



Report of Independent Auditors
and Financial Statements

Channel 5 Public Broadcasting, Inc.

September 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 2 and 7 to the financial statements in 2023, the Organization adopted new accounting guidance, Accounting Standards Codification (ASC) 842, *Leases*. Our conclusion 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 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 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 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.



Portland, Oregon
January 29, 2024

Financial Statements

Channel 5 Public Broadcasting, Inc.
Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 847,740	\$ 1,404,363
Investments	6,323,835	5,243,385
Accounts receivable, net	41,986	24,328
Prepaid expenses and other assets	209,278	149,838
Total current assets	7,422,839	6,821,914
LONG-TERM ASSETS		
Land held for sale	359,000	459,000
Property and equipment, net	2,384,793	2,342,663
Operating lease right-of-use asset	735,639	-
Beneficial interest in assets held by community foundation	17,716	17,342
Total long-term assets	3,497,148	2,819,005
Total assets	\$ 10,919,987	\$ 9,640,919
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 241,495	\$ 134,408
Accrued payroll expenses	170,973	157,918
Current portion of operating lease liability	40,039	-
Deferred revenue	48,469	53,236
Total current liabilities	500,976	345,562
LONG-TERM PORTION OF OPERATING LEASE LIABILITY, net	710,812	-
NET ASSETS		
Without donor restrictions		
Undesignated	3,384,364	4,049,835
Board-designated endowment	5,202,296	4,224,976
Total net assets without donor restrictions	8,586,660	8,274,811
With donor restrictions		
Perpetual in nature	1,121,539	1,020,546
Total net assets with donor restrictions	1,121,539	1,020,546
Total net assets	9,708,199	9,295,357
Total liabilities and net assets	\$ 10,919,987	\$ 9,640,919

See accompanying notes.

Channel 5 Public Broadcasting, Inc.
Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, GAINS, AND LOSSES			
Federal funding	\$ 1,218,592	\$ -	\$ 1,218,592
Local and state funding	601,571	-	601,571
Foundations/private grants	1,014,207	-	1,014,207
Corporate support	280,818	-	280,818
Individual giving			
Membership	1,535,843	-	1,535,843
Silver Circle	747,729	-	747,729
Education, local production, and underwriting	602,346	-	602,346
Special events revenue, net of expenses totaling \$128,617	201,066	-	201,066
Investment gain, net	658,161	148,993	807,154
Other loss	(64,830)	-	(64,830)
Contributed nonfinancial assets	451,334	-	451,334
Change in value of beneficial interest in assets held by community foundation	374	-	374
Net assets released from restrictions	48,000	(48,000)	-
	<u>7,295,211</u>	<u>100,993</u>	<u>7,396,204</u>
EXPENSES			
Program services			
Broadcasting	1,177,297	-	1,177,297
Education and outreach	777,460	-	777,460
Production	841,617	-	841,617
Programming	1,139,406	-	1,139,406
	<u>3,935,780</u>	<u>-</u>	<u>3,935,780</u>
Supporting services			
General and administration	1,061,409	-	1,061,409
Marketing	736,187	-	736,187
Fundraising	1,249,986	-	1,249,986
	<u>3,047,582</u>	<u>-</u>	<u>3,047,582</u>
Total expenses	<u>6,983,362</u>	<u>-</u>	<u>6,983,362</u>
CHANGE IN NET ASSETS	311,849	100,993	412,842
NET ASSETS, beginning of year	<u>8,274,811</u>	<u>1,020,546</u>	<u>9,295,357</u>
NET ASSETS, end of year	<u>\$ 8,586,660</u>	<u>\$ 1,121,539</u>	<u>\$ 9,708,199</u>

See accompanying notes.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
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	232,104	-	232,104
Individual giving			
Membership	1,447,059	-	1,447,059
Silver Circle	763,145	-	763,145
Education, local production, and underwriting	770,488	-	770,488
Bequests	400,436	-	400,436
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)	-
	<u>6,084,389</u>	<u>(327,502)</u>	<u>5,756,887</u>
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
	<u>3,586,119</u>	<u>-</u>	<u>3,586,119</u>
Supporting services			
General and administration	1,005,398	-	1,005,398
Marketing	701,574	-	701,574
Fundraising	1,068,934	-	1,068,934
	<u>2,775,906</u>	<u>-</u>	<u>2,775,906</u>
Total expenses	<u>6,362,025</u>	<u>-</u>	<u>6,362,025</u>
CHANGE IN NET ASSETS	(277,636)	(327,502)	(605,138)
NET ASSETS, beginning of year	<u>8,552,447</u>	<u>1,348,048</u>	<u>9,900,495</u>
NET ASSETS, end of year	<u>\$ 8,274,811</u>	<u>\$ 1,020,546</u>	<u>\$ 9,295,357</u>

See accompanying notes.

