

**North Texas Public Broadcasting, Inc.**

Consolidated Financial Statements

with Independent Auditors' Report

June 30, 2021 and 2020

# North Texas Public Broadcasting, Inc.

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June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the results of its activities and its cash flows for the years 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, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Emphasis of Matter**

As discussed in Note 3 to the consolidated financial statements, the 2020 consolidated financial statements have been restated to adjust membership contributions. Our opinion is not modified with respect to this matter.

*Baker Tilly US, LLP*

**BAKER TILLY US, LLP**

Plano, Texas

December 17, 2021

## NORTH TEXAS PUBLIC BROADCASTING, INC

Consolidated Statements of Financial Position

June 30, 2021 and 2020

	<b>2021</b>	<b>RESTATED 2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,839,522	\$ 6,694,703
Membership contribution, grant, and underwriting receivable, net	697,284	1,510,374
Investments	16,484,372	18,766,348
Prepaid expenses and other assets	789,982	982,458
Total current assets	<b>25,811,160</b>	<b>27,953,883</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	6,473,296	7,350,863
FCC Broadcast License	18,250,276	18,250,276
Total non-current assets	<b>24,723,572</b>	<b>25,601,139</b>
<b>TOTAL ASSETS</b>	<b>\$ 50,534,732</b>	<b>\$ 53,555,022</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	1,879,361	2,112,064
Deferred revenue	180,998	165,622
Interest rate swaps	-	171,960
Notes payable, current portion	-	2,049,987
Total current liabilities	<b>2,060,359</b>	<b>4,499,633</b>
<b>NON-CURRENT LIABILITIES</b>		
Notes payable, net of current portion	-	6,318,484
Other long-term liabilities	314,366	284,094
Total non-current liabilities	<b>314,366</b>	<b>6,602,578</b>
<b>TOTAL LIABILITIES</b>	<b>2,374,725</b>	<b>11,102,211</b>
<b>NET ASSETS</b>		
Without donor restrictions	45,519,545	38,320,262
With donor restrictions	2,640,462	4,132,549
Total net assets	<b>48,160,007</b>	<b>42,452,811</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 50,534,732</b>	<b>\$ 53,555,022</b>

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, 2021 (with Summarized Financial Information for the Year Ended December 31, 2020)

**RESTATED  
2020**

	2021			Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues, Gains, and Other Support</b>				
Membership contributions, major gifts, and grants	\$ 16,950,161	\$ 36,153	\$ 16,986,314	\$ 16,755,736
Underwriting	3,249,080	-	3,249,080	4,270,491
Community service grants	2,549,176	-	2,549,176	2,379,248
Special events	290,750	-	290,750	137,780
In-kind contributions	246,093	-	246,093	888,007
Other support	1,137,921	-	1,137,921	442,699
Net assets released from restrictions	1,596,853	(1,596,853)	-	-
<b>Total revenues, gains, and other support</b>	<b>26,020,034</b>	<b>(1,560,700)</b>	<b>24,459,334</b>	<b>24,873,961</b>
<b>Expenses and Losses</b>				
Program services:				
Technical services	1,160,916	-	1,160,916	1,234,331
Broadcasting	4,052,739	-	4,052,739	4,048,019
Radio	6,365,093	-	6,365,093	5,764,150
Content services	4,707,723	-	4,707,723	5,197,067
Total program services	16,286,471	-	16,286,471	16,243,567
Support services:				
Human resources	935,294	-	935,294	799,482
General and administrative	1,544,381	-	1,544,381	1,521,384
Communications and marketing	362,276	-	362,276	693,217
Total support services	2,841,951	-	2,841,951	3,014,083
Fundraising costs:				
Membership development	3,043,830	-	3,043,830	3,627,191
Major gifts and foundations	814,164	-	814,164	704,071
Underwriting	1,059,766	-	1,059,766	1,142,545
Total fundraising costs	4,917,760	-	4,917,760	5,473,807
Depreciation	1,039,622	-	1,039,622	958,672
<b>Total operating expenses</b>	<b>25,085,804</b>	<b>-</b>	<b>25,085,804</b>	<b>25,690,129</b>
<b>Change in Net Assets from Operating Activities</b>	<b>934,230</b>	<b>(1,560,700)</b>	<b>(626,470)</b>	<b>(816,169)</b>
<b>Changes in Net Assets from Non-Operating Activities</b>				
Investment return, net	4,756,435	52,395	4,808,830	(72,088)
Change in value of split-interest agreements	-	16,218	16,218	(13,139)
Gain (loss) on retirement assets	51,483	-	51,483	(1,390)
Interest income	13,950	-	13,950	52,297
Interest expense	(215,675)	-	(215,675)	(223,240)
Gain on forgiveness of Payment Protection Program loan	1,571,000	-	1,571,000	-
Unrealized gain (loss) on interest rate swaps	171,960	-	171,960	(99,484)
Realized gain (loss) on interest rate swaps	(84,100)	-	(84,100)	(38,299)
<b>Change in net assets from non-operating activities</b>	<b>6,265,053</b>	<b>68,613</b>	<b>6,333,666</b>	<b>(395,343)</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,199,283</b>	<b>(1,492,087)</b>	<b>5,707,196</b>	<b>(1,211,512)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>38,320,262</b>	<b>4,132,549</b>	<b>42,452,811</b>	<b>43,664,323</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 45,519,545</b>	<b>\$ 2,640,462</b>	<b>\$ 48,160,007</b>	<b>\$ 42,452,811</b>

