

SOUTHERN OREGON PUBLIC TELEVISION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

SOUTHERN OREGON PUBLIC TELEVISION, INC.
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JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Southern Oregon Public Television, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Oregon Public Television, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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.

Auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Oregon Public Television, Inc. as of June 30, 2020 and 2019, 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.

James Moore & Co., P.L.

Gainesville, Florida
December 18, 2020

SOUTHERN OREGON PUBLIC TELEVISION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| <u>ASSETS</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,170,497 | \$ 621,853 |
| Certificate of deposit | 100,000 | - |
| Accounts receivable, net | 71,917 | 91,235 |
| Contributions receivable, net | 5,037 | 77,960 |
| Prepaid program rights | 129,412 | 119,080 |
| Prepaid expenses | 16,189 | 47,856 |
| Total current assets | <u>1,493,052</u> | <u>957,984</u> |
| Non-current assets | | |
| Investment in partnership | 31,031 | 28,022 |
| Property and equipment, net | 534,659 | 567,716 |
| Total non-current assets | <u>565,690</u> | <u>595,738</u> |
| Total Assets | <u><u>\$ 2,058,742</u></u> | <u><u>\$ 1,553,722</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 40,919 | \$ 22,229 |
| Current portion of long-term debt | 60,157 | - |
| Deferred revenue | 4,416 | 104,591 |
| Accrued payroll liabilities | 70,779 | 58,624 |
| Total current liabilities | <u>176,271</u> | <u>185,444</u> |
| Long-term debt, less current portion | 96,541 | - |
| Total liabilities | <u>272,812</u> | <u>185,444</u> |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 1,238,104 | 913,599 |
| Board designated | 541,644 | 375,574 |
| With donor restrictions | 6,182 | 79,105 |
| Total net assets | <u>1,785,930</u> | <u>1,368,278</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,058,742</u></u> | <u><u>\$ 1,553,722</u></u> |

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

SOUTHERN OREGON PUBLIC TELEVISION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Support and revenues | | | |
| Major gifts | \$ 243,757 | \$ - | \$ 243,757 |
| Membership and pledges | 853,653 | 6,182 | 859,835 |
| CPB grants | 1,020,049 | - | 1,020,049 |
| Other grants | 210,993 | - | 210,993 |
| Program underwriting | 160,844 | - | 160,844 |
| Local production underwriting | 5,000 | - | 5,000 |
| Production contracts | 17,154 | - | 17,154 |
| Trade | 43,004 | - | 43,004 |
| In-kind | 12,709 | - | 12,709 |
| Other | 13,709 | - | 13,709 |
| Net assets released from restrictions: | | | |
| Expiration of time restriction | 79,105 | (79,105) | - |
| Total support and revenues | <u>2,659,977</u> | <u>(72,923)</u> | <u>2,587,054</u> |
| Expenses | | | |
| Program services: | | | |
| Programming and production | 992,623 | - | 992,623 |
| Technology and operations | 171,119 | - | 171,119 |
| Total program services | <u>1,163,742</u> | <u>-</u> | <u>1,163,742</u> |
| Supporting services: | | | |
| Development and underwriting | 627,611 | - | 627,611 |
| Management and general | 378,049 | - | 378,049 |
| Total supporting services | <u>1,005,660</u> | <u>-</u> | <u>1,005,660</u> |
| Total expenses | <u>2,169,402</u> | <u>-</u> | <u>2,169,402</u> |
| Increase (decrease) in net assets | <u>490,575</u> | <u>(72,923)</u> | <u>417,652</u> |
| Net assets, beginning of year | 1,289,173 | 79,105 | 1,368,278 |
| Net assets, end of year | <u>\$ 1,779,748</u> | <u>\$ 6,182</u> | <u>\$ 1,785,930</u> |

The accompanying notes to financial statements
are an integral part of this statement.