Channel 5 Public Broadcasting, Inc.
Statement of Functional Expenses
Year Ended September 30, 2023

	Broadcasting	Education and Outreach	Production	Programming	Total Program Services	General and Administration	Marketing	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 374,720	\$ 256,439	\$ 548,796	\$ 145,525	\$ 1,325,480	\$ 376,852	\$ 218,954	\$ 578,203	\$ 1,174,009	\$ 2,499,489
Payroll taxes and expenses	28,936	20,182	42,501	11,436	103,055	6,345	16,665	43,171	66,181	169,236
Employee benefits	38,484	18,138	53,799	23,378	133,799	23,078	25,239	49,919	98,236	232,035
Total salaries and related expenses	442,140	294,759	645,096	180,339	1,562,334	406,275	260,858	671,293	1,338,426	2,900,760
Professional services	203,979	243,386	27,094	49,281	523,740	153,217	1,272	411,424	565,913	1,089,653
Program rights	-	-	-	856,507	856,507	-	-	-	-	856,507
Depreciation and amortization	154,174	-	101,025	-	255,199	90,557	8,599	259	99,415	354,614
Advertising and marketing	-	1,482	-	-	1,482	-	298,040	150	298,190	299,672
Donor relations	44	1,370	18,769	-	20,183	13,726	-	75,003	88,729	108,912
Supplies	1,194	209,997	10,236	-	221,427	28,391	12,233	3,515	44,139	265,566
Printing and publications	-	2,650	-	-	2,650	-	153,667	2,520	156,187	158,837
Computer and equipment maintenance	105,499	-	2,917	17,000	125,416	9,936	300	-	10,236	135,652
Facilities and occupancy	121,324	-	-	-	121,324	130,405	-	-	130,405	251,729
Insurance	-	-	-	-	-	116,964	-	-	116,964	116,964
Rent and lease expense	107,082	7,974	-	-	115,056	-	-	750	750	115,806
Employee welfare and professional development	7,740	8,560	14,189	1,251	31,740	45,918	1,027	30,630	77,575	109,315
Dues and subscriptions	19,988	150	13,522	-	33,660	41,529	103	2,954	44,586	78,246
Bank and service charges	-	-	-	-	-	10,884	-	37,546	48,430	48,430
Program services	-	-	3,500	35,000	38,500	-	-	-	-	38,500
Travel	4,966	5,684	5,169	-	15,819	4,494	-	532	5,026	20,845
Miscellaneous	8,342	73	44	-	8,459	6,887	-	374	7,261	15,720
Postage	68	1,375	56	28	1,527	679	88	12,567	13,334	14,861
Board expenses	-	-	-	-	-	736	-	-	736	736
Freight/shipping	757	-	-	-	757	811	-	469	1,280	2,037
Total expenses by function	\$ 1,177,297	\$ 777,460	\$ 841,617	\$ 1,139,406	\$ 3,935,780	\$ 1,061,409	\$ 736,187	\$ 1,249,986	\$ 3,047,582	\$ 6,983,362

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

See accompanying notes.

Channel 5 Public Broadcasting, Inc.
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 412,842	\$ (605,138)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	354,614	361,340
Change in value of beneficial interest held by community foundation	(374)	2,138
Investment return	(807,154)	1,483,734
Impairment of land held for sale	100,000	101,000
Non-cash lease expense	15,212	-
Changes in assets and liabilities		
Accounts receivable	(17,658)	20,966
Prepaid expenses and other assets	(59,440)	(51,007)
Accounts payable	107,087	(19,656)
Accrued payroll expenses	13,055	(125,803)
Deferred revenue	(4,767)	3,590
	<u>113,417</u>	<u>1,171,164</u>
Net cash from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(396,744)	(273,678)
Purchases of investments	(527,320)	(736,484)
Proceeds from sale of investments	254,024	736,791
	<u>(670,040)</u>	<u>(273,371)</u>
Net cash used in investing activities		
Net change in cash and cash equivalents	(556,623)	897,793
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,404,363</u>	<u>506,570</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 847,740</u>	<u>\$ 1,404,363</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Operating lease right-of-use assets arising from recognition of operating lease liabilities	<u>\$ 789,422</u>	<u>\$ -</u>

See accompanying notes.

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.

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.

