

# **Rhode Island PBS Foundation**

Financial Statements

June 30, 2022 and 2021

## **Independent Auditors' Report**

### **Board of Directors Rhode Island PBS Foundation**

#### **Opinion**

We have audited the accompanying financial statements of Rhode Island PBS Foundation (the "Foundation"), which comprise the statements of financial position as of June 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 Foundation'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.

*PKF O'Connor Davies, LLP*

December 9, 2022

## Rhode Island PBS Foundation

### Statements of Financial Position

	June 30,	
	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 775,496	\$ 247,056
Due from private equity fund	-	157,500
Pledges receivable	2,690	992
Accounts receivable	375,148	393,607
Contribution receivable, use of facility	23,182	22,488
Inventory	9,982	7,758
Prepaid expenses	57,183	64,466
Total Current Assets	1,243,681	893,867
Investments	96,818,449	114,493,161
Contribution receivable, use of facility	228,203	251,385
Property and equipment, net	4,245,948	4,928,996
Program rights, net	573,366	405,101
	\$ 103,109,647	\$ 120,972,510
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Current portion of note payable	\$ 221,269	\$ 218,000
Accounts payable	166,104	180,871
Accrued expenses	330,151	369,487
Unearned revenue	40,891	19,522
Total Current Liabilities	758,415	787,880
Notes payable, net of current portion	628,649	654,000
Total Liabilities	1,387,064	1,441,880
Net Assets		
Without donor restrictions		
Undesignated	96,713,301	117,980,270
Board designated for strategic plan	3,591,558	-
Board designated for scholarships	1,141,339	1,276,487
Total Without Donor Restrictions	101,446,198	119,256,757
With donor restrictions	276,385	273,873
Total Net Assets	101,722,583	119,530,630
	\$ 103,109,647	\$ 120,972,510

See Notes to Financial Statements

**Rhode Island PBS Foundation**

Statements of Activities

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Subscription and membership	\$ 713,763	\$ -	\$ 713,763	\$ 627,284	\$ -	\$ 627,284
Auction and special events, net of direct donor benefits of \$37,753 and \$15,803	124,530	-	124,530	33,186	-	33,186
Contributions and grants	1,043,248	25,000	1,068,248	1,312,616	-	1,312,616
PEG access fees	1,302,849	-	1,302,849	1,439,659	-	1,439,659
Corporate underwriting and other	178,176	-	178,176	139,521	-	139,521
Other revenue	243,049	-	243,049	161,286	-	161,286
In-kind	7,512	-	7,512	13,306	-	13,306
Net assets released from restrictions	22,488	(22,488)	-	21,817	(21,817)	-
Total Revenue and Other Support	<u>3,635,615</u>	<u>2,512</u>	<u>3,638,127</u>	<u>3,748,675</u>	<u>(21,817)</u>	<u>3,726,858</u>
<b>OPERATING EXPENSES</b>						
Program services						
Production	2,026,527	-	2,026,527	1,784,664	-	1,784,664
Programming	764,431	-	764,431	881,362	-	881,362
Broadcasting/engineering	1,258,340	-	1,258,340	1,145,344	-	1,145,344
Education	410,195	-	410,195	313,626	-	313,626
PEG Access	1,365,125	-	1,365,125	1,356,073	-	1,356,073
Supporting services						
Administration and general	2,199,757	-	2,199,757	1,804,227	-	1,804,227
Fundraising	817,606	-	817,606	700,060	-	700,060
Total Operating Expenses	<u>8,841,981</u>	<u>-</u>	<u>8,841,981</u>	<u>7,985,356</u>	<u>-</u>	<u>7,985,356</u>
Change in Net Assets from Operations	<u>(5,206,366)</u>	<u>2,512</u>	<u>(5,203,854)</u>	<u>(4,236,681)</u>	<u>(21,817)</u>	<u>(4,258,498)</u>
<b>OTHER INCOME (LOSS)</b>						
Investment income (loss), net	(12,822,193)	-	(12,822,193)	29,684,959	-	29,684,959
Forgiveness of debt	218,000	-	218,000	218,000	-	218,000
Total Other Income (Loss)	<u>(12,604,193)</u>	<u>-</u>	<u>(12,604,193)</u>	<u>29,902,959</u>	<u>-</u>	<u>29,902,959</u>
Change in Net Assets	<u>(17,810,559)</u>	<u>2,512</u>	<u>(17,808,047)</u>	<u>25,666,278</u>	<u>(21,817)</u>	<u>25,644,461</u>
<b>NET ASSETS</b>						
Beginning of year	119,256,757	273,873	119,530,630	93,590,479	295,690	93,886,169
End of year	<u>\$ 101,446,198</u>	<u>\$ 276,385</u>	<u>\$ 101,722,583</u>	<u>\$ 119,256,757</u>	<u>\$ 273,873</u>	<u>\$ 119,530,630</u>

