in Assets Held by Community Foundation, Investments, and Fair Value Measurements (continued)

The following table summarizes the composition of investments and the fair value hierarchy table at September 30, 2021:

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds				
Domestic equities	\$ 4,166,628	\$ 4,166,628	\$ -	\$ -
International equities	958,263	958,263	-	-
Fixed income	1,301,463	1,301,463	-	-
Exchange traded funds	301,072	301,072	-	-
	<u>\$ 6,727,426</u>	<u>\$ 6,727,426</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundation	<u>\$ 19,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,480</u>

Note 5 – Property and Equipment

Property and equipment consists of the following at September 30:

	2022	2021
Building	\$ 3,152,037	\$ 2,916,775
Broadcasting and DTV equipment	5,186,273	5,154,292
Office computer equipment	129,579	123,143
Furniture and fixtures	176,285	176,285
DDF equipment	509,067	509,067
Automobiles and trucks	42,700	63,126
	<u>9,195,941</u>	<u>8,942,688</u>
Less accumulated depreciation and amortization	<u>(6,853,278)</u>	<u>(6,512,363)</u>
	<u>\$ 2,342,663</u>	<u>\$ 2,430,325</u>

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 6 – Line of Credit

At September 30, 2022 and 2021, PBS Reno has an unsecured revolving line of credit with an approved maximum borrowing limit of \$250,000 from a bank. Borrowings under the line of credit bear interest at a variable rate (6.25% and 4.25% at September 30, 2022 and 2021, respectively). There was no outstanding balance at September 30, 2022 or 2021. The line of credit will mature on June 23, 2023 and requires a 20% compensating balance arrangement by PBS Reno when an amount is drawn.

Note 7 – Commitments and Contingencies

Operating leases

In 1994, PBS Reno entered into a ninety-nine year operating lease with the University of Nevada – Reno (the University) for the land on which the Organization's building is located. In consideration of the lease, PBS Reno provides the University air time for its announcements and programs. PBS Reno also provides access to its production facilities for the University's media programs. This arrangement has been recorded as contributed nonfinancial assets on the statements of activities and facilities and occupancy expense on the statements of functional expenses.

The Organization leases certain office equipment and land on which its broadcasting towers are located under various operating leases expiring at various dates through August 2027.

Future minimum payments associated with the operating lease agreements for succeeding years ending September 30 are as follows:

2023	\$ 70,525
2024	46,292
2025	21,495
2026	14,013
2027	4,078
	<hr/>
	\$ 156,403

Rent expense for the years ended September 30, 2022 and 2021 totaled \$97,640 and \$87,478, respectively.

Capital leases

All lease payments associated with capital lease agreements were paid in full during the year ended September 30, 2021.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 8 – Net Assets Released from Restriction

Net assets were released from restriction as follows during the years ended September 30:

	2022	2021
Satisfaction of purpose restrictions:		
Endowment earnings	\$ 43,533	-
	<u>\$ 43,533</u>	<u>\$ -</u>

Note 9 – Endowment

PBS Reno's endowment consists of six endowment funds established by donors to provide annual funding for specific activities and general operations. PBS Reno's endowment also includes certain net assets designated for endowment by the Board of Trustees. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Nevada Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. At September 30, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, PBS Reno retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not maintained in perpetuity are subject to appropriation for expenditure by PBS Reno in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, PBS Reno considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of PBS Reno and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of PBS Reno
7. The investment policies of PBS Reno

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 9 – Endowment (continued)

Investment and spending policies

PBS Reno has a spending policy which governs the rate at which funds are transferred from the Board designated and donor-restricted endowment to the operating budget. The annual allocations to the operating fund are calculated as a percentage of the endowment market value. Year-to-year fluctuations caused by changes in market value are moderated by using a moving average, computed on the last three years of endowment market values. The annual allocation to the operating fund was limited to 4.50% of the three-year moving average of the endowment market value. Transfers were made in accordance with the spending policy and were \$177,782 and \$5,032 during the years ended September 30, 2022 and 2021, respectively. An additional \$294,809 was transferred from the Organization's Board designated endowment to operations for capital purposes.

Periodically, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires PBS Reno to retain as a fund of perpetual duration. There were no such deficiencies in the endowment balance as of September 30, 2022 and 2021.

Changes in the endowment net assets for the year ended September 30, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, September 30, 2021	\$ 5,308,401	\$ 1,348,048	\$ 6,656,449
Investment return, net	(1,199,765)	(283,969)	(1,483,734)
Contributions	545,398	-	545,398
Appropriation of endowment assets pursuant to spending-rate policy and capital requirements	(429,058)	(43,533)	(472,591)
Endowment net assets, September 30, 2022	<u>\$ 4,224,976</u>	<u>\$ 1,020,546</u>	<u>\$ 5,245,522</u>
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, September 30, 2020	\$ 3,764,450	\$ 951,675	\$ 4,716,125
Investment return, net	1,238,961	298,823	1,537,784
Contributions	310,022	97,550	407,572
Appropriation of endowment assets pursuant to spending-rate policy	(5,032)	-	(5,032)
Endowment net assets, September 30, 2021	<u>\$ 5,308,401</u>	<u>\$ 1,348,048</u>	<u>\$ 6,656,449</u>

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

Note 10 – Contributed Nonfinancial Assets

PBS Reno received the following donated professional services and materials during the years ended September 30:

	2022	2021
Advertising and marketing	\$ 348,581	\$ 292,832
Facilities and occupancy	118,919	117,730
Computer and equipment maintenance	10,952	7,990
Printing and publications	9,036	15,991
Rent	1,500	1,508
	<u>\$ 488,988</u>	<u>\$ 436,051</u>

The majority of contributed nonfinancial assets are services and materials. The estimated fair value of these services is based on information provided by third parties and market prices. None of the contributed nonfinancial assets contain donor restrictions at September 30, 2022 or 2021. A substantial number of volunteers contribute significant amounts of time to PBS Reno's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not enhance nonfinancial assets or require specialized skills.

Note 11 – Employee Benefits

PBS Reno sponsors a salary deferral and discretionary profit-sharing plan under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees. The plan provides that employees who have completed ninety days of full-time employment may voluntarily contribute up to the maximum allowed by the IRS. PBS Reno matches 50% of employee contributions up to 3%. Contributions made during the years ended September 30, 2022 and 2021 totaled \$25,998 and \$25,699, respectively.