Channel 5 Public Broadcasting, Inc. Notes to Financial Statements

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 – Effective October 1, 2022, the Organization changed its method of accounting for leases on a prospective basis as a result of the Organization's adoption of Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases* (ASC 842), under the modified retrospective approach, applying the standard on October 1, 2022. Results for reporting periods beginning on or after October 1, 2022 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under ASC 840. The right-of-use (ROU) asset and liability totaled \$789,422 at adoption.

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

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, 2023 and 2022.

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.

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, 2023 and 2022.

Channel 5 Public Broadcasting, Inc. Notes to Financial Statements

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 \$359,000 and \$459,000 as of September 30, 2023 and 2022, respectively. During 2023 and 2022, management evaluated the land held for sale and recorded an impairment loss totaling \$100,000 and \$101,000, respectively. This is recorded in other loss on the statements of activities.

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 is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation is 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:

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.

Leases – The Organization determines if an arrangement is a lease, or contains a lease, at the inception of the arrangement and reassesses that conclusion, if the arrangement is modified. When the Organization determines the arrangement is a lease, or contains a lease, at lease inception, a determination is made as to whether the lease is an operating lease or a finance lease. Operating and finance leases result in the Organization recording a ROU asset and lease liability on its statements of financial position. ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are initially recognized based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Organization uses the implicit interest rate in the lease, if readily determinable, or when the implicit interest rate is not readily determinable, the Organization has elected the practical expedient that permits use of a risk-free discount rate, determined using a period comparable with that of the lease term. Rent expense from operating leases is recognized on a straight-line basis over the term of the leases. For finance leases, interest expense is recognized, using the effective interest-rate method over the term of the leases, and ROU assets are amortized on a straight-line basis over the term of the leases.

Channel 5 Public Broadcasting, Inc. Notes to Financial Statements

The Organization also elected the following practical expedients:

- Practical expedient on not separating lease components from non-lease components for classes of underlying assets. This was elected for the Organization's real estate leases.
- Package of practical expedients, which must be elected as a package, to leases that commenced before October 1, 2022, which permit an entity to (1) not reassess whether any expired or existing contracts are or contain leases (2) not reassess the lease classification and (3) reassess initial direct costs.
- Practical expedient to not recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset.

In periods prior to October 1, 2022, the Organization recognized rent expense on a straight-line basis but did not recognize ROU assets and lease liabilities for its operating leases. At September 30, 2023, the Organization did not have any finance leases.

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.

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, 2023 and 2022, 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, 2023 and 2022, deferred revenue related to underwriting totaled \$48,469 and \$53,236, respectively.

Channel 5 Public Broadcasting, Inc. Notes to Financial Statements

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.

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 \$12,079 and \$10,614 during the years ended September 30, 2023 and 2022, 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, 2023 and 2022. No interest and penalties were accrued for the years ended September 30, 2023 and 2022. 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

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.

Reclassifications – Certain account reclassifications have been made to the financial statements of the prior year in order to conform to the current year presentation. These reclassifications have no impact on the total net assets or change in net assets for the year ended September 30, 2023.

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 29, 2024, 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 statements of financial position date, comprise the following at September 30:

	2023	2022
Cash and cash equivalents	\$ 847,740	\$ 1,404,363
Investments	6,323,835	5,243,385
Accounts receivable	41,986	24,328
Revolving line of credit (See Note 6)	250,000	250,000
Less: Board-designated endowment	(5,202,296)	(4,224,976)
Net assets with donor restrictions	(1,121,539)	(1,020,546)
	\$ 1,139,726	\$ 1,676,554

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

The Organization's Board-designated endowment of \$5,202,296 and \$4,224,976 as of September 30, 2023 and 2022, 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.

PBS Reno had no liabilities that are required to be measured at fair value at September 30, 2023 and 2022. There were no changes in valuation methodologies or assumptions during the years ended September 30, 2023 and 2022.

Channel 5 Public Broadcasting, Inc.
Notes to Financial Statements

The following table summarizes the composition of investments and the fair value hierarchy table at September 30, 2023:

	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	\$ 4,157,334	\$ 4,157,334	\$ -	\$ -
International equities	925,468	925,468	-	-
Fixed income	960,716	960,716	-	-
Exchange traded funds	280,317	280,317	-	-
	\$ 6,323,835	\$ 6,323,835	\$ -	\$ -
Beneficial interest in assets held by community foundation	\$ 17,716	\$ -	\$ -	\$ 17,716

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			
	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	\$ 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	-	-
	\$ 5,243,385	\$ 5,243,385	\$ -	\$ -
Beneficial interest in assets held by community foundation	\$ 17,342	\$ -	\$ -	\$ 17,342