See Notes to Financial Statements

**Rhode Island PBS Foundation**

Statement of Functional Expenses  
Year Ended June 30, 2022

	Program Services					Supporting Services			
	Production	Programming	Broadcasting/ Engineering	Education	PEG Access	Total	Administration and General	Fundraising	Total
Salaries and wages	\$ 1,346,586	\$ 212,327	\$ 869,108	\$ 217,989	\$ 715,467	\$ 3,361,477	\$ 437,336	\$ 363,087	\$ 4,161,900
Employee benefits	257,364	64,149	161,723	32,421	111,353	627,010	155,820	96,470	879,300
Payroll taxes	112,650	15,182	73,155	18,746	59,805	279,538	55,189	30,605	365,332
Administrative and office expenses	1,951	342	753	1,179	8,822	13,047	67,095	12,165	92,307
Advertising and marketing	-	-	-	-	-	-	83,238	55,727	138,965
Outreach	-	-	-	73,991	-	73,991	-	-	73,991
Building maintenance and utilities	71,971	25,006	36,908	5,649	79,412	218,946	94,953	27,215	341,114
Dues and subscriptions	343	86,861	5,518	2,358	-	95,080	33,432	691	129,203
PBS dues	-	-	-	-	-	-	71,134	-	71,134
Education expense	-	-	-	37,198	-	37,198	-	-	37,198
Engineering expenses	-	-	85,915	-	1,680	87,595	-	-	87,595
Freight and postage	82	1	14	-	110	207	3,764	-	3,971
Development expenses	-	-	-	-	-	-	-	248,897	248,897
Insurance	15,193	2,148	10,658	1,186	27,976	57,161	1,527	4,166	62,854
Accounting fees	-	-	-	-	-	-	35,000	-	35,000
Legal fees	-	-	-	-	11,876	11,876	32,005	-	43,881
Production expenses	202,355	6,350	-	-	-	208,705	-	-	208,705
Consulting fees	-	-	-	17,132	-	17,132	281,851	5,000	303,983
PEG access lease expense	-	-	-	-	275,405	275,405	-	-	275,405
Technology and telephone	6,848	1,233	11,381	1,039	16,525	37,026	33,850	8,888	79,764
Travel, training, conference and seminar	11,184	60	3,207	1,307	10,180	25,938	4,285	2,448	32,671
Debt service on equipment financing	-	-	-	-	-	-	299	-	299
<b>Total Expenses Before Depreciation and Amortization and Direct Donor Benefits</b>	<b>2,026,527</b>	<b>413,659</b>	<b>1,258,340</b>	<b>410,195</b>	<b>1,318,611</b>	<b>5,427,332</b>	<b>1,390,778</b>	<b>855,359</b>	<b>7,673,469</b>
Depreciation and amortization	-	350,772	-	-	46,514	397,286	808,979	-	1,206,265
<b>Total Expenses Before Direct Donor Benefits</b>	<b>2,026,527</b>	<b>764,431</b>	<b>1,258,340</b>	<b>410,195</b>	<b>1,365,125</b>	<b>5,824,618</b>	<b>2,199,757</b>	<b>855,359</b>	<b>8,879,734</b>
Direct Donor Benefits	-	-	-	-	-	-	-	(37,753)	(37,753)
<b>Total Functional Expenses</b>	<b>\$ 2,026,527</b>	<b>\$ 764,431</b>	<b>\$ 1,258,340</b>	<b>\$ 410,195</b>	<b>\$ 1,365,125</b>	<b>\$ 5,824,618</b>	<b>\$ 2,199,757</b>	<b>\$ 817,606</b>	<b>\$ 8,841,981</b>

