

Financial Statements

**FORT WAYNE PUBLIC TELEVISION, INC.**

*Years ended September 30, 2018 and 2017  
with Independent Auditor's Report*

Fort Wayne Public Television, Inc.

Financial Statements

Years ended September 30, 2018 and 2017

**Contents**

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	7
Notes to Financial Statements.....	8



## Independent Auditor's Report

The Board of Directors  
Fort Wayne Public Television, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Fort Wayne Public Television, Inc. which comprise the statement of financial position as of September 30, 2018 and 2017 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Public Television, Inc. as of September 30, 2018 and 2017, 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.

*Haines, Asenbarger & Skiba, LLC*

November 28, 2018

Fort Wayne Public Television, Inc.

Statements of Financial Position

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 701,626	\$ 421,989
Accounts receivable, less allowance of \$1,500 in 2018 and 2017	180,109	71,055
Current portion of grants and contributions receivable	169,367	235,893
Prepaid expenses	111,526	106,978
Total current assets	1,162,628	835,915
Property and equipment:		
Land	37,497	37,497
Buildings and improvements	3,740,111	3,740,111
Tower, transmitters and other equipment	5,059,792	5,608,573
Office equipment	445,538	445,538
Vehicles	36,763	36,763
Construction in progress	1,083,599	-
	10,403,300	9,868,482
Less accumulated depreciation	6,204,955	6,400,292
	4,198,345	3,468,190
Grants and contributions receivable, less current portion	-	49,275
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	18,043	16,664
Total assets	\$ 5,379,016	\$ 4,370,044
<b>Liabilities and net assets</b>		
Current liabilities:		
Notes payable	\$ 260,308	\$ -
Accounts payable	228,189	25,044
Accrued expenses	87,037	102,070
Total current liabilities	575,534	127,114
Net assets:		
Unrestricted	4,608,535	4,046,439
Unrestricted—Board Designated	93,299	42,228
	4,701,834	4,088,667
Temporarily restricted	88,021	140,636
Permanently restricted	13,627	13,627
Total net assets	4,803,482	4,242,930
Total liabilities and net assets	\$ 5,379,016	\$ 4,370,044

*See accompanying notes.*

Fort Wayne Public Television, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30							
	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in net assets</b>								
Support, revenues and gains:								
Contributions	\$ 690,408	\$ 48,000	\$ -	\$ 738,408	\$ 656,175	\$ -	\$ -	\$ 656,175
Grants:								
Corporation for Public Broadcasting	784,786	-	-	784,786	792,005	-	-	792,005
Indiana Department of Education	388,624	-	-	388,624	388,624	-	-	388,624
Empowering Community Connections	-	73,023	-	73,023	-	310,961	-	310,961
Program and production revenue	380,061	-	-	380,061	544,112	-	-	544,112
Contributed goods and services	157,867	-	-	157,867	203,072	-	-	203,072
Tower and facility rent	203,606	-	-	203,606	196,332	-	-	196,332
TV broadcaster relocation reimbursement	711,556	-	-	711,556	-	-	-	-
Change in beneficial interest in funds held by the								
Community Foundation of Greater Fort Wayne Inc.	1,379	-	-	1,379	1,522	-	-	1,522
Other	529,248	-	-	529,248	26,296	-	-	26,296
Net assets released from restrictions	173,638	(173,638)	-	-	197,754	(197,754)	-	-
Total support, revenues and gains	4,021,173	(52,615)	-	3,968,558	3,005,892	113,207	-	3,119,099
Expenses:								
Program services:								
Broadcast	528,124	-	-	528,124	528,134	-	-	528,134
Production	765,812	-	-	765,812	732,466	-	-	732,466
Program information and outreach	107,288	-	-	107,288	109,867	-	-	109,867
Programming	867,235	-	-	867,235	862,307	-	-	862,307
Studio 39	34,708	-	-	34,708	115,000	-	-	115,000
Total program expenses	2,303,167	-	-	2,303,167	2,347,774	-	-	2,347,774
Support services:								
Fundraising and development	619,064	-	-	619,064	533,729	-	-	533,729
Management and general	485,775	-	-	485,775	514,834	-	-	514,834
Total expenses	3,408,006	-	-	3,408,006	3,396,337	-	-	3,396,337
<b>Increase (decrease) in net assets</b>	613,167	(52,615)	-	560,552	(390,445)	113,207	-	(277,238)
Net assets at beginning of year	4,088,667	140,636	13,627	4,242,930	4,479,112	27,429	13,627	4,520,168
Net assets at end of year	\$ 4,701,834	\$ 88,021	\$ 13,627	\$ 4,803,482	\$ 4,088,667	\$ 140,636	\$ 13,627	\$ 4,242,930