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, 2021

	Program Services				Total Program Services Expense
	Technical Services	Broadcasting	Radio	Content Services	
Salaries and benefits	\$ 353,197	\$ 603,078	\$ 3,621,287	\$ 2,819,664	\$ 7,397,226
Programming and production	-	366,040	898,387	-	1,264,427
Direct mail, premiums and promotion	-	100	-	602,774	602,874
Professional development and travel	5,727	-	12,239	3,024	20,990
Professional fees and outside services	165	374,757	471,806	452,918	1,299,646
Equipment, maintenance and insurance	596,253	582	28,171	115,603	740,609
Utilities and telephone	198,194	825	17,063	55,072	271,154
General administration expenses	7,380	581	48,061	114,294	170,316
In-kind expenses	-	-	-	98,207	98,207
Bad debt	-	-	-	44,102	44,102
Service charges	-	-	-	161,283	161,283
Dues	-	2,703,541	1,137,735	-	3,841,276
Contract labor	-	3,235	124,084	213,776	341,095
Other expenses	-	-	6,260	27,006	33,266
<b>Total expense</b>	<b>\$ 1,160,916</b>	<b>\$ 4,052,739</b>	<b>\$ 6,365,093</b>	<b>\$ 4,707,723</b>	<b>\$ 16,286,471</b>

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, 2021

	<b>Support Services</b>			
	<b>Human Resources</b>	<b>General and Administrative</b>	<b>Communications and Marketing</b>	<b>Total Support Services Expense</b>
Salaries and benefits	\$ 530,544	\$ 849,607	\$ 270,371	\$ 1,650,522
Programming and production	-	-	-	-
Direct mail, premiums and promotion	1,651	-	2,466	4,117
Professional development and travel	95,690	2,075	31	97,796
Professional fees and outside services	89,682	198,282	16,644	304,608
Equipment, maintenance and insurance	182,748	72,417	-	255,165
Utilities and telephone	825	52,597	-	53,422
General administration expenses	13,365	81,821	1,127	96,313
In-kind expenses	-	29,760	33,522	63,282
Bad debt	-	-	-	-
Service charges	-	161,283	-	161,283
Dues	-	-	-	-
Contract labor	4,000	73,503	38,115	115,618
Other expenses	16,789	23,036	-	39,825
<b>Total expense</b>	<b>\$ 935,294</b>	<b>\$ 1,544,381</b>	<b>\$ 362,276</b>	<b>\$ 2,841,951</b>

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, 2021

	Fundraising			Total Fundraising Expenses	Total Operating Expenses
	Membership Development	Major Gifts and Foundations	Underwriting		
Salaries and benefits	\$ 1,263,632	\$ 678,567	\$ -	\$ 1,942,199	\$ 10,989,947
Programming and production	-	-	-	-	1,264,427
Direct mail, premiums and promotion	901,469	600	-	902,069	1,509,060
Professional development and travel	1,948	325	-	2,273	121,059
Professional fees and outside services	233,583	96,000	906,494	1,236,077	2,840,331
Equipment, maintenance and insurance	100,988	-	-	100,988	1,096,762
Utilities and telephone	26,299	-	-	26,299	350,875
General administration expenses	85,740	9,668	-	95,408	362,037
In-kind expenses	84,029	-	-	84,029	245,518
Bad debt	66,153	-	90,099	156,252	200,354
Service charges	80,641	-	-	80,641	403,207
Dues	-	-	-	-	3,841,276
Contract labor	186,836	2,700	59,339	248,875	705,588
Other expenses	12,512	26,304	3,834	42,650	115,741
<b>Total expense</b>	<b>\$ 3,043,830</b>	<b>\$ 814,164</b>	<b>\$ 1,059,766</b>	<b>\$ 4,917,760</b>	<b>\$ 24,046,182</b>

