North Texas Public Broadcasting, Inc.

Consolidated Financial Statements

with Independent Auditors' Reports

June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Texas Public Broadcasting, Inc.

We have audited the accompanying consolidated financial statements of North Texas Public Broadcasting, Inc. (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Texas Public Broadcasting, Inc. as of June 30, 2020 and 2019, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Baker Tilly US, LLP

BAKER TILLY US, LLP
Plano, Texas
October 27, 2020

NORTH TEXAS PUBLIC BROADCASTING, INC

Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,694,703	$ 6,035,945
Restricted cash	-	649,793
Membership contribution, grant, and underwriting receivable, current portion, net	4,872,897	5,903,763
Investments	18,766,348	18,594,694
Prepaid expenses and other assets	982,458	784,515
Total current assets	**31,316,406**	**31,968,710**
NON-CURRENT ASSETS		
Membership contribution, grant, and underwriting receivable, net of current portion	-	588,765
Property and equipment, net	7,350,863	7,869,847
FCC Broadcast License	18,250,276	18,250,276
Total non-current assets	**25,601,139**	**26,708,888**
TOTAL ASSETS	**$ 56,917,545**	**$ 58,677,598**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	2,112,064	2,103,416
Deferred revenue	165,622	128,647
Interest rate swaps	171,960	72,476
Current portion of notes payable	2,049,987	464,144
Total current liabilities	**4,499,633**	**2,768,683**
NON-CURRENT LIABILITIES		
Notes payable, net of current portion	6,318,484	6,783,089
Other long-term liabilities	284,094	243,532
Total non-current liabilities	**6,602,578**	**7,026,621**
TOTAL LIABILITIES	**11,102,211**	**9,795,304**
NET ASSETS		
Without donor restrictions	41,682,785	43,095,698
With donor restrictions	4,132,549	5,786,596
Total net assets	**45,815,334**	**48,882,294**
TOTAL LIABILITIES AND NET ASSETS	**$ 56,917,545**	**$ 58,677,598**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains, and Other Support				
Membership contributions, major gifts, and grants	$ 18,378,377	$ 25,895	$ 18,404,272	$ 22,346,206
Underwriting	4,270,491	-	4,270,491	4,626,598
Community service grants	2,379,248	-	2,379,248	2,272,538
Texas HUB Collaborative	-	-	-	574,153
Special events	137,780	-	137,780	304,852
In-kind contributions	888,007	-	888,007	883,278
Other support	442,699	-	442,699	350,562
Net assets released from restrictions	1,525,452	(1,525,452)	-	-
Total revenues, gains, and other support	**28,022,054**	**(1,499,557)**	**26,522,497**	**31,358,187**
Expenses and Losses				
Program services:				
Technical services	1,234,331	-	1,234,331	931,832
Broadcasting	4,048,020	-	4,048,020	3,669,171
Radio	5,577,316	-	5,577,316	4,633,738
Content services	4,907,600	-	4,907,600	5,016,739
Total program services	15,767,267	-	15,767,267	14,251,480
Support services:				
General and administrative	2,447,770	-	2,447,770	2,627,500
Communications and marketing	528,144	-	528,144	533,254
In-kind expenses	603,394	-	603,394	519,289
Total support services	3,579,308	-	3,579,308	3,680,043
Fundraising costs:				
Membership development	3,268,080	-	3,268,080	3,139,511
Major gifts and foundations	704,071	-	704,071	630,407
Corporate development	1,128,657	-	1,128,657	1,250,444
In-kind expenses	284,075	-	284,075	365,924
Total fundraising costs	5,384,883	-	5,384,883	5,386,286
Depreciation and amortization	958,672	-	958,672	905,229
Bad debt expense	3,503,984	-	3,503,984	1,394,972
Total operating expenses	**29,194,114**	**-**	**29,194,114**	**25,618,010**
Change in Net Assets from Operating Activities	**(1,172,060)**	**(1,499,557)**	**(2,671,617)**	**5,740,177**
Changes in Net Assets from Non-Operating Activities				
Investment return, net	69,263	(141,351)	(72,088)	1,217,367
Change in value of split-interest agreements	-	(13,139)	(13,139)	6,332
Gain (loss) on retirement assets	(1,390)	-	(1,390)	36,992
Interest income	52,297	-	52,297	47,921
Interest expense	(223,240)	-	(223,240)	(528,639)
Unrealized loss on interest rate swaps	(99,484)	-	(99,484)	(356,464)
Realized loss on interest rate swaps	(38,299)	-	(38,299)	-
Change in net assets from non-operating activities	**(240,853)**	**(154,490)**	**(395,343)**	**423,509**
CHANGE IN NET ASSETS	**(1,412,913)**	**(1,654,047)**	**(3,066,960)**	**6,163,686**
NET ASSETS, BEGINNING OF YEAR	**43,095,698**	**5,786,596**	**48,882,294**	**42,718,608**
NET ASSETS, END OF YEAR	**$ 41,682,785**	**$ 4,132,549**	**$ 45,815,334**	**$ 48,882,294**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				
	Technical Services	Broadcasting	Radio	Content Services	Total Program Services Expense
Salaries, benefits, and training	$ 348,347	$ 613,042	$ 2,884,785	$ 2,752,058	$ 6,598,232
Programming	-	3,214,886	2,408,216	192,561	5,815,663
Membership and development	-	-	-	903,494	903,494
Travel and meetings	2,232	5,628	47,916	28,641	84,417
Professional expenses and fees	-	-	152,281	124,546	276,827
Equipment and maintenance	637,621	-	68,146	163,239	869,006
Utilities and insurance	241,048	975	15,201	85,950	343,174
Supplies, postage, and copier	3,580	2,741	771	94,067	101,159
In-kind expenses	-	-	-	-	-
Outside services	195	210,748	-	240,223	451,166
Service charges	-	-	-	141,666	141,666
Other expenses	1,308	-	-	181,155	182,463
Total expense	**$ 1,234,331**	**$ 4,048,020**	**$ 5,577,316**	**$ 4,907,600**	**$ 15,767,267**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statement of Functional Expenses, Continued
For the Year Ended June 30, 2020