SOUTHERN OREGON PUBLIC TELEVISION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Support and revenues | | | |
| Major gifts | \$ 177,993 | \$ - | \$ 177,993 |
| Membership and pledges | 695,629 | 79,105 | 774,734 |
| CPB grants | 750,644 | - | 750,644 |
| Other grants | 150,117 | - | 150,117 |
| Program underwriting | 171,061 | - | 171,061 |
| Local production underwriting | 50,184 | - | 50,184 |
| Production contracts | 56,719 | - | 56,719 |
| Trade | 62,277 | - | 62,277 |
| In-kind | 12,814 | - | 12,814 |
| Other | 26,669 | - | 26,669 |
| Net assets released from restrictions: | | | |
| Expiration of time restriction | 15,043 | (15,043) | - |
| Total support and revenues | <u>2,169,150</u> | <u>64,062</u> | <u>2,233,212</u> |
| Expenses | | | |
| Program services: | | | |
| Programming and production | 963,347 | - | 963,347 |
| Technology and operations | 222,561 | - | 222,561 |
| Total program services | <u>1,185,908</u> | <u>-</u> | <u>1,185,908</u> |
| Supporting services: | | | |
| Development and underwriting | 547,244 | - | 547,244 |
| Management and general | 536,544 | - | 536,544 |
| Total supporting services | <u>1,083,788</u> | <u>-</u> | <u>1,083,788</u> |
| Total expenses | <u>2,269,696</u> | <u>-</u> | <u>2,269,696</u> |
| Increase (decrease) in net assets | <u>(100,546)</u> | <u>64,062</u> | <u>(36,484)</u> |
| Net assets, beginning of year | 1,389,719 | 15,043 | 1,404,762 |
| Net assets, end of year | <u>\$ 1,289,173</u> | <u>\$ 79,105</u> | <u>\$ 1,368,278</u> |

The accompanying notes to financial statements
are an integral part of this statement.

SOUTHERN OREGON PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | | | Supporting Services | | |
|--------------------------|----------------------------|---------------------------|--------------|------------------------------|------------------------|--------------|
| | Programming and Production | Technology and Operations | Total | Development and Underwriting | Management and General | Total |
| Wages | \$ 314,675 | \$ 8,644 | \$ 323,319 | \$ 198,442 | \$ 158,160 | \$ 356,602 |
| Program | 384,274 | - | 384,274 | - | - | - |
| Contract labor | 59,826 | 54,085 | 113,911 | 170,488 | - | 170,488 |
| Insurance | 52,698 | 23 | 52,721 | 51,224 | 33,815 | 85,039 |
| Depreciation | 50,411 | 57,760 | 108,171 | - | 6,763 | 6,763 |
| Rent | 41,280 | 12,988 | 54,268 | 27,374 | 17,568 | 44,942 |
| Professional fees | 150 | - | 150 | - | 70,068 | 70,068 |
| Premiums | 576 | - | 576 | 70,245 | - | 70,245 |
| Utilities | 3,561 | 26,353 | 29,914 | 1,824 | 5,056 | 6,880 |
| Payroll taxes and other | 25,682 | 109 | 25,791 | 13,956 | 11,962 | 25,918 |
| Trade | - | - | - | 41,155 | 1,849 | 43,004 |
| Dues and subscriptions | 5,000 | 4,550 | 9,550 | 550 | 30,238 | 30,788 |
| Travel and entertainment | 17,545 | - | 17,545 | 3,497 | 3,524 | 7,021 |
| Telephone | 8,265 | 1,234 | 9,499 | 5,780 | 3,487 | 9,267 |
| Equipment rental | 805 | 3,285 | 4,090 | 200 | 10,363 | 10,563 |
| Printing and production | 6,126 | - | 6,126 | 26,744 | 25 | 26,769 |
| Repairs | 2,475 | 1,202 | 3,677 | - | - | - |
| Postage and delivery | 9,152 | 84 | 9,236 | 4,426 | 133 | 4,559 |
| Bank service charges | - | - | - | 3,966 | 5,884 | 9,850 |
| In-kind | - | 325 | 325 | 684 | 11,700 | 12,384 |
| Licenses and permits | - | - | - | 9 | 884 | 893 |
| Janitorial | 3,382 | 79 | 3,461 | 2,264 | 1,754 | 4,018 |
| Supplies | 1,481 | 398 | 1,879 | 162 | 2,538 | 2,700 |
| Advertising | 4,639 | - | 4,639 | 127 | - | 127 |
| Security | - | - | - | - | 2,224 | 2,224 |
| Training and seminars | 500 | - | 500 | - | 54 | 54 |
| Bad debts | - | - | - | 4,494 | - | 4,494 |
| Video tape | 120 | - | 120 | - | - | - |
| | \$ 992,623 | \$ 171,119 | \$ 1,163,742 | \$ 627,611 | \$ 378,049 | \$ 1,005,660 |
| | | | | | | \$ 2,169,402 |