**Rhode Island PBS Foundation**

Statement of Functional Expenses  
Year Ended June 30, 2021

	Program Services					Supporting Services			
	Production	Programming	Broadcasting/ Engineering	Education	PEG Access	Total	Administration and General	Fundraising	Total
Salaries and wages	\$ 1,211,754	\$ 382,623	\$ 831,226	\$ 182,146	\$ 755,382	\$ 3,363,131	\$ 349,615	\$ 357,421	\$ 4,070,167
Employee benefits	183,995	61,902	137,107	28,880	123,638	535,522	149,103	94,335	778,960
Payroll taxes	106,615	32,338	68,229	15,670	63,667	286,519	28,358	30,005	344,882
Administrative and office expenses	1,302	1,579	443	9,872	13,058	26,254	63,304	8,277	97,835
Advertising and marketing	3,198	-	-	-	-	3,198	108,762	3,976	115,936
Outreach	-	-	-	51,500	-	51,500	-	-	51,500
Building maintenance and utilities	57,519	31,435	21,002	-	64,136	174,092	94,614	19,868	288,574
Dues and subscriptions	-	78,524	1,510	60	-	80,094	30,899	984	111,977
PBS dues	-	-	-	-	-	-	68,220	-	68,220
Education expense	-	-	-	694	-	694	-	-	694
Engineering expenses	-	-	62,074	-	1,626	63,700	-	-	63,700
Freight and postage	50	10	54	38	113	265	4,423	-	4,688
Development expenses	-	-	-	-	-	-	-	181,210	181,210
Insurance	18,266	2,351	7,545	-	27,269	55,431	2,455	5,124	63,010
Accounting fees	-	-	-	-	-	-	35,000	-	35,000
Legal fees	-	-	-	-	-	-	36,605	-	36,605
Production expenses	187,271	5,806	-	-	-	193,077	-	-	193,077
Consulting fees	2,000	-	-	24,390	-	26,390	11,839	5,000	43,229
PEG access lease expense	-	-	-	-	274,894	274,894	-	-	274,894
Technology and telephone	4,573	22,509	13,935	-	16,075	57,092	3,200	9,455	69,747
Travel, training, conference and seminar	8,121	568	2,219	376	8,494	19,778	1,779	208	21,765
Total Expenses Before Depreciation and Amortization and Direct Donor Benefits	1,784,664	619,645	1,145,344	313,626	1,348,352	5,211,631	988,176	715,863	6,915,670
Depreciation and amortization	-	261,717	-	-	7,721	269,438	816,051	-	1,085,489
Total Expenses Before Direct Donor Benefits	1,784,664	881,362	1,145,344	313,626	1,356,073	5,481,069	1,804,227	715,863	8,001,159
Direct Donor Benefits	-	-	-	-	-	-	-	(15,803)	(15,803)
Total Functional Expenses	<u>\$ 1,784,664</u>	<u>\$ 881,362</u>	<u>\$ 1,145,344</u>	<u>\$ 313,626</u>	<u>\$ 1,356,073</u>	<u>\$ 5,481,069</u>	<u>\$ 1,804,227</u>	<u>\$ 700,060</u>	<u>\$ 7,985,356</u>

## Rhode Island PBS Foundation

### Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (17,808,047)	\$ 25,644,461
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,206,265	1,085,489
Amortization of debt issuance cost to interest expense	256	-
Forgiveness of debt	(218,000)	(218,000)
Net unrealized and realized (gains) losses on investments	12,480,899	(29,841,165)
Changes in operating assets and liabilities		
Pledges receivable	(1,698)	314
Accounts receivable	18,459	26,630
Contributions receivable	22,488	21,817
Inventory	(2,224)	(1,220)
Prepaid expenses	7,283	(12,220)
Accounts payable	(14,767)	77,443
Accrued expenses	(39,336)	4,836
Unearned revenue	21,369	(22,803)
Net Cash from Operating Activities	(4,327,053)	(3,234,418)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances to private equity fund	-	(157,500)
Repayments from private equity fund	157,500	-
Proceeds from sales of investments	17,298,949	41,748,442
Purchase of investments	(12,105,136)	(39,889,738)
Purchase of program rights	(519,037)	(570,299)
Purchases of property and equipment	(172,445)	(320,484)
Net Cash from Investing Activities	4,659,831	810,421
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from equipment line of credit	205,905	-
Loan closing costs paid	(10,243)	-
Net Cash from Financing Activities	195,662	-
Net Change in Cash and Cash Equivalents	528,440	(2,423,997)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	247,056	2,671,053
End of year	\$ 775,496	\$ 247,056
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 43	\$ -