	Support Services			
	General and Administrative	Communications and Marketing	In-Kind Expenses	Total Support Services Expense
Salaries, benefits, and training	$ 1,292,022	$ 256,887	$ -	$ 1,548,909
Programming	206,939	160,590	-	367,529
Membership and development	-	-	-	-
Travel and meetings	11,768	2,648	-	14,416
Professional expenses and fees	69,063	849	-	69,912
Equipment and maintenance	129,375	-	-	129,375
Utilities and insurance	250,473	-	-	250,473
Supplies, postage, and copier	55,231	54	-	55,285
In-kind expenses	-	-	603,394	603,394
Outside services	47,254	83,968	-	131,222
Service charges	141,665	-	-	141,665
Other expenses	243,980	23,148	-	267,128
Total expense	**$ 2,447,770**	**$ 528,144**	**$ 603,394**	**$ 3,579,308**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statement of Functional Expenses, Continued
For the Year Ended June 30, 2020

	Fundraising					
	Membership Development	**Major Gifts and Foundations**	**Corporate Development**	**In-Kind Expenses**	**Total Fundraising Expenses**	**Total Operating Expenses**
Salaries, benefits, and training	$ 1,144,301	$ 534,704	$ -	$ -	$ 1,679,005	$ 9,826,146
Programming	80,607	-	-	-	80,607	6,263,799
Membership and development	1,342,095	141,087	-	-	1,483,182	2,386,676
Travel and meetings	21,750	11,431	-	-	33,181	132,014
Professional expenses and fees	117,870	6,500	998,561	-	1,122,931	1,469,670
Equipment and maintenance	144,500	-	-	-	144,500	1,142,881
Utilities and insurance	41,400	-	-	-	41,400	635,047
Supplies, postage, and copier	109,419	4,250	8	-	113,677	270,121
In-kind expenses	-	-	-	284,075	284,075	887,469
Outside services	55,169	3,155	66,142	-	124,466	706,854
Service charges	70,833	-	-	-	70,833	354,164
Other expenses	140,136	2,944	63,946	-	207,026	656,617
Total expense	**$ 3,268,080**	**$ 704,071**	**$ 1,128,657**	**$ 284,075**	**$ 5,384,883**	**$ 24,731,458**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services				
	Technical Services	**Broadcasting**	**Radio**	**Content Services**	**Total Program Services Expense**
Salaries, benefits, and training	$ 337,182	$ 594,623	$ 2,357,311	$ 2,635,854	$ 5,924,970
Programming	-	2,731,413	1,784,197	38,557	4,554,167
Membership and development	-	-	-	966,893	966,893
Travel and meetings	4,149	6,245	95,593	32,602	138,589
Professional expenses and fees	-	-	126,558	97,326	223,884
Equipment and maintenance	581,138	-	13,976	139,229	734,343
Utilities and insurance	2,700	900	12,206	165,464	181,270
Supplies, postage, and copier	2,601	549	1,521	84,567	89,238
In-kind expenses	-	-	-	-	-
Outside services	137	335,441	242,376	331,397	909,351
Service charges	-	-	-	150,376	150,376
Promotional	-	-	-	197,993	197,993
Other expenses	3,925	-	-	176,481	180,406
Total expense	**$ 931,832**	**$ 3,669,171**	**$ 4,633,738**	**$ 5,016,739**	**$ 14,251,480**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statement of Functional Expenses, Continued
For the Year Ended June 30, 2019

	Support Services			
	General and Administrative	**Communications and Marketing**	**In-Kind Expenses**	**Total Support Services Expense**
Salaries, benefits, and training	$ 1,379,112	$ 218,064	$ -	$ 1,597,176
Programming	-	-	-	-
Membership and development	-	-	-	-
Travel and meetings	12,566	2,792	-	15,358
Professional expenses and fees	95,413	-	-	95,413
Equipment and maintenance	145,848	-	-	145,848
Utilities and insurance	336,282	-	-	336,282
Supplies, postage, and copier	58,908	72	-	58,980
In-kind expenses	-	-	519,289	519,289
Outside services	12,716	94,423	-	107,139
Service charges	150,376	-	-	150,376
Promotional	1,338	196,654	-	197,992
Other expenses	434,941	21,249	-	456,190
Total expense	**$ 2,627,500**	**$ 533,254**	**$ 519,289**	**$ 3,680,043**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statement of Functional Expenses, Continued
For the Year Ended June 30, 2019