The accompanying notes to financial statements are an integral part of this statement.

SOUTHERN OREGON PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | | Supporting Services | | Total |
|--------------------------|-------------------------------|------------------------------|---------------------------------|---------------------------|--------------|
| | Programming and Production | Technology and Operations | Development and Underwriting | Management and General | |
| | | | | | |
| Wages | \$ 291,833 | \$ 13,325 | \$ 305,158 | \$ 208,912 | \$ 373,227 |
| Program | 396,374 | - | 396,374 | - | - |
| Contract labor | 117,794 | 75,023 | 192,817 | 178,961 | 178,961 |
| Insurance | 20,092 | - | 20,092 | 65,269 | 86,783 |
| Depreciation | 47,036 | 68,897 | 115,933 | 6,763 | 6,763 |
| Rent | - | 14,789 | 14,789 | 73,605 | 73,605 |
| Professional fees | - | - | - | 1,575 | 1,575 |
| Premiums | - | - | - | 58,699 | 58,699 |
| Utilities | - | 32,104 | 32,104 | 22,888 | 22,888 |
| Payroll taxes and other | 23,876 | 65 | 23,941 | 17,904 | 29,553 |
| Trade | 2,000 | - | 2,000 | 4,549 | 60,277 |
| Dues and subscriptions | 4,576 | 1,470 | 6,046 | 27,939 | 30,104 |
| Travel and entertainment | 17,853 | - | 17,853 | 9,411 | 15,073 |
| Telephone | 1,400 | 781 | 2,181 | 16,356 | 17,990 |
| Equipment rental | 9,658 | 2,695 | 12,353 | 9,991 | 10,421 |
| Printing and production | 125 | - | 125 | 50 | 26,448 |
| Repairs | 739 | 2,811 | 3,550 | 2 | 2 |
| Postage and delivery | 11,413 | 47 | 11,460 | 98 | 3,349 |
| Bank service charges | - | - | - | 5,753 | 15,524 |
| In-kind | - | 9,889 | 9,889 | - | 2,925 |
| Janitorial | - | - | - | 8,941 | 12,814 |
| Supplies | 14,894 | 665 | 15,559 | 2,130 | 8,941 |
| Advertising | 1,159 | - | 1,159 | - | 2,983 |
| Security | - | - | - | - | - |
| Training and seminars | 2,275 | - | 2,275 | 1,919 | 1,919 |
| Bad debts | 250 | - | 250 | 894 | 2,608 |
| | \$ 963,347 | \$ 222,561 | \$ 1,185,908 | \$ 536,544 | \$ 1,083,788 |
| | | | | | \$ 2,269,696 |

The accompanying notes to financial statements
are an integral part of this statement.