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2018

	Program Services						Support Services		
	Broadcast	Production	Program Information and Outreach	Programming	Studio 39	Total Program Services	Fundraising and Development	Management and General	Total
<b>Personnel costs</b>									
Salaries and wages	\$ 70,547	\$ 254,787	\$ 48,262	\$ 144,103	\$ 15,095	\$ 532,794	\$ 216,114	\$ 221,004	\$ 969,912
Payroll taxes	4,764	17,236	3,692	10,825	881	37,398	18,827	15,513	71,738
Insurance—health/life/LTD	6,346	29,984	253	12,580	(241)	48,922	35,504	26,309	110,735
Commissions	-	18,947	-	36,370	11,058	66,375	9,013	-	75,388
Other	1,454	3,748	3,982	4,298	-	13,482	11,349	11,035	35,866
	83,111	324,702	56,189	208,176	26,793	698,971	290,807	273,861	1,263,639
<b>Development and fundraising</b>									
Premium supplies	-	-	-	-	-	-	36,717	-	36,717
Credit card processing fees	-	-	-	-	-	-	16,581	-	16,581
Member cards	-	-	-	-	-	-	4,567	-	4,567
Other	-	-	-	-	-	-	100,496	-	100,496
	-	-	-	-	-	-	158,361	-	158,361
<b>Facilities and equipment</b>									
Utilities	91,046	35,874	6,787	7,355	-	141,062	25,226	26,313	192,601
Leased land	6,718	20,712	3,919	4,478	-	35,827	14,555	5,598	55,980
Leased equipment	460	1,417	268	306	-	2,451	996	383	3,830
Maintenance	23,244	33,055	1,574	3,509	38	61,420	22,131	22,493	106,044
	121,468	91,058	12,548	15,648	38	240,760	62,908	54,787	358,455
<b>Production costs</b>	-	3,701	-	-	7,864	11,565	-	-	11,565
<b>Programming</b>									
PBS National Program Service	-	-	-	522,790	-	522,790	-	-	522,790
Programming—other syndication	-	-	-	58,815	-	58,815	-	-	58,815
	-	-	-	581,605	-	581,605	-	-	581,605
<b>Promotion and outreach</b>	-	-	21,051	-	13	21,064	15,303	-	36,367
<b>TV Broadcaster Relocation</b>	-	-	-	-	-	-	-	54,223	54,223
<b>General and administrative</b>									
Software maintenance/upgrades	6,600	35,531	701	12,888	-	55,720	26,992	3,128	85,840
Membership/dues/subscriptions	20	27	-	40,967	-	41,014	1,678	25,108	67,800
Liability insurance	-	-	-	-	-	-	-	9,668	9,668
Other	5,525	11,711	11,527	1,872	-	30,635	43,434	57,469	131,538
	12,145	47,269	12,228	55,727	-	127,369	72,104	95,373	294,846
Depreciation	311,400	299,082	5,272	6,079	-	621,833	19,581	7,531	648,945
Total expenses	\$ 528,124	\$ 765,812	\$ 107,288	\$ 867,235	\$ 34,708	\$ 2,303,167	\$ 619,064	\$ 485,775	\$ 3,408,006

See accompanying notes.

Fort Wayne Public Television, Inc.