	Fundraising					
	Membership Development	Major Gifts and Foundations	Corporate Development	In-Kind Expenses	Total Fundraising Expenses	Total Operating Expenses
Salaries, benefits, and training	$ 948,070	$ 486,063	$ -	$ -	$ 1,434,133	$ 8,956,279
Programming	-	-	-	-	-	4,554,167
Membership and development	1,450,339	113,983	49,417	-	1,613,739	2,580,632
Travel and meetings	14,895	7,755	-	-	22,650	176,597
Professional expenses and fees	50,406	4,500	1,140,482	-	1,195,388	1,514,685
Equipment and maintenance	69,615	-	-	-	69,615	949,806
Utilities and insurance	80,932	-	-	-	80,932	598,484
Supplies, postage, and copier	94,406	9,068	34	-	103,508	251,726
In-kind expenses	-	-	-	365,924	365,924	885,213
Outside services	168,421	9,038	60,511	-	237,970	1,254,460
Service charges	75,188	-	-	-	75,188	375,940
Promotional	98,996	-	-	-	98,996	494,981
Other expenses	88,243	-	-	-	88,243	724,839
Total expense	**$ 3,139,511**	**$ 630,407**	**$ 1,250,444**	**$ 365,924**	**$ 5,386,286**	**$ 23,317,809**

The accompanying notes are an integral part of these consolidated financial statements.

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	$ (3,066,960)	$ 6,163,686
Adjustments to reconcile net assets to cash		
(used in) provided by operating activities:		
Depreciation of property and equipment	958,672	905,229
Amortization of debt issuance costs	14,382	60,472
Loss on retirement of assets	1,390	(36,992)
Net unrealized (gain) loss on investments	1,799,039	(228,413)
Net realized gain on investments	(1,283,117)	(465,626)
Change in value of split-interest agreements	13,139	(6,332)
Unrealized loss on interest rate swap liability	99,484	356,464
Dividend income reinvested	(443,834)	(523,328)
Changes in operating assets and liabilities:		
(Increase) decrease in assets		
Membership contributions and underwriting receivable	1,619,631	(2,276,621)
Prepaid expenses and other assets	(211,082)	11,029
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	8,648	464,361
Deferred revenue	36,975	(17,921)
Other liabilities	40,562	10,273
Net cash (used in) provided by operating activities	**(413,071)**	**4,416,281**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(441,078)	(960,521)
Purchases of investments	(3,910,474)	(1,229,481)
Proceeds from the sale of investments	3,666,732	6,115,735
Proceeds from the sale of property and equipment	-	53,221
Net cash (used in) provided by investing activities	**(684,820)**	**3,978,954**
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings of notes payable	1,571,000	-
Repayment of notes payable	(464,144)	(6,863,147)
Payment of capital lease obligations	-	(202,039)
Net cash provided by (used in) financing activities	**1,106,856**	**(7,065,186)**
Net increase in cash, cash equivalents, and restricted cash	8,965	1,330,049
Cash, cash equivalents, and restricted cash, beginning of year	6,685,738	5,355,689
Cash, cash equivalents, and restricted cash, end of year	**$ 6,694,703**	**$ 6,685,738**
NON-CASH TRANSACTION		
Realized loss on interest rate swap	$ 38,500	$ 50,000
SUPPLEMENTAL INFORMATION:		
Cash paid for taxes	$ 11,324	$ 8,332
Cash paid for interest	$ 208,857	$ 468,167

The accompanying notes are an integral part of these financial statements.

1 – Nature of Operations

North Texas Public Broadcasting, Inc. (the "Corporation") is a nonprofit media corporation providing broadcast services through its three licensed stations, KERA-TV, KERA-90.1 FM, and KKXT-97.7 FM. These stations are the public television and radio stations, which broadcast high-quality programs to viewers and listeners in Dallas, Fort Worth, and other areas of North, East, and West Texas as well as parts of Oklahoma and Louisiana. KERA-TV Channel 13 is a member of the Public Broadcasting Service, American Public Television, and National Education Telecommunications Association. KERA-90.1 FM and KKXT-91.7 are members of National Public Radio and affiliates of Public Radio International.

These consolidated financial statements also include the accounts of North Texas Public Broadcasting Foundation (the "Foundation"). The sole purpose of the Foundation is to support the activities of the Corporation.

2 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements of the Corporation include the accounts of the Corporation and the Foundation. All significant intercompany accounts and transactions have been eliminated.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and that are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. During the years ended June 30, 2020 and 2019, the Corporation periodically had cash deposits in excess of the FDIC insurable limit. The Corporation has not experienced any losses related to this concentration. Included in the balance at June 30, 2020 is approximately $1,200,000 invested in Insured Cash Sweeps, which is fully insured by the FDIC.

Restricted Cash

Restricted cash is comprised of a reserve fund established in accordance with debt covenants for the purpose of future debt payments as described in Note 8.