SOUTHERN OREGON PUBLIC TELEVISION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 417,652 | \$ (36,484) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 114,934 | 122,696 |
| Bad debts | 4,494 | 250 |
| Investment in partnership | (3,009) | (3,327) |
| Decrease (increase) in operating assets: | | |
| Accounts receivable | 14,824 | (67,435) |
| Contributions receivable | 72,923 | (64,062) |
| Prepaid program rights | (10,332) | 19,121 |
| Prepaid expenses | 31,667 | (19,867) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 18,690 | (10,928) |
| Deferred revenue | (100,175) | 79,485 |
| Accrued payroll liabilities | 12,155 | 6,863 |
| Net cash provided by operating activities | <u>573,823</u> | <u>26,312</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (81,877) | (103,461) |
| Purchase of certificates of deposit | (426,000) | - |
| Proceeds from sale of certificates of deposit | 326,000 | - |
| Net cash used in investing activities | <u>(181,877)</u> | <u>(103,461)</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of long-term debt | 156,698 | - |
| Net increase (decrease) in cash and cash equivalents | <u>548,644</u> | <u>(77,149)</u> |
| Cash and cash equivalents, beginning of year | 621,853 | 699,002 |
| Cash and cash equivalents, end of year | <u>\$ 1,170,497</u> | <u>\$ 621,853</u> |

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

SOUTHERN OREGON PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Accounts and contributions receivable**—Accounts and contributions receivable are carried at original amounts billed or pledged, less an estimate for doubtful accounts based on periodic review by management. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to certain types of receivables, primarily membership subscriptions. The allowance for doubtful accounts totaled \$4,999 and \$912 at June 30, 2020 and 2019, respectively.

Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the financial statements. Recoveries of amounts previously written off are recorded when received.

The Station does not require collateral or other security on accounts receivable.

(g) **Property and equipment**—Property and equipment are reported at historical cost. Contributed assets are reported at fair value as of the date received. The Station capitalizes all property and equipment costing \$1,000 or more. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation for financial reporting purposes is computed using the straight-line basis over the estimated useful lives of the assets as follows:

| | <u>Years</u> |
|------------------------|--------------|
| Antennae and tower | 5-30 |
| Studio equipment | 2-30 |
| Leasehold improvements | 5-25 |
| Furniture and fixtures | 3-10 |
| Automobiles and trucks | 10 |

Property and equipment are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impaired assets at June 30, 2020 and 2019.

(h) **Deferred revenue**—Income received to underwrite programs or facilitate programming not yet broadcasted as of the end of the fiscal year is deferred and recognized over the period in which the programming is aired.

(i) **Revenue recognition**—Contributions, including unconditional promises to give, are recognized as revenue in the accompanying statements of activities when the contribution is received.

Grants for specific projects and activities are recognized as revenue when awarded. The Station receives restricted grants where revenue is recognized and billed on a cost-reimbursable basis. Revenue on cost-reimbursable grants is recognized to the extent of costs incurred.

Revenues from lease agreements, other rentals, services, and underwriting contracts are recognized in the period earned or stipulated in the agreement.

SOUTHERN OREGON PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, professional services, materials and other nonmonetary contributions as support in the accompanying statements of activities.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

(k) **Pledges and contributions**—The Station engages in periodic fundraising campaigns manifested by offering special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts, are recognized as revenue in the period received or given. Collected contributions and pledges are components of net assets without donor restrictions inasmuch as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges. Contributions receivable are a component of net assets with donor restrictions as they are subject to implied time restrictions.

(l) **Corporation for Public Broadcasting Community Service Grants**—The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions mainly pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in net assets without donor restrictions, provided they are spent in the same fiscal year they are received.

(m) **Income taxes**—The Station is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

SOUTHERN OREGON PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

The Station files income tax returns in the U.S. Federal and state jurisdictions. The Station's tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. The Station has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Station.

(n) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain personnel, office, and building costs have been allocated across functional groups based on salaries and benefits per functional classification.

The following program and supporting services are included in the accompanying financial statements:

Program services include:

Programming and production—provides for the creation and distribution of the locally produced educational and informational media that is central to the Station's mission.

Technology and operations—allows for the maintenance of and improvements to the technology that is required to provide The Station's diverse cultural and informational programming and services.

Supporting services include:

Development and underwriting—provide the structure necessary to encourage and secure private financial support from individuals, foundations and corporations. Development and underwriting activities include contribution drives, memberships and related events and major donor solicitations.

Management and general—include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Station's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration; and manage the Station's financial and budgetary responsibilities.