Statement of Functional Expenses

Year ended September 30, 2017

	Program Services						Support Services		
	Broadcast	Production	Program Information and Outreach	Programming	Studio 39	Total Program Services	Fundraising and Development	Management and General	Total
<b>Personnel costs</b>									
Salaries and wages	\$ 67,648	\$ 241,990	\$ 45,248	\$ 140,180	\$ 55,543	\$ 550,609	\$ 212,575	\$ 214,038	\$ 977,222
Payroll taxes	4,563	16,385	3,461	10,590	1,969	36,968	18,926	15,488	71,382
Insurance—health/life/LTD	6,499	32,754	501	12,006	(181)	51,579	19,703	24,895	96,177
Commissions	-	17,515	-	35,778	9,163	62,456	6,798	-	69,254
Other	1,924	4,426	1,079	4,969	-	12,398	13,052	14,015	39,465
	80,634	313,070	50,289	203,523	66,494	714,010	271,054	268,436	1,253,500
<b>Development and fundraising</b>									
Premium supplies	-	-	-	-	-	-	42,411	-	42,411
Credit card processing fees	-	-	-	-	-	-	14,251	-	14,251
Member cards	-	-	-	-	-	-	13,025	-	13,025
Other	-	-	-	-	-	-	53,667	-	53,667
	-	-	-	-	-	-	123,354	-	123,354
<b>Facilities and equipment</b>									
Utilities	92,265	34,830	6,585	7,532	-	141,212	24,480	12,086	177,778
Leased land	6,718	20,712	3,919	4,478	-	35,827	14,555	5,598	55,980
Leased equipment	500	1,543	292	334	-	2,669	1,060	441	4,170
Maintenance	32,663	26,935	1,666	4,306	18,655	84,225	6,325	23,010	113,560
	132,146	84,020	12,462	16,650	18,655	263,933	46,420	41,135	351,488
<b>Production costs</b>	-	3,688	-	-	23,974	27,662	-	-	27,662
<b>Programming</b>									
PBS National Program Service	-	-	-	527,868	-	527,868	-	-	527,868
Programming—other syndication	-	-	-	48,400	-	48,400	-	-	48,400
	-	-	-	576,268	-	576,268	-	-	576,268
<b>Promotion and outreach</b>	-	-	23,333	-	4,412	27,745	15,671	-	43,416
<b>TV Broadcaster Relocation</b>	-	-	-	-	-	-	-	51,176	51,176
<b>General and administrative</b>									
Software maintenance/upgrades	2,146	53,954	1,826	12,070	-	69,996	20,260	1,280	91,536
Membership/dues/subscriptions	50	-	25	44,692	-	44,767	1,012	13,427	59,206
Liability insurance	-	-	-	-	-	-	-	9,500	9,500
Other	(1,188)	2,373	14,942	1,042	1,465	18,634	29,996	119,884	168,514
	1,008	56,327	16,793	57,804	1,465	133,397	51,268	144,091	328,756
Depreciation	314,346	275,361	6,990	8,062	-	604,759	25,962	9,996	640,717
Total expenses	\$ 528,134	\$ 732,466	\$ 109,867	\$ 862,307	\$ 115,000	\$ 2,347,774	\$ 533,729	\$ 514,834	\$ 3,396,337

See accompanying notes.



Fort Wayne Public Television, Inc.

Statements of Cash Flows

	<b>Year ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 560,552	\$ (277,238)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	648,945	640,717
(Gain) loss on sale of property and equipment	1,600	(17,300)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(1,379)	(1,522)
Changes in operating assets and liabilities:		
Accounts receivable	(109,054)	(12,590)
Prepaid expenses	(4,548)	(5,758)
Grants and contributions receivable	115,801	53,808
Accounts payable	203,145	(5,616)
Accrued expenses	(15,033)	9,381
Net cash provided by operating activities	<b>1,400,029</b>	383,882
<b>Investing activities</b>		
Proceeds from sale of property and equipment	-	17,300
Purchases of property and equipment	(1,380,700)	(233,708)
Net cash used in investing activities	<b>(1,380,700)</b>	(216,408)
<b>Financing activities</b>		
Borrowings on notes payable	953,010	-
Repayments of notes payable	(692,702)	-
Repayment of long-term debt	-	(37,426)
Repayment of capital lease payable	-	(13,577)
Net cash provided by (used in) financing activities	<b>260,308</b>	(51,003)
Increase in cash and cash equivalents	279,637	116,471
Cash and cash equivalents at beginning of year	421,989	305,518
Cash and cash equivalents at end of year	<b>\$ 701,626</b>	\$ 421,989
Interest paid	\$ 8,310	\$ 2,404

*See accompanying notes.*

# Fort Wayne Public Television, Inc.

## Notes to Financial Statements

September 30, 2018

### 1. Organization

The mission of Fort Wayne Public Television, Inc. (Station) is:

*PBS39 engages our community through content and collaborations that educate, inform, inspire and entertain.*

The Station operates northeast Indiana's only locally owned-and-operated non-commercial public television station. It is an affiliated member of the nationwide network of public television stations known as the Public Broadcasting Service (PBS). The Station is also a member of the statewide network of public media stations known as Indiana Public Broadcasting Stations (IPBS).