2 – Summary of Significant Accounting Policies, Continued

Membership Contributions and Underwriting Receivable

The contributions are principally due from members, donors and sponsors and are included in the consolidated statements of financial position at amounts due net of an allowance for doubtful accounts. The Corporation periodically assesses the collectability of outstanding receivables and determines the allowance for estimated losses based on factors such as: historical collection experience, age of the receivable, and current credit worthiness of the member, donor, or sponsor. The Corporation writes off receivables when they are deemed uncollectible by management.

Investments

Investments are reported at fair value. Unrealized and realized gains and losses are included in the accompanying consolidated statements of activities.

Fair value is 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. The Corporation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

> *Level 1:* Unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date. The quoted price for these investments is not adjusted, even in situations where the Corporation holds a large position and a sale could reasonably be expected to impact the quoted price. The types of investments included in Level 1 include listed equities and listed derivatives.
>
> *Level 2:* Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives, and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant change to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
>
> *Level 3:* Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and certain general and limited partnership interests in corporate private equity and real estate funds, debt funds, hedge funds, and funds of funds.

The Corporation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Corporation's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended June 30, 2020 and 2019, there were no transfers among Levels 1, 2, and 3.

2 – Summary of Significant Accounting Policies, Continued

Investments, Continued

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could affect investment balances and the amounts reported in the financial statements.

A description of the valuation techniques applied to the Corporation's major categories of assets measured at fair value on a recurring basis as follows:

> *Mutual Funds*: Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.
>
> *Split-interest Agreements:* The Corporation holds a partial interest in a split-interest agreement, included in prepaid expenses and other assets on the accompanying consolidated statements of financial position. Annually, the Corporation receives broker statements from the trustee listing out the current market value of the trusts' assets. The trusts' assets are invested in a variety of investments including securities traded on a national securities exchange, fixed income securities, and other investments.
>
> *Interest Rate Swaps:* See description of the valuation technique at Note 6.

During the year ended June 30, 2020, there were no changes in valuation methodologies.

Property and Equipment

Property and equipment are recorded at historical cost if purchased and estimated fair value at the date of gift if received through a donation. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor-imposed restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is calculated using the straight-line method over the useful lives as follows:

Description	Estimated Useful Life (Years)
Buildings	40
Building improvements	27
Signs	20
Tower, transmitter, antenna and equipment	15-16
Studio and video equipment	5-14
Vehicles	3
Furniture and fixtures	10
Computer hardware	6
Computer software	3
Master control equipment	8-14

The Corporation capitalizes expenditures for property and equipment exceeding the established $1,000 threshold.

2 – Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Long-lived Assets

The Corporation reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Assets are grouped at the lowest levels of identifiable cash flows that are independent of cash flows of other assets. In such cases, if the future undiscounted cash flows of the underlying assets are less than the carrying amount, the carrying amount will be adjusted for impairment to a level commensurate with a discounted cash flow analysis or its determinable fair value. There were no impairment charges for the years ended June 30, 2020 and 2019.

FCC Broadcast License

The Federal Communications Commission ("FCC") broadcast license is an indefinite-lived asset that is not amortized. However, the Corporation performs impairment testing on the FCC broadcast license annually on June 30 or more frequently if an event occurs or circumstances change that would indicate an impairment in accordance with ASC Topic 350, *Intangibles – Goodwill and Other.*

The Corporation tests broadcast licenses for impairment by first assessing qualitative factors to determine the existence of events and circumstances that may indicate that it is more likely than not that the broadcast license could be impaired. If after assessing the totality of events and circumstances the Corporation concludes that it is not more likely than not that the broadcast license is impaired, then no further action is taken. However, if the Corporation concludes otherwise, then it determines the fair value of the broadcast license and performs a quantitative impairment test by comparing the fair value with the carrying amount. Impairment is considered to exist if the fair value of the broadcast license is less than the carrying amount. If impairment exists, the impairment loss is measured by the difference between the fair value and carrying amount. The Corporation's quantitative estimate of fair value is based upon market conditions, including comparative acquisitions of FCC broadcast licenses. Assumptions underlying fair value estimates are subject to significant risks and uncertainties.

Management used qualitative factors to assess impairment of its broadcast license and determined that no impairment related to the FCC broadcast license exists as of June 30, 2020 and 2019.

Interest Rate Swaps

The Corporation did not elect hedge accounting for derivative instruments. The interest rate swaps are reported at fair value in the accompanying consolidated statements of financial position, with changes in fair value being reported in the consolidated statements of activities.

2 – Summary of Significant Accounting Policies, Continued

Endowments

The Corporation's endowments consist of two funds established for the National Endowment for the Arts and educational purposes. Management has determined the Corporation's permanently restricted net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The Corporation's Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Corporation classifies (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 as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Corporation considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization 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 of investments
- Other resources of the organization
- The investment policies of the organization

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to compare to a similarly weighted benchmark representing the returns of the S&P 500 Index, the Russell 2000 Index and the Intermediate Government / Corporate Index. The performance is also compared to the general inflation rate as measured by the Consumer Price Index. The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Leases

The Corporation leases equipment, including tower and antennae space, to provide broadcast services. The Corporation accounts for leases in accordance with *FASB ASC 840, Leases*.

Net Assets without Donor Restrictions

Net assets without donor restriction are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's direction.