See Notes to Financial Statements



## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 1. Nature of Foundation

The Rhode Island PBS Foundation (the "Foundation"), founded in 1987, is a nonprofit corporation under the laws of the State of Rhode Island. It is licensed by the Federal Communications Commission to operate a TV station ("WSBE-TV") from Providence, Rhode Island. The Foundation also operates and manages the Public, Educational, and Government Access ("PEG") Program which is regulated by the Rhode Island Division of Public Utilities and Carriers.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting and Use of Estimates***

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The more significant estimates required by management include the useful lives applied to property and equipment and the allocation methodologies applied to functional expense reporting.

#### ***Basis of Presentation***

The Foundation records resources for accounting and reporting purposes based on the existence or absence of donor-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 (or certain grantor) restrictions. This category may also include amounts designated by the Board of Directors for specific purposes.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation has no net assets required to be held in perpetuity at June 30, 2022 and 2021.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the contribution is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, 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.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Cash and Cash Equivalents***

Except for those cash equivalents which are included in the Foundation's investment portfolio, cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

#### ***Accounts Receivable***

The Foundation carries its accounts receivable at net realizable value. On a periodic basis, the Foundation evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to bad debt expense. At June 30, 2022 and 2021, no allowance for doubtful accounts has been deemed necessary.

#### ***Inventory***

Inventory is valued at the lower of cost or net realizable value on a specific identification basis.

#### ***Fair Value Measurement***

The Foundation follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the net asset value ("NAV") per share as a practical expedient is not categorized within the fair value hierarchy.

#### ***Investments and Investment Valuation***

Investments are carried at fair value. Mutual funds and the money market fund are valued at the daily closing price as reported by the fund. The funds held by the Foundation are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held by the Foundation are deemed to be actively traded.

## **Rhode Island PBS Foundation**

Notes to Financial Statements  
June 30, 2022 and 2021

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Investments and Investment Valuation (continued)***

The investments held by the Rhode Island Foundation for the Rhode Island PBS scholarship fund have been valued at the fair value of the Foundation's share of the Rhode Island Foundation's investment pool as of the Foundation's fiscal year end. The Rhode Island Foundation values securities and other financial instruments on a fair value basis of accounting.

The fair values of private investments are determined by the Foundation and are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable public market values. These values are audited annually by other auditors, most typically based on calendar year end information. The fair values of the investments in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. The estimated values as determined by the general partners and investment managers may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be materially higher or lower.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Property and Equipment***

Property and equipment are reported at cost, or if received by donation, at estimated value at the time such items are received. The Foundation capitalizes all purchases of property and equipment over \$5,000 and having a useful life of a year or more. Depreciation is provided using the straight-line method over estimated useful lives of five to thirty-nine years. Leasehold improvements are amortized over the shorter of the term of the lease inclusive of expected renewals or their estimated useful lives. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized.

#### ***Program Rights***

The program rights acquired are being amortized on the straight-line basis over their expected usage of two to five years.

#### ***Debt Issuance Costs***

Debt issuance costs are reported on the statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the effective interest method. The Foundation reflects amortization of debt issuance costs within interest expense.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Revenue Recognition***

The Foundation recognizes revenue from a variety of sources, including but not limited to the following:

- Subscription and other support consists of contributions from the general public to support the general operations of the Foundation and are recognized upon receipt.
- PEG access fees are paid quarterly in arrears to the Foundation from fees collected from customers by cable access providers on behalf of the Foundation in accordance with applicable laws.
- Revenue derived from the licensing of films produced by the Foundation is recognized as revenue without donor restrictions when the film is provided to the broadcaster. Consideration is variable; contracts contain provisions for return of unspent funds. Licensing revenue, which is unrelated to the production of films, is recognized when the asset being licensed is made available to the customer for use.
- Underwriting revenue consists of local corporate sponsorship. Revenue of such sponsorship is recognized ratably over the sponsorship period.

#### ***Grants***

Revenue from grants and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as unearned revenue on the statements of financial position.