PBS39 broadcasts daily over four channels: PBS39/Channel 39.1; PBS39Kids/Channel 39.2; PBSCreate/Channel 39.3 and PBS39Explore/Channel 39.4. PBS39 produces, promotes and broadcasts public television educational, informational, cultural and/or entertaining programming to the viewing area. This includes but is not limited to nationally distributed programming, as well as local call-in shows, documentaries and arts programs.

Operational highlights include: 1) The Station finished renovating a remote truck with High Definition technology to provide professionally-produced local programs on location. PBS39's strategic plan focuses on community impact, working with local partners to share cultural performances and civic engagement experiences that build regional connections and deepen local relevance. Beyond broadcast, the remote truck will also provide production opportunities that will contribute to PBS39's financial sustainability; 2) The Station broadcast its most recent documentary, *Entrepreneurial Energy*, which looked at innovation and invention in northeast Indiana; the production included video segments for classroom instruction; 3) The Station received a grant to move computer operations to Microsoft's Office 365 platform to improve effectiveness, collaboration and productivity in the work of the organization's governing board, its community advisory board and station staff.

The Federal Communications Commission (FCC) completed its broadcast incentive auction during the year ended September 30, 2017, which repurposed broadcast airwaves for nationwide wireless mobile use. The FCC then began a process called "repacking" to move TV stations to new channels. The FCC has approved \$2.1 million for PBS39 to move from Channel 40 to Channel 18, and the Station made expenditures of approximately \$1.0 million during the year ended September 30, 2018. The Station submitted \$711,556 for reimbursement through September 30, 2018 and has collected \$593,493. The remaining costs of the "repack" are expected to be paid, submitted and reimbursed during the year ended September 30, 2019.

# Fort Wayne Public Television, Inc.

## Notes to Financial Statements (continued)

### **1. Organization (continued)**

The Station's strategic plan, approved during the year ended September 30, 2017, provides direction for departmental activities going forward, contributing to the success of the entire organization in its work to connect national programming with local audiences, educational programming with students and teachers, and community arts, events, issues and ideas with audiences regionally and statewide. As a trusted community partner, PBS39 will be a primary focal point for the advancement of arts and culture, history, education and quality of life in our community.

The Station is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and qualifies for the 50 percent charitable deduction limitation. The Station has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Management believes the Station is no longer subject to examination by taxing authorities for years before September 30, 2015.

### **2. Summary of Significant Accounting Policies**

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

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. All cash and cash equivalents are held at local financial institutions. The Station periodically has cash and cash equivalents in excess of federally insured limits.

#### **Accounts Receivable**

Accounts receivable are stated at the amount billed to underwriters and other supporters. The Station provides an allowance for doubtful accounts for estimated losses in the collection of accounts receivable which is based on an analysis of outstanding receivables, taking into consideration the age of past due accounts, an assessment of the customer's ability to pay and historical collection information. When specific accounts are deemed uncollectible, in whole or in part, such amounts are removed from the accounts although collection efforts may continue.

# Fort Wayne Public Television, Inc.

## Notes to Financial Statements (continued)

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

#### Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast relate to programs produced and purchased by the Station that will be broadcast in subsequent periods. These costs are included in prepaid expenses and were \$7,121 and \$16,418 at September 30, 2018 and 2017, respectively.

#### Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation, except for property and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired property or equipment assets as of September 30, 2018 or 2017. Items which cost \$1,000 or more and have a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Buildings and improvements	5 – 39 years
Tower, transmitters and other equipment	3 – 30 years
Office equipment	5 – 7 years
Vehicles	5 years

Expenses for normal repairs and maintenance are expensed as incurred.

#### Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. The Station has received certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of the Station pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently but permit the Station to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

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

**Net Assets (continued)**

Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted. During the year ended September 30, 2016, the Board of Directors initiated a program to accumulate funds to be used for future information technology needs. These funds have been included in Unrestricted—Board Designated net assets on the Statement of Financial Position.

**Contributions and Grants and Contributions Receivable**

Contributions, including gifts, grants, bequests, pledges and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use.

The Station uses the allowance method to determine uncollectible grants and contributions receivable. The allowance for uncollectible receivables is based on historical collection experience and management's analysis of specific receivables.