The Board has several standing board policies that affect the presentation of board designations on net assets, as described in Note 4.

2 – Summary of Significant Accounting Policies, Continued

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time, and/or purpose restrictions. The Corporation reports gifts, cash, and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets should be maintained permanently (perpetual in nature) while permitting the Corporation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

Revenue Recognition

The primary sources of revenue are recognized as follows:

> *Membership Contributions* – The Corporation holds fundraising campaigns through special programs and on-air and mail fundraising appeals to encourage supporters, both individuals and organizations, to enhance program offerings and other operating expenses through financial support. Because membership is available to the general public and membership benefits, including premiums to donors are negligible, the Corporation recognizes membership contributions under the accounting guidance for contributions rather than as exchange transactions. As a result, membership revenue is recognized at the time of donation or when an unconditional promise to give is made by the member. Membership fees are considered unconditional contributions and are recognized as revenue annually when received. No commensurate value is exchanged for these fees.
>
> *Underwriting* – Underwriting revenue consists of program sponsorships and is treated as an exchange transaction. As a result, revenue for program underwriting is recognized on a pro rata basis as it is earned during the period covered.
>
> *Community Service Grants* – The Corporation for Public Broadcasting (“CPB”), a private nonprofit organization, distributes annual Community Service Grants to more than 1,000 qualifying public telecommunications entities through grants. Grants received from CPB are recognized as revenue when received.
>
> *Special Events* – Special events revenue is recognized at the time of donation or when an unconditional promise to give is made.

2 – Summary of Significant Accounting Policies, Continued

In-kind Contributions

Donated items, fees, and donated service are accounted for as in-kind support at their estimated value at the date of receipt. Donated services by volunteers are not valued for financial statement purposes unless those services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. In-kind support primarily includes donated teaching time. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

During the years ended June 30, 2020 and 2019, expense related to trade agreements of $408,571 and $420,754, respectively, were included in in-kind expenses on the accompanying statement of activities and changes in net assets.

The Corporation also receives donated services from volunteers which approximated $55,000 and $87,000 for the years ended June 30, 2020 and 2019, respectively, based on the hourly volunteer rate published by the Independent Sector. As these donated services do not meet the criteria for recognition under U.S. GAAP, their approximated values are not reflected in the accompanying consolidated statements of activities.

Expenses

Expenses are recognized by the Corporation on an accrual basis. Expenses paid in advance and not yet incurred are recorded as prepaid until the applicable period.

Advertising Expenses

All costs associated with advertising and promotions are expensed in the year incurred. For the years ended June 30, 2020 and 2019, advertising costs of approximately $396,000 and $93,000 were recorded, respectively.

Functional Allocation of Expenses

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Corporation are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents of a program or other supporting service.

The Corporation excludes depreciation, amortization and bad debt expense from functional expense categories in the consolidated statements of activities for the fiscal years ended June 30, 2020 and 2019.

Joint Costs

Costs included while conducting joint activities that are not identified with a specific component of activity are allocated between various natural expenses, if the criteria for purpose, audience and content were met. The Corporation allocated approximately $6,023,000 and $5,550,000 between natural expense accounts for the years ended June 30, 2020 and 2019, respectively.

2 – Summary of Significant Accounting Policies, Continued

Federal Income Taxes

The Corporation is exempt from Federal income taxes Section 501(c)(3) of the Internal Revenue Code and therefore has made not provision for federal income taxes in the accompanying financial statements. However, the Foundation is subject to Federal excise tax and unrelated business income taxes. In addition, the Foundation has been determined by the Internal Revenue Service to be a "public charity" within the meaning of Section 509(a) of the Internal Revenue Code. The Corporation has unrelated business income related to the rental of towers; however, any related taxes are not material to the financial statements as a whole for the years ended June 30, 2020 and 2019. There was no federal excise taxes for the years ended June 30, 2020 and 2019.

The FASB provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation in these financial statements. These reclassifications had no effect on the reported results of activities.

3 – Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June 3, 2020 the FASB issued ASU 2020-05 delaying the effective date for Topic 606 to annual periods beginning after December 15, 2019 and interim reporting periods beginning after December 15, 2020. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Corporation is currently evaluating the effect the provisions of this ASU will have on the financial statements.

On June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which addresses when and how to account for contributions and clarifies what constitutes a reciprocal transaction (i.e. an exchange). The ASU also contains guidance regarding the determination of conditions that are attached to contributions. The purpose of the ASU is to minimize diversity in the classification of grants and contracts that exists under current guidance. This standard is also intended to address questions related to ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, regarding the treatment of grants and contracts. The amendments in ASU 2018-08 clarify and improve current guidance about whether a transfer of assets - or the reduction, settlement or cancellation of liabilities – is a contribution or an exchange transaction. If commensurate value is received, the transaction is an exchange transaction and is accounted for using other guidance (for example, Topic 606, *Revenue from Contracts with Customers*). Non-reciprocal transactions are considered contributions subject to ASU 2018-08. The Organization should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Effective July 1, 2019, the Corporation adopted this ASU.