#### ***Contributions***

Unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk adjusted interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Donated Services***

Volunteer services were provided to the Foundation during the year. These services do not require specialized skills and would not be purchased if not provided by donation. No amounts have been reflected in the accompanying statements for donated services. More than 600 and 250 hours, however, were provided to the station in volunteer time for fundraising and administrative activities during each of the years ended June 30, 2022 and 2021.

#### ***Functional Expenses***

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Square footage
Professional services	Full time equivalent
Depreciation	Square footage

#### ***Measure of Operations***

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing operating of WSBE-TV and the PEG Program. Nonoperating activities are limited to resources that generate return from investments and debt forgiveness.

#### ***Income Taxes***

The Foundation is exempt from income tax under Internal Revenue Code ("IRC") section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that required recognition or disclosure in the financial statements.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Accounting Pronouncements to be Adopted***

##### *Leases*

In February 2016, the Financial Accounting Standards Board issued Accounting Standard Update (“ASU”) 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statements of financial position through a right-of-use asset and a lease liability. The ASU is effective for years beginning after December 15, 2021 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

#### **Reclassifications**

Certain amounts in the 2021 financial statements have been reclassified to conform with the 2022 financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 9, 2022.

### 3. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist principally of cash and cash equivalents. The Foundation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Foundation’s cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts. Additionally, at June 30, 2022 and 2021, 100% of accounts receivable was due from two entities.

The investment portfolio is diversified by type of investment and industry concentrations so that no individual investment represents a significant concentration of credit risk.

### 4. Contribution Receivable

On January 2002, the Foundation entered into a 30-year lease agreement for the use of the Tower at 89 Pine Street, Rehoboth, MA for \$1 per year. Management had estimated at the initiation of the lease term that the approximate fair value of the rental over the remaining life of the lease to be \$431,206. A risk-free rate of 3.08 (the ten-year Treasury long-term rate) was used to determine the present fair value. This unconditional promise was recognized as revenue with donor restriction and contribution receivable in fiscal 2013. Amortization of the discount of this contribution receivable is included in in-kind in the accompanying statements of activities under revenues and other support.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 4. Contribution Receivable *(continued)*

The change in contribution receivable is as follows at June 30:

	2022	2021
Total future lease and payment	\$ 300,000	\$ 330,000
Present value adjustment	(26,127)	(34,310)
Present value of in-kind rent	273,873	295,690
In-kind rent contribution received	7,512	8,183
Amount recognized as in-kind rent expense during the year	(30,000)	(30,000)
Total contribution receivable	\$ 251,385	\$ 273,873
In-Kind rental receivable (at net present value):		
Amounts due:		
Current:		
Less than one year	\$ 23,182	\$ 22,488
Noncurrent:		
Two years	23,895	23,182
Three years	24,631	23,895
Four years	25,390	24,631
Five or more	154,287	179,677
Total noncurrent	228,203	251,385
	\$ 251,385	\$ 273,873

### 5. Investments

The Foundation's investment portfolio, while not designated by the Board of Directors for a specific purpose, with the exception of the monies invested for the scholarship fund (Note 10), are maintained for long-term purposes to supplement the Foundation's annual operational support with withdrawals from the portfolio. The Foundation utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Investments are managed by an independent fund manager under investment guidelines approved by the Board and overseen by the Finance and Investment Committee. The overall investment objective is to achieve a total return over the long-term sufficient to fund the spending rate and hedge against inflation. These guidelines include ranges for amounts that may be invested in various asset classes as well as composite benchmarks for monitoring investment results. The spending policy established by the Board allows for an annual distribution of up to 4.5% of the average balance of the investment portfolio of the previous twelve quarters.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 5. Investments (continued)

The following table sets forth by level the Foundation's investments at fair value presented in the statements of financial position at June 30, 2022 and 2021:

	2022			
	Level 1	Level 3	NAV *	Total
Equity mutual funds	\$ 60,472,263	\$ -	\$ -	\$ 60,472,263
Fixed income mutual funds	23,654,742	-	-	23,654,742
Private equity funds	-	-	8,121,537	8,121,537
Investment in a community foundation	-	1,141,339	-	1,141,339
Investments at Fair Value	<u>\$ 84,127,005</u>	<u>\$ 1,141,339</u>	<u>\$ 8,121,537</u>	93,389,881
Cash and cash equivalents				3,428,568
				<u>\$ 96,818,449</u>
	2021			
	Level 1	Level 3	NAV *	Total
Equity mutual funds	\$ 70,595,931	\$ -	\$ -	\$ 70,595,931
Fixed income mutual funds	27,720,615	-	-	27,720,615
Money market fund	4,766,909	-	-	4,766,909
Private equity funds	-	-	5,382,703	5,382,703
Investment in a community foundation	-	1,276,487	-	1,276,487
Investments at Fair Value	<u>\$ 103,083,455</u>	<u>\$ 1,276,487</u>	<u>\$ 5,382,703</u>	109,742,645
Cash and cash equivalents				4,750,516
				<u>\$ 114,493,161</u>

(\*) As discussed in Note 2, investments measured using the practical expedient are not classified with the fair value hierarchy.

The following is a reconciliation of activity of the Foundation's financial assets valued using Level 3 inputs for the years ended June 30:

	2022	2021
Balance at beginning of year	\$ 1,276,487	\$ 991,250
Scholarships granted	(66,500)	(51,500)
Transfers in	6,500	6,500
Investment return (loss)	(64,640)	340,205
Fees	(10,508)	(9,968)
Balance at end of year	<u>\$ 1,141,339</u>	<u>\$ 1,276,487</u>

### 5. Investments (continued)



## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### *Private Equity Funds*

In June 2021, the Foundation transferred \$157,500 to a fund in excess of the capital contribution call. Such amount was not credited to the Foundation's interest in the fund and was returned in July 2021. Such amount is reported as due from private equity fund on the accompanying statement of financial position at June 30, 2021, and was repaid in full to the Foundation during the year ended June 30, 2022.

The Foundation invests in 7 private equity funds. The valuation of each fund occurs quarterly. Unit values are determined by multiplying the value of each fund's net assets by the participants' interest in the fund. The following are the investment strategies of the private equity funds in which the Foundation has holdings at June 30, 2022:

The 747 Stuyvesant VII Parallel Fund LP ("747 Stuyvesant") was formed to create a diversified portfolio of private equity funds, co-investments, and secondaries. The Fund focuses on investments in the lower middle market buyout industry exclusively.

The Adams Street 2019 Global Fund LP ("Adams Street 2019 Global") was formed exclusively to invest in limited partnership interests in the Adams Street 2019 Growth Equity Fund LP, Adams Street 2019 Non-US Fund LP and Adams Street 2019 US Fund LP, which in turn invest in private equity limited partnerships and similar entities, as well as co-investments.

The Siguler Guff Small Buyout Opportunities Fund IV, LP ("Siguler Guff Small Buyout") invests in pooled investment vehicles managed by investment managers and direct investments primarily focused on buyout, recapitalization, and growth equity transactions of private companies doing business in the United States and Canada generally with less than \$150 million of revenue and \$15 million of earnings before interest, taxes, depreciation and amortization.

The HarbourVest 2017 Global Fund LP ("HarbourVest 2017 Global") was formed to make investments in limited partnerships or other pooled investment vehicles which, in turn, make private equity investments and to invest directly in private equity investments. Private equity investments are defined in the partnership agreement as investments in buyout, growth equity, venture capital, distressed debt, turnarounds, special situation, recapitalization, and other private market transactions.

The Landmark Equity Partners XVI, LP ("LEP XVI") was formed to acquire a diversified portfolio of interests in (i) established venture capital funds, buy-out funds, mezzanine funds and other pooled investment vehicles which primarily invest in equity-oriented investments and (ii) direct private equity and equity related investments, primarily through secondary market purchases, with a maximum amount of 10% of capital commitments allocated to primary transactions.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 5. Investments (continued)

#### *Private Equity Funds (continued)*

The HarbourVest 2021 Global Feeder Fund LP (“HarbourVest 2021 Global Feeder”) was formed to make investments in limited partnerships or other pooled investment vehicles which, in turn, make private equity investments and to invest directly in private equity investments. Private equity investments are defined in the partnership agreement as investments in buyout, growth equity, venture capital, distressed debt, turnarounds, special situation, recapitalization, and other private market transactions.