Channel 5 Public Broadcasting, Inc.
Notes to Financial Statements

Note 5 – Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2023</u>	<u>2022</u>
Building	\$ 3,397,015	\$ 3,152,037
Broadcasting and DTV equipment	5,215,209	5,186,273
Office computer equipment	196,716	129,579
Furniture and fixtures	231,979	176,285
DDF equipment	509,067	509,067
Automobiles and trucks	42,700	42,700
	<u>9,592,686</u>	<u>9,195,941</u>
Less accumulated depreciation	<u>(7,207,893)</u>	<u>(6,853,278)</u>
	<u><u>\$ 2,384,793</u></u>	<u><u>\$ 2,342,663</u></u>

Note 6 – Line of Credit

At September 30, 2023 and 2022, 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 (9.25% and 6.25% at September 30, 2023 and 2022, respectively) and requires a 20% compensating balance arrangement by PBS Reno when an amount is drawn. There was no outstanding balance at September 30, 2023 and 2022. The line of credit matured on June 23, 2023 and was extended on July 13, 2023 with a new maturity date of June 23, 2024.

Note 7 – Operating Leases

PBS Reno is committed under various noncancellable long-term leases for property and equipment expiring through December 2039.

As of September 30, 2023, the weighted average remaining lease term for operating leases totaled 14 years. The weighted average discount rate for operating leases was 3.9%.

Channel 5 Public Broadcasting, Inc.
Notes to Financial Statements

The aggregate minimum rental commitments under the operating leases are as follows:

Years ending September 30,		
2024	\$	71,302
2025		61,421
2026		73,147
2027		60,937
2028		66,680
Thereafter		<u>692,103</u>
 Total minimum lease payments		 1,025,590
Less discount		<u>(274,739)</u>
 Present value of lease liabilities		 <u>\$ 750,851</u>

The Organization incurred operating lease expenses of \$15,212 during the year ended September 30, 2023 which was recorded within rent and lease expense on the statement of functional expenses. Rent expense for the year ended September 30, 2023 totaled \$115,806. As the Organization has not restated prior-year information for the adoption of ASC 842, total operating lease rental expense under ASC Topic 840, Leases, for the year ended September 30, 2022 was \$97,640.

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 and has not been included in the Organization’s calculation of the right of use asset and corresponding liability.

Note 8 – Net Assets Released from Restriction

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

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Endowment earnings	<u>\$ 48,000</u>	<u>\$ 43,533</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.

Channel 5 Public Broadcasting, Inc.

Notes to Financial Statements

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, 2023 and 2022, 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 and depreciation of investments
6. Other resources of PBS Reno
7. The investment policies of PBS Reno

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 4.25% and 4.50% of the three-year moving average of the endowment market value for the years ended September 30, 2023 and 2022, respectively. Transfers were made in accordance with the spending policy and were \$259,942 and \$177,782 during the years ended September 30, 2023 and 2022, respectively. An additional \$294,809 was transferred from the Organization's Board designated endowment to operations for capital purposes in 2022. No such transfers were made in 2023.

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, 2023 and 2022.

Channel 5 Public Broadcasting, Inc.
Notes to Financial Statements

Changes in the endowment net assets for the year ended September 30, 2023 and 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, September 30, 2022	\$ 4,224,976	\$ 1,020,546	\$ 5,245,522
Investment return, net	658,161	148,993	807,154
Contributions	531,101	-	531,101
Appropriation of endowment assets pursuant to spending-rate policy	<u>(211,942)</u>	<u>(48,000)</u>	<u>(259,942)</u>
Endowment net assets, September 30, 2023	<u>\$ 5,202,296</u>	<u>\$ 1,121,539</u>	<u>\$ 6,323,835</u>
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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	<u>(429,058)</u>	<u>(43,533)</u>	<u>(472,591)</u>
Endowment net assets, September 30, 2022	<u>\$ 4,224,976</u>	<u>\$ 1,020,546</u>	<u>\$ 5,245,522</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:

	<u>2023</u>	<u>2022</u>
Advertising and marketing	\$ 287,594	\$ 348,581
Facilities and occupancy	130,405	118,919
Computer and equipment maintenance	18,936	10,952
Printing and publications	14,399	9,036
Rent	-	1,500
	<u>\$ 451,334</u>	<u>\$ 488,988</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, 2023 and 2022. 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. Effective January 1, 2023, the Organization amended the plan agreement to add a safe harbor match, increasing PBS Reno's match to 100% of employee contributions up to 4% of their compensation. Prior to the amendment, the Organization matched 50% of employee contributions up to 3%. Contributions made during the years ended September 30, 2023 and 2022 totaled \$52,620 and \$25,998, respectively.