3 – Recent Accounting Pronouncements, Continued

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about lease agreements. ASU 2020-05 deferred the effective for Topic 842 to annual periods beginning after December 15, 2021 and interim reporting periods beginning after December 15, 2022. Early adopted is permitted with certain limitations. The Corporation is currently evaluating the effect the provisions of this ASU will have on the financial statements.

In August 2016, the FASB issued 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statements reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). Effective June 30, 2019, the Corporation adopted this ASU.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts general described as restricted cash or restricted cash equivalents. The standard is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The standard must be applied retrospectively for each period presented. Effective July 1, 2019, the Corporation adopted this ASU.

4 – Liquidity and Funds Available

As of June 30, 2020, the Corporation's financial assets available within one year of the balance sheet date for general expenditure such as operating expense are as follows:

Cash and cash equivalents	$ 6,694,703
Membership, underwriting, and other receivables	4,872,897
Investments	18,766,348
Total financial assets	**$ 30,333,948**
Contractual or donor-imposed restrictions:	
Split-interest agreements	(80,332)
Net appreciation on endowment assets	(130,327)
Pledges for future operations	(2,921,890)
Endowment funds	(1,000,000)
Board designations:	
Operating reserves	(18,244,000)
Financial assets available to meet cash needs for general expenditures within one year	**$ 7,957,399**

As of June 30, 2019, the Corporation's financial assets available within one year of the balance sheet date for general expenditure such as operating expense are as follows:

Cash and cash equivalents	$ 6,685,738
Membership, underwriting, and other receivables	5,903,763
Investments	18,594,694
Total financial assets	**$ 31,184,195**
Contractual or donor-imposed restrictions:	
Split-interest agreements	(93,472)
Net appreciation on endowment assets	(300,203)
Pledges for future operations	(4,392,921)
Endowment funds	(1,000,000)
Board designations:	
Operating reserves	(17,294,791)
Financial assets available to meet cash needs for general expenditures within one year	**$ 8,102,808**

5 – Membership Contributions, Grants, and Underwriting Receivable

Membership contributions, grants, and underwriting receivable consist of the following unconditional promises to give at June 30:

	2020	2019
Membership contributions	$ 3,522,091	$ 4,847,963
Program underwriting	699,677	1,053,040
Grants	795,000	1,480,000
	5,016,768	**7,381,003**
Allowance for doubtful accounts	(107,718)	(826,427)
Discount to present value	(36,153)	(62,048)
Membership contributions, grants, and underwriting receivable, net	**$ 4,872,897**	**$ 6,492,528**

Membership contributions and underwriting receivables are generally due within twelve months. Included in membership contributions as of June 30, 2020, are multiyear receivables with expected future cash receipts of $750,000, net of discounts to present value of $36,153.

6 – Investments and Fair Value Measurements

The following table represents assets and liabilities reported on the consolidated statements of financial position at their fair values as of June 30, 2020 by level within the fair value measurement hierarchy:

		Fair Value Measurements at Reporting Date Using		
	Assets (Liabilities) Measured at Fair Value June 30	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured on a recurring basis:				
Assets:				
Investments:				
Intermediate bond institutional fund	$ 5,116,688	$ 5,116,688	$ -	$ -
All world excuding U.S. equity fund	3,930,611	3,930,611	-	-
Stock market index equity fund	6,114,095	6,114,095	-	-
Alternative Multi-Strategy	1,160,915	1,160,915	-	-
IM Real Estate Sector Fund	785,262	785,262	-	-
Master Limited Partnership Fund	565,547	565,547	-	-
Alternative Strategy	1,093,230	1,093,230	-	-
	18,766,348	18,766,348	-	-
Prepaid expenses and other assets:				
Split-interest agreement	80,332	-	-	80,332
Liabilities:				
Interest rate swaps	171,960	-	171,960	-

6 – Investments and Fair Value Measurements, Continued

The following table represents assets and liabilities reported on the consolidated statements of financial position at their fair values as of June 30, 2019 by level within the fair value measurement hierarchy:

		Fair Value Measurements at Reporting Date Using		
	Assets (Liabilities) Measured at Fair Value June 30	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured on a recurring basis:				
Assets:				
Investments:				
Intermediate bond institutional fund	$ 2,792,451	$ 2,792,451	$ -	$ -
All asset equity institutional fund	-	-	-	-
All world excuding U.S. equity fund	5,456,123	5,456,123	-	-
Stock market index equity fund	7,710,603	7,710,603	-	-
Alternative Multi-Strategy	1,436,654	1,436,654	-	-
Alternative Strategy	1,198,863	1,198,863	-	-
	18,594,694	18,594,694	-	-
Prepaid expenses and other assets:				
Split-interest agreements	93,472	-	-	93,472
Liabilities:				
Interest rate swaps	72,476	-	72,476	-

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Split-interest Agreements
Balance, June 30, 2018	$ 87,140
Change in value of split-interest agreements	6,332
Balance, June 30, 2019	**93,472**
Change in value of split-interest agreements	(13,140)
Balance, June 30, 2020	**$ 80,332**

The following summarizes investment return for the years ended June 30:

	2020	**2019**
Dividend and interest income	$ 443,834	$ 523,328
Net realized gain on investment	1,283,117	465,626
Net unrealized gain (loss) on investments	(1,799,039)	228,413
	$ (72,088)	**$ 1,217,367**

7 – Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Land	$ 482,142	$ 482,142
Buildings and improvements	7,994,500	7,924,608
Studio and transmission equipment	8,446,914	8,676,191
Data processing equipment	2,384,946	2,132,525
Furniture and fixtures	583,192	536,387
	19,891,694	**19,751,853**
Less accumulated depreciation	(12,540,831)	(11,882,006)
	$ 7,350,863	**$ 7,869,847**

Depreciation expense was $958,672 and $905,229 for the years ended June 30, 2020 and 2019, respectively.