The TrueBridge Capital Partners Fund VII (Cayman) Fund LP (“TrueBridge”) was formed to make investments in limited partnerships or other pooled investment vehicles which, in turn, make private equity investments and to invest directly in venture capital and growth-related private equity investments, and direct investments into start-up and development stage companies. Private equity investments are defined in the partnership agreement as investments in buyout, growth equity, venture capital, distressed debt, turnarounds, special situation, recapitalization, and other private market transactions.

Certain relevant details for investments that transact at net asset value as a practical expedient for fair value are as follows at June 30:

	2022			
	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
747 Stuyvesant	\$ 461,504	\$ 1,550,000	N/A	At maturity
Adams Street 2019 Global	2,209,587	1,579,490	N/A	At maturity
Siguler Guff Small Buyout	1,724,310	766,811	N/A	At maturity
HarbourVest 2017 Global	1,789,727	550,000	N/A	At maturity
LEP XVI	1,201,243	1,084,084	N/A	At maturity
HarbourVest 2021 Global Feeder	437,876	1,590,000	N/A	At maturity
TrueBridge	297,290	1,640,000	N/A	At maturity
	\$ 8,121,537	\$ 8,760,385		
	2021			
	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
747 Stuyvesant	\$ 107,011	\$ 1,900,000	N/A	At maturity
Adams Street 2019 Global	1,377,374	2,348,100	N/A	At maturity
Siguler Guff Small Buyout	893,300	1,280,426	N/A	At maturity
HarbourVest 2017 Global	1,985,043	770,000	N/A	At maturity
LEP XVI	1,022,960	1,355,339	N/A	At maturity
HarbourVest 2021 Global Feeder	(2,985)	2,000,000	N/A	At maturity
	\$ 5,382,703	\$ 9,653,865		

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 6. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 164,400	\$ 164,400
Building	2,015,600	2,015,600
Building improvements	1,171,095	1,088,735
Leasehold improvements	1,264,582	1,250,384
Furniture, fixtures and equipment	152,618	150,354
Broadcast and transmission equipment	4,120,414	3,799,231
Computer software and equipment	557,374	807,429
	<u>9,446,083</u>	<u>9,276,133</u>
Accumulated depreciation and amortization	<u>(5,200,135)</u>	<u>(4,347,137)</u>
	<u>\$ 4,245,948</u>	<u>\$ 4,928,996</u>

Depreciation and amortization expense on property and equipment for the years ended June 30, 2022 and 2021 was \$855,749 and \$823,772.

### 7. Program Rights

Program rights consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Program rights	\$ 2,291,171	\$ 1,772,134
Accumulated amortization	<u>(1,717,805)</u>	<u>(1,367,033)</u>
	<u>\$ 573,366</u>	<u>\$ 405,101</u>

Amortization expense of program rights was \$350,516 and \$261,717 for the years ended June 30, 2022 and 2021.

The following represents the estimated future amortization of the program rights:

2023	\$ 280,944
2024	181,864
2025	108,150
2026	2,408
	<u>\$ 573,366</u>

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 8. Notes Payable

Notes payable consisted of the following at June 30:

	2022	2021
Note payable to the State of Rhode Island for ten years. Interest is the "mid-term applicable rate" published by the Internal Revenue Service. Interest accrues and is payable only if there is a sale of building or noncompliance with other terms of the note. Principal payments will be forgiven 1/10 of the total principal each year if the Foundation complies with the terms of the note. The note is secured by the building and related improvements.	\$ 654,000	\$ 872,000
Note payable, Bank Rhode Island, with interest only payments through April 2023. Monthly installments of \$2,216 including interest at 3.40% to commence in May 2023 through April 2032. The note is secured by the equipment purchased by the loan. The note contains restrictive covenants.	205,905	-
	859,905	872,000
Debt insurance costs	(9,987)	-
Current portion	(221,269)	(218,000)
Notes payable, net of current portion	\$ 628,649	\$ 654,000

Aggregate maturities of the note payable as of June 30, 2022 are due in future years as follows:

2023	\$ 221,269
2024	238,009
2025	238,700
2026	21,415
2027	22,155
Thereafter	118,357
	\$ 859,905

### 9. Net Assets

Net assets with donor restrictions at June 30, 2022 and 2021 are comprised of the contribution receivable for the donated lease (Note 4) of \$251,385 and \$273,873. Net assets released from restriction, as a result of the recognition of the donated lease, was \$22,488 and \$21,817 for the years ended June 30, 2022 and 2021.