Contributions of assets other than cash are recorded at their fair market value. Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation.

During the years ended September 30, 2018 and 2017, the fair market value of contributed goods and services recognized as revenue and expense in the accompanying statements of activities and changes in net assets were \$157,867 and \$203,072, respectively.

**Program and Production Revenue**

Revenue for program underwriting is recognized on a pro-rata basis over the period the programming is broadcast. The Station utilizes the percentage-of-completion method of accounting for production revenue.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

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

**Use of Estimates**

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Advertising Expenses**

Advertising costs are charged to operations when incurred. Advertising costs were \$21,940 and \$29,604 for the years ended September 30, 2018 and 2017, respectively.

**Concentration of Credit Risk**

The Station's major sources of recurring operating revenue are the Corporation for Public Broadcasting and the Indiana Department of Education. Revenue from the Corporation for Public Broadcasting was 20 and 25 percent of revenue during the years ended September 30, 2018 and 2017, respectively. Revenue from the Indiana Department of Education was 10 percent of revenue and 12 percent of revenue during the years ended September 30, 2018 and 2017, respectively. Other significant sources of revenue include foundations and individual viewers.

**Functional Allocation of Expenses**

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Reclassification**

Certain 2017 amounts have been reclassified to conform with 2018 presentation.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

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

**New Accounting Pronouncements**

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*, to change the way a not-for-profit entity (NFP) classifies and presents net assets on the face of the financial statements and presents information in the financial statements and accompanying notes about the NFP's liquidity, financial performance and cash flows. The ASU changes the way a NFP reports classes of net assets, from the currently required three classes to two. The amendment also requires the NFP to provide enhanced disclosure about various types of donor-imposed restrictions, the NFP's management of its liquidity to meet short-term demands for cash, and the types of resources used and how they are allocated to carrying out the NFP's activities. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. Early application is permitted. The Station is currently evaluating the impact of the adoption of the standard on the presentation of its financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*, to provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Station is currently evaluating the impact of the adoption of the standard on the presentation of its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to require a lessee to recognize a right-of-use asset and a lease liability for both operating and finance leases, whereas previous U.S. GAAP require the asset and liability be recognized only for capital leases. The amendment also requires qualitative and specific quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Station is evaluating the guidance of ASU 2016-02 and the impact that the adoption of this update will have on the presentation of its financial statements.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**3. Grants and Contributions Receivable**

Unconditional promises to give to the Station are recorded as grants and contributions receivable at the present value of future cash flows. The present value discount rate used was 1.47 percent for the year ended September 30, 2017. The Station's grants and contributions receivable are as follows:

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Amounts due in:		
Less than one year	<b>\$ 170,715</b>	\$ 240,164
One to five years	-	50,000
Gross grants and contributions receivable	<b>170,715</b>	290,164
Less allowance	<b>1,348</b>	4,271
Less discount for present value	-	725
Net grants and contributions receivable	<b><u>\$ 169,367</u></b>	<b><u>\$ 285,168</u></b>

**4. Beneficial Interest in Funds Held by the  
Community Foundation of Greater Fort Wayne Inc.**

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) of \$18,043 and \$16,664 at September 30, 2018 and 2017, respectively, is the result of an agreement whereby the Station has transferred assets to the Community Foundation and has specified itself as the beneficiary of the assets. The beneficial interest in funds held by the Community Foundation is valued at the fair market value of the underlying investments as reported by the Community Foundation at year-end.

Additionally, the Community Foundation holds investment assets with a value of \$16,904 and \$15,071 at September 30, 2018 and 2017, respectively, for the benefit of the Station. The Station is precluded from recognizing these assets held by the Community Foundation because the donors explicitly granted variance power to the Community Foundation. Accordingly, the Station only recognizes annual grants by the Community Foundation from these funds as contributions.



## Fort Wayne Public Television, Inc.

### Notes to Financial Statements (continued)

#### **5. Endowment Funds**

ASC 958, *Not-for-Profit Entities*, requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Indiana General Assembly has adopted UPMIFA.

The Station may hold donor restricted endowment funds where the gift instrument clearly stipulates that it is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede the Station's ability to spend the whole fund. ASC 958 requires the classification of a portion of a donor restricted endowment fund of perpetual duration to be classified as permanently restricted.