8 – Notes Payable, Pledged Assets, and Interest Rate Swaps

At June 30, 2020 and 2019, the Corporation had total outstanding notes payable with a commercial bank totaling $6,825,038 and $7,289,182, respectively. Escalating principal and interest payments, commencing on July 1, 2013, are due in arrears on the first of the month through the maturity date of June 1, 2032 with all outstanding principal and interest due at maturity or on the put date of June 1, 2022. The note is collateralized by the Corporation's real estate at 3000 Harry Hines Blvd., Dallas, Texas.

Debt origination fees of $261,501 are recorded as a debt discount and are accreted into interest expense using the effective interest method over the debt maturity periods. As of June 30, 2020 and 2019, the debt discount balances were $27,567 and $41,949, respectively.

In conjunction with entering into these notes, the Corporation entered into two interest rate swap agreements with the bank effective date of May 30, 2012 to convert their contractual variable rate payments to fixed rate payments in order to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility. The termination date of these swap agreements is June 1, 2022. The initial notional amount for the swap agreement related to the tax-exempt note and taxable note is $9,800,000 and $7,961,501, respectively, with the notional amount being adjusted on each payment date. The contractual variable rate of the tax-exempt note is the applicable London Interbank Offered Rate (LIBOR) of USD-LIBOR-BBA with a designated maturity of one month multiplied by sixty-five percent (65%) plus 160 basis points (1.60%) and the fixed rate paid under the interest rate swap agreement is 3.03%. The contractual variable rate of the taxable note is USD-LIBOR-BBA rate with a designated maturity of one month plus 200 basis points (2.00%) and the fixed rate paid under the interest rate swap agreement is 3.98%. Effective August 13, 2019, the Corporation paid off the interest rate swap related to the taxable note that had been previously repaid.

8 – Notes Payable, Pledged Assets, and Interest Rate Swaps, Continued

The fair value of the interest rate swaps is a liability of $171,960 and $72,476 as of June 30, 2020 and 2019, respectively, which are reflected in the accompanying consolidated statements of financial position, with the related movement in fair value reflected as unrealized gain (loss) on interest rate swaps in the accompanying consolidated statements of activity. The Corporation uses an independent valuation firm to estimate fair value of interest rate swap derivatives through the use of valuation models with observable market data inputs. This is a Level 2 measurement within the fair value measurement hierarchy as defined in Note 2.

The Corporation has a $3,000,000 line of credit with a commercial bank that has a variable interest rate of USD-LIBOR-BBA with a designated maturity of one month plus 185 basis points (1.85%), and the current maturity date is June 1, 2032. Interest payments are due in arrears on the first of the month through maturity with outstanding principal and interest due in full upon maturity. As of June 30, 2020 and 2019, there was no amount outstanding on this line of credit.

The Corporation applied for and was approved for a loan pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Organization received $1,571,000 of loan proceeds with an effective date of April 17, 2020. There are no collateral or guarantee requirements. Under the terms of the PPP, payments will be deferred to November 17, 2020, the loan will bear interest at 1% per annum, and will mature on April 17, 2022. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan amount may be forgiven; however, the amount and timing of any forgiveness is uncertain.

As of June 30, 2020, future maturities of long-term debt are as follows:

Years ending June 30:	
2021	$ 2,049,987
2022	6,346,051
	8,396,038
Less: unamortized debt costs	(27,567)
	8,368,471
Less: current portion	(2,049,987)
Long-term note payable obligation	**$ 6,318,484**

The Corporation's long-term debt agreements require compliance with certain financial and nonfinancial covenants. As of June 30, 2020 and 2019, the Corporation was in compliance with those covenants.

Interest expense related to notes payable was approximately $209,000 and $468,000 for the years ended June 30, 2020 and 2019, respectively.

9 – Commitments and Contingencies

Lease Commitments

The Corporation leases broadcasting tower space for the transmission of radio and television signals, as well as copiers and postage machines, under noncancelable operating leases.

As of June 30, 2020, future minimum rental commitments under noncancelable operating leases are as follows:

Years ending June 30:		
2021	$	310,049
2022		436,164
2023		449,249
2024		388,534
2025		474,382
Thereafter		1,484,549
Total minimum lease payments	**$**	**3,542,927**

The rental expense was approximately $517,000 and $472,000 for the years ended June 30, 2020 and 2019, respectively.

Litigation

The Corporation may, from time to time, be involved in certain legal matters arising from normal business activities. Management believes that potential liability that may arise from these matters will not materially affect the Corporation's financial position or results of operations.