During the year ended June 30, 2022, the Foundation received a \$25,000 grant restricted for work with students on a broadcast. Work on this broadcast is not scheduled to commence until 2023. At June 30, 2022, the balance of \$25,000 is included in both cash and cash equivalents and net assets with donor restrictions in the accompanying statement of financial position.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 10. Rhode Island Foundation Scholarship Fund

During the year ended June 30, 2019, the Board of Directors created a scholarship fund by transferring \$1,000,000 to the Rhode Island Foundation as an advisory fund. The scholarships are awarded to those students who are Rhode Island and Bristol County Massachusetts residents who plan on attending or are attending a four-year post-secondary school with a major in broadcasting, communications and/or journalism. The balances designated for the scholarship fund are \$1,141,339 and \$1,276,487 at June 30, 2022 and 2021.

### 11. Donated In-Kind Services and Facilities Expense

During the years ended June 30, 2022 and 2021, the Foundation received in-kind donations of a tower for use in broadcasting with an estimated fair value of \$30,000 for the years ended June 30, 2022 and 2021. Such expense is included in administrative and general expenses in the accompanying statements of activities.

### 12. Operating Lease

The Foundation leases space for the operation of five PEG Access studios from five landlords. Three of the leases have terms that expire at various dates through November 2029, with between 2 and 3 five-year renewal options. Two of the leases operate on a month-to-month basis. During the years ended June 30, 2022 and 2021, lease expense on these operating leases was \$255,238 and \$257,705. Future minimum annual payments due under the leases as of June 30, 2022 are as follows:

2023	\$ 190,206
2024	180,206
2025	175,345
2026	137,053
2027	137,053
Thereafter	194,158
	<u>\$ 1,014,021</u>

### 13. Retirement Plan

The Foundation sponsors a 403(b) defined contribution plan which covers substantially all employees meeting the necessary eligibility requirements. Under the terms of the plan the Foundation makes matching contributions equal to 100% of employee's pre-tax savings contributions that do not exceed 6% of the plan participant's total compensation. The Foundation contributed \$184,635 and \$175,547 to the plan in the years ended June 30, 2022 and 2021.

## Rhode Island PBS Foundation

Notes to Financial Statements  
June 30, 2022 and 2021

### 14. Related Party Transactions

During the years ended June 30, 2022 and 2021, the Foundation had the following activities with related parties:

- Advisory services for the Foundation's 403(b) Plan. For the years ended June 30, 2022 and 2021, no fees were paid, and no amounts are payable to this party.
- Subscriptions purchased of a local magazine for members. For the year ended June 30, 2021 the Foundation purchased magazines for members in the amount of \$25,105.

### 15. Economic Dependency

The Foundation received 100% of PEG Access Fees from two entities during the years ended June 30, 2022 and 2021. At June 30, 2021 and 2022, amounts due from these two entities comprised 84% and 87% of accounts receivable reported on the accompanying statements of financial position.

### 16. Liquidity and Availability of Financial Assets

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following represents the Foundation's financial assets available for general expenditure at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 775,496	\$ 247,056
Due from private equity fund	-	157,500
Pledges receivable	2,690	992
Accounts receivable	375,148	393,607
Investments	96,818,449	114,493,161
Less: Restricted financial net assets	<u>(25,000)</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 97,946,783</u>	<u>\$ 115,292,316</u>

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

## **Rhode Island PBS Foundation**

Notes to Financial Statements  
June 30, 2022 and 2021

### **17. Coronavirus Pandemic Impact and Response**

The Foundation's operations have been affected by the ongoing outbreak of the coronavirus disease ("COVID-19"), which was declared a pandemic by the World Health Organization in March 2020. In response to the COVID-19 pandemic, the Foundation received a one-time grant through the Corporation for Public Broadcasting from the American Rescue Plan Stabilization Act in the amount of approximately \$375,000 during 2021. The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date of these financial statements were available for issuance, as the pandemic continues to evolve globally. The effects of economic and market conditions subsequent to June 30, 2022 are not reflected in these financial statements and future effects on the Foundation's changes in net assets, financial position and cash flows cannot be predicted due to uncertainty regarding the duration and scope of the pandemic and other changing market conditions.

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