(o) **Use of estimates**—The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, results could differ from those estimates.

(p) **Advertising costs**—Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$4,766 and \$1,159, respectively.

(q) **Subsequent events**—The Station has evaluated events and transactions through December 18, 2020, the date the financial statements were available to be issued. See Note 9 for uncertainties surrounding the COVID-19 pandemic during and after the fiscal year. No additional subsequent events have been recognized or disclosed.

SOUTHERN OREGON PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(r) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) issued new or modifications to, or interpretations of, existing accounting guidance during the year ended June 30, 2020. The Station has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Station's reported financial position or operations in the near term.

In May 2014, the FASB issued Accounting Standards Update 2014-09: *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. The standard (as amended) is effective for the Station's fiscal year ending June 30, 2021, and may be adopted early. The Station is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In February 2016, the FASB issued Accounting Standards Update 2016-02: *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard (as amended) is effective for the Station's fiscal year ending June 30, 2023, and may be adopted early. The Station is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In June 2018, the FASB issued Accounting Standards Update 2018-08: *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. As a resource recipient, the new standard is effective for fiscal years beginning after December 15, 2018 and may be adopted early. The Station adopted the new guidance effective July 1, 2019, and applied the changes on a modified prospective basis. Implementation of this guidance resulted in no changes to net assets, as compared to reporting results under previous guidance.

(2) **Liquidity and Availability:**

Financial assets available for general expenditure, that is, without donor restrictions, or internal board designations limiting their use, within one year of the balance sheet date, comprise the following:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Financial assets available within one year, at year end | | |
| Cash | \$ 1,170,497 | \$ 621,853 |
| Certificate of deposit | 100,000 | - |
| Accounts receivable, net | 71,917 | 91,235 |
| Contributions receivable, net | 5,037 | 77,960 |
| Less those unavailable for general expenditures within one year, due to | | |
| Board designations | (541,644) | (375,574) |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 805,807</u> | <u>\$ 415,474</u> |

SOUTHERN OREGON PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(2) **Liquidity and Availability:** (Continued)

The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Station has funds that the board designated. Board designated funds consists of amounts held in a money market account, a cash account, and a certificate of deposit and are allocated for future working capital needs. Although the Station does not intend to liquidate assets other than as part of its annual budget process, these amounts could be made available if necessary.

(3) **Investment in Partnership:**

Investment in partnership represents an approximate five-percent interest in a limited partnership, Mt. Baldy Communication, LLC, which is engaged in broadcasting related activities. The investment is accounted for using the equity method. Under the equity method, the investment was recorded initially at cost, and subsequent adjustments are run through the statement of activities annually for the Station's share of post-acquisition profits and losses.

(4) **Property and Equipment:**

A summary of property and equipment at June 30, 2020 and 2019, is as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|-------------------|
| Studio equipment | \$ 3,447,273 | \$ 3,360,648 |
| Antennae and tower | 478,020 | 478,020 |
| Land and leasehold improvements | 175,498 | 175,498 |
| Furniture and fixtures | 139,099 | 139,099 |
| Automobiles and trucks | 18,235 | 27,351 |
| Total property and equipment | 4,258,125 | 4,180,616 |
| Less: Accumulated depreciation | 3,723,466 | 3,617,648 |
| Construction in process | - | 4,748 |
| Property and equipment, net | <u>\$ 534,659</u> | <u>\$ 567,716</u> |

For the years ended June 30, 2020 and 2019, depreciation expense for property and equipment was \$114,934 and \$122,696, respectively.

(5) **Line-of-Credit:**

The Station has a bank line-of-credit for borrowings to a maximum of \$150,000, with variable interest based on the prime rate published in *The Wall Street Journal* plus 1.5%, with a minimum interest rate of 5.00% (5.00% and 7.00% as of June 30, 2020 and 2019, respectively). The Station's equipment serves as collateral for the borrowings. Interest accrues on the unpaid balance until the note is paid in full. The line matured on April 16, 2020. The Station had no advances on the line-of-credit as of June 30, 2020 and 2019.