10 – Restrictions on Net Assets

Donor restricted net assets are restricted for the following purposes as of June 30:

		2020		**2019**
Split-interest agreements	$	80,332	$	93,472
Net appreciation on endowment assets		130,327		300,203
Pledges for future operations		2,921,890		4,392,921
Total temporarily restricted net assets	**$**	**3,132,549**	**$**	**4,786,596**
National Endowment for the Arts	$	750,000	$	750,000
Educational Programming		250,000		250,000
Total permanently restricted net assets	**$**	**1,000,000**	**$**	**1,000,000**
Total donor restricted net assets	**$**	**4,132,549**	**$**	**5,786,596**

10 – Restrictions on Net Assets, Continued

The changes in endowment assets for the years ended June 30, 2020 and 2019 are summarized below:

Endowment assets at June 30, 2018	$ 1,366,533
Net change in unrealized gains/losses	(66,330)
Dividend and interest income	34,203
Endowment assets appropriated for spending	(34,203)
Endowment assets at June 30, 2019	**1,300,203**
Net change in unrealized gains/losses	(169,876)
Dividend and interest income	25,976
Endowment assets appropriated for spending	(25,976)
Endowment assets at June 30, 2020	**$ 1,130,327**

11 – Benefit Plans

All employees are eligible to contribute to the Corporation's 403(b) plan, the North Texas Public Broadcasting Savings and Retirement Plan (the "Plan"). For the years ended June 30, 2020 and 2019, the Corporation made discretionary contributions equaling 4% of compensation for qualifying employees. For the years ended June 30, 2020 and 2019, the Corporation contributed approximately $273,000 and $246,000, respectively, in discretionary contributions. Additionally, the Corporation incurred approximately $49,000 and $55,000 in expenses related to the Plan for the years ended June 30, 2020 and 2019, respectively.

12 – Subsequent Events

The Corporation has evaluated all events and transactions that occurred after June 30, 2020 through October 27, 2020, the date these financial statements were available to be issued. During this period, there were no significant subsequent events other than those noted below.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to geographic locations in which the Company operates. As of the date above, the Company's evaluation of the effects of these events is ongoing. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related government or other regulatory actions.

SUPPLEMENTAL SCHEDULE

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
North Texas Public Broadcasting, Inc.

We have audited the consolidated financial statements of North Texas Public Broadcasting, Inc. (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements. We issued our report thereon dated October 29, 2020, which contained an unmodified opinion on the financial statements as a whole.

The statement of activities by broadcast entity are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BAKER TILLY US, LLP
Plano, Texas
October 27, 2020

NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statements of Activities and Changes in Net Assets by Broadcast Entity
For the Year Ended June 30, 2020

	Television	Radio	Total
Revenues, Gains, and Other Support			
Membership contributions	$ 10,269,382	$ 8,134,890	$ 18,404,272
Underwriting	484,920	3,785,571	4,270,491
Community service grants	1,768,884	610,364	2,379,248
Special events	58,160	79,620	137,780
In-kind contributions	312,740	575,267	888,007
Other support	327,591	115,108	442,699
Total revenues, gains, and other support	**13,221,677**	**13,300,820**	**26,522,497**
Expenses and Losses			
Program services:			
Technical services	421,588	812,743	1,234,331
Broadcasting	4,048,020	-	4,048,020
Radio	-	5,577,316	5,577,316
Content services	1,735,640	3,171,960	4,907,600
Total program services	6,205,248	9,562,019	15,767,267
Support services:			
General and administrative	978,882	1,468,888	2,447,770
Communications and marketing	209,488	318,656	528,144
In-kind expenses	139,215	464,179	603,394
Total support services	1,327,585	2,251,723	3,579,308
Fundraising costs:			
Membership development	1,609,052	1,659,028	3,268,080
Major gifts and foundations	278,850	425,221	704,071
Corporate development	451,463	677,194	1,128,657
In-kind expenses	173,249	110,826	284,075
Total fundraising costs	2,512,614	2,872,269	5,384,883
Depreciation and amortization	383,469	575,203	958,672
Bad debt expense	1,631,897	1,872,087	3,503,984
Total operating expenses	**12,060,813**	**17,133,301**	**29,194,114**
Change in Net Assets from Operating Activities	**1,160,864**	**(3,832,481)**	**(2,671,617)**
Changes in Net Assets from Non-Operating Activities			
Investment return, net	(72,088)	-	(72,088)
Change in value of split-interest agreements	(13,139)	-	(13,139)
Loss on retirement assets	(556)	(834)	(1,390)
Interest income	20,919	31,378	52,297
Interest expense	-	(223,240)	(223,240)
Unrealized loss on interest rate swaps	-	(99,484)	(99,484)
Realized loss on interest rate swaps	-	(38,299)	(38,299)
Change in net assets from non-operating activities	**(64,864)**	**(330,479)**	**(395,343)**
CHANGE IN NET ASSETS	**$ 1,096,000**	**$ (4,162,960)**	**$ (3,066,960)**

Fiscal year 2020 overall expenses and radio expenses exceeded the fiscal year 2020 revenue primarily due to the utilization of purpose and time restricted funding raised in prior years. This funding was used to cover direct and support costs related to continuing programs, as well as new programs such as the Texas Newsroom, which started in FY2020.