The Station's endowment consists of an individual donor-restricted endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Directors of the Station has interpreted UPMIFA 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 stipulation to the contrary. As a result of this interpretation, the Station classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Station considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Station and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of the Station.
- The investment policies of the Station.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**5. Endowment Funds (continued)**

Endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 4,416	\$ -	\$ 13,627	\$ 18,043

Changes in endowment net assets for the year ended September 30, 2018 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 3,037	\$ -	\$ 13,627	\$ 16,664
Investment return:				
Investment income, net	849	-	-	849
Realized and unrealized gain on investments	530	-	-	530
Total investment return	1,379	-	-	1,379
Endowment net assets at end of year	\$ 4,416	\$ -	\$ 13,627	\$ 18,043

Endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 3,037	\$ -	\$ 13,627	\$ 16,664

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**5. Endowment Funds (continued)**

Changes in endowment net assets for the year ended September 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 1,515	\$ -	\$ 13,627	\$ 15,142
Investment return:				
Investment income, net	315	-	-	315
Realized and unrealized gain on investments	1,207	-	-	1,207
Total investment return	1,522	-	-	1,522
Endowment net assets at end of year	\$ 3,037	\$ -	\$ 13,627	\$ 16,664

**6. Debt Arrangements**

Pursuant to a line of credit arrangement with a bank, the Station may borrow up to \$200,000, subject to certain terms and conditions. The line of credit arrangement expires on April 1, 2019. Interest is payable monthly at the bank's prime rate plus 0.75 percent (6 percent at September 30, 2018). There were no borrowings pursuant to this line of credit arrangement at September 30, 2018 and 2017.

Pursuant to a second revolving line of credit arrangement with a bank, the Station may borrow up to \$1,500,000, subject to certain terms and conditions. The line of credit arrangement expires on April 1, 2019. Interest is payable monthly at the bank's prime rate plus 0.75 percent (6 percent at September 30, 2018). Borrowings pursuant to this line of credit arrangement were \$260,308 at September 30, 2018. There were no borrowings at September 30, 2017.

Substantially all of the Station's receivables, equipment and certain other assets are pledged as collateral pursuant to the terms of the loan agreements.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**7. Net Assets**

Temporarily restricted net assets are to be used for the following purposes:

	<b>September 30</b>	
	<b>2018</b>	<b>2017</b>
Empowering Community Connections	\$ 40,021	\$ 140,636
Collaborative software	<b>48,000</b>	-
	<b>\$ 88,021</b>	<b>\$ 140,636</b>

Temporarily restricted net assets released from donor restrictions of \$173,638 and \$197,754 for the years ended September 30, 2018 and 2017, respectively, were the result of incurring expenses or costs to satisfy the restricted purposes.

**8. Employee Benefit Plan**

The Station maintains a defined contribution benefit plan for the benefit of eligible employees. The plan allows for discretionary employer matching contributions. These contributions were suspended in February 2009 and reinstated in July 2016. The Station's contributions to the plan were \$9,848 and \$11,135 for the year ended September 30, 2018 and 2017, respectively.

**9. Leases**

The Station leases land on the campus of Indiana University-Purdue University Fort Wayne pursuant to an operating lease which expires on October 1, 2051. Pursuant to the lease agreement, annual rent is \$1. The fair market value of the lease was \$55,980 for the years ended September 30, 2018 and 2017, respectively and was recorded as contributed goods and services.

The Station leased office equipment pursuant to an operating lease that expired in May 2017. Total lease expense was \$59,810 and \$60,150 for the years ended September 30, 2018 and 2017, respectively.

Fort Wayne Public Television, Inc.

Notes to Financial Statements (continued)

**10. Facility and Tower Leases**

The Station leases space on its tower and in its former facility pursuant to operating leases which expire at various dates in 2020 through 2032. Future minimum lease receipts as of September 30, 2018 pursuant to operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

Year ended September 30, 2019	\$ 208,077
Year ended September 30, 2020	212,737
Year ended September 30, 2021	198,655
Year ended September 30, 2022	162,239
Year ended September 30, 2023	102,048
Thereafter	167,671
Total minimum payments	<u>\$ 1,051,427</u>

**11. Related Party Transactions**

Certain members of the Board of Directors are employed by companies that provide services to the Station. The fees paid to these companies were based on customary and reasonable rates for such services.

**12. Subsequent Events**

Management has evaluated subsequent events through November 28, 2018, the date on which the financial statements were available to be issued.