(6) **Operating Lease Commitments:**

The Station has entered into a non-cancellable operating lease for its office facilities. The current facility lease commenced on December 1, 2017 and is a five-year lease with an option to renew the lease for an additional five years at the end of the lease term in November 2022. The terms of the existing lease agreement include an annual rent adjustment clause based on the Consumer Price Index, an additional charge for use of common areas, and allocation of facility overhead costs for real property taxes, insurance premiums, etc. The base rent amount totaled \$6,436 and \$6,241 per month for the fiscal years ended June 30, 2020 and 2019, respectively.

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(6) Operating Lease Commitments: (Continued)

The following is a schedule of future minimum lease payments under the non-cancellable lease terms for office facilities as of June 30, 2020:

| <u>Years Ending June 30:</u> | <u>Amount</u> |
|----------------------------------|-------------------|
| 2021 | \$ 78,631 |
| 2022 | 81,069 |
| 2023 | 34,207 |
| Total future minimum payments | <u>\$ 193,907</u> |

The Station broadcasts from various tower locations in its viewing region. Five of the tower sites involve partnerships with other broadcasting entities, and the Station owns a percentage of the equipment. One of these arrangements involves the payment of fees totaling less than \$1,000 annually.

Six other tower sites are leased under varying arrangements with lease payments totaling approximately \$1,200 per month or approximately \$14,400 annually for all six towers.

Additionally, four tower sites are operated without any fees for the use of the land and/or tower, as applicable. Management is unable to estimate the related fair value but believes the fair value to be nominal.

(7) Significant Concentrations:

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Station, except as otherwise disclosed, is as follows:

(a) **Cash and cash equivalents and certificate of deposit**—The Station maintains its cash accounts at financial institutions which at times may exceed federally insured limits. The Station has not experienced any losses in such accounts. As of June 30, 2020 and 2019, uninsured cash balances totaled \$690,763 and \$382,171, respectively.

(b) **Revenues**—The CPB provided approximately 39% and 34% of the Station's revenue during the fiscal years ended June 30, 2020 and 2019, respectively.

(8) Community Service Grants:

The Station receives a CSG from the Corporation for Public Broadcasting annually. The CSGs received and expended during the most recent fiscal years were as follows:

| <u>Years of Grant</u> | <u>Grants Received</u> | <u>Expended</u> | | | <u>Uncommitted Balance at June 30, 2020</u> |
|---------------------------|----------------------------|-----------------|----------------|----------------|---|
| | | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | |
| 2019-20 | \$ 613,039 | \$ - | \$ - | \$ 613,039 | \$ - |
| 2018-19 | 606,289 | - | 606,289 | - | - |
| 2017-18 | 650,551 | 650,551 | - | - | - |

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(9) Risks and Uncertainties:

The Station is exposed to various risks of loss arising from litigation and claims in the normal course of business. The Station maintains insurance coverage to provide for risks of loss.

In early 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease "COVID-19", by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Station as of December 18, 2020, management believes that a material impact on the Station's financial position and results of future operations is reasonably possible.

(10) Long-Term Debt:

On May 6, 2020, the Station received loan proceeds in the amount of \$156,698, pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). Under the terms of the PPP, loan proceeds and accrued interest are forgivable after twenty-four weeks if they are used for qualifying expenses such as payroll, benefits, rent and utilities, and the Station maintains its payroll levels as described in the CARES Act. Any unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Management intends to utilize loan proceeds for purposes consistent with the PPP and believes substantially all of the loan will be forgiven, though it is reasonably possible that conditions could arise that would make the Station ineligible for forgiveness of the loan, in whole or in part.

(11) Nonfederal Financial Support (NFFS):

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government or agency thereof, or an educational institution; (2) the form of the payment must be an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the purpose must be for services or materials with respect to the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcasting station.

Reported NFFS for the Station was \$1,131,856 and \$1,105,869 for the years ended June 30, 2020 and 2019, respectively.