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				Total Program Services Expense
	Technical Services	Broadcasting	Radio	Content Services	
Salaries and benefits	\$ 347,396	\$ 613,042	\$ 2,873,235	\$ 2,668,875	\$ 6,502,548
Programming and production	-	381,575	778,127	-	1,159,702
Direct mail, premiums and promotion	-	-	5,363	998,237	1,003,600
Professional development and travel	3,183	5,628	299,098	49,943	357,852
Professional fees and outside services	195	373,536	489,997	486,491	1,350,219
Equipment, maintenance and insurance	637,621	-	68,146	168,363	874,130
Utilities and telephone	241,048	975	15,201	84,358	341,582
General administration expenses	4,862	5,094	40,783	116,706	167,445
In-kind expenses	-	-	-	354,988	354,988
Service charges	-	-	-	141,666	141,666
Dues	-	2,658,192	1,120,593	-	3,778,785
Contract labor	-	2,500	50,542	116,396	169,438
Other expenses	26	7,477	23,065	11,044	41,612
<b>Total expense</b>	<b>\$ 1,234,331</b>	<b>\$ 4,048,019</b>	<b>\$ 5,764,150</b>	<b>\$ 5,197,067</b>	<b>\$ 16,243,567</b>

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

	<b>Support Services</b>			
	<b>Human Resources</b>	<b>General and Administrative</b>	<b>Communications and Marketing</b>	<b>Total Support Services Expense</b>
Salaries and benefits	\$ 381,183	\$ 872,820	\$ 249,876	\$ 1,503,879
Programming and production	-	-	-	-
Direct mail, premiums and promotion	1,830	-	165,186	167,016
Professional development and travel	139,993	15,734	9,660	165,387
Professional fees and outside services	23,877	92,439	84,477	200,793
Equipment, maintenance and insurance	195,716	105,481	-	301,197
Utilities and telephone	975	81,208	-	82,183
General administration expenses	31,764	87,400	1,014	120,178
In-kind expenses	-	77,929	163,428	241,357
Service charges	-	141,666	-	141,666
Dues	-	-	-	-
Contract labor	20,020	39,163	18,357	77,540
Other expenses	4,124	7,544	1,219	12,887
<b>Total expense</b>	<b>\$ 799,482</b>	<b>\$ 1,521,384</b>	<b>\$ 693,217</b>	<b>\$ 3,014,083</b>

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			Total Fundraising Expenses	Total Operating Expenses
	Membership Development	Major Gifts and Foundations	Underwriting		
Salaries and benefits	\$ 1,191,616	\$ 533,714	\$ -	\$ 1,725,330	\$ 9,731,757
Programming and production	-	-	-	-	1,159,702
Direct mail, premiums and promotion	1,331,945	1,075	-	1,333,020	2,503,636
Professional development and travel	36,314	12,421	-	48,735	571,974
Professional fees and outside services	326,757	11,344	1,064,702	1,402,803	2,953,815
Equipment, maintenance and insurance	147,062	-	-	147,062	1,322,389
Utilities and telephone	40,604	-	-	40,604	464,369
General administration expenses	82,684	11,227	1,808	95,719	383,342
In-kind expenses	291,124	-	-	291,124	887,469
Service charges	70,833	-	-	70,833	354,165
Dues	-	-	-	-	3,778,785
Contract labor	102,324	21,550	62,147	186,021	432,999
Other expenses	5,928	112,740	13,888	132,556	187,055
<b>Total expense</b>	<b>\$ 3,627,191</b>	<b>\$ 704,071</b>	<b>\$ 1,142,545</b>	<b>\$ 5,473,807</b>	<b>\$ 24,731,457</b>

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, 2021 and 2020

	<b>2021</b>	<b>RESTATED 2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 5,707,196	\$ (1,211,512)
Adjustments to reconcile net assets to cash provided by (used in) operating activities:		
Depreciation of property and equipment	1,039,622	958,672
Amortization of debt issuance costs	27,567	14,382
(Gain) loss on retirement of assets	(51,483)	1,390
Net unrealized (gain) loss on investments	(1,734,120)	1,799,039
Net realized gain on investments	(2,676,502)	(1,283,117)
Change in value of split-interest agreements	(16,218)	13,139
Unrealized (gain) loss on interest rate swap liability	(171,960)	99,484
Dividend income reinvested	(398,208)	(443,834)
Bad debt expense	200,355	-
Gain on forgiveness of Payment Protection Program loan	(1,571,000)	-
Changes in operating assets and liabilities:		
Membership contributions and underwriting receivable	612,735	(235,817)
Prepaid expenses and other assets	208,695	(211,082)
Accounts payable and accrued expenses	(232,703)	8,648
Deferred revenue	15,376	36,975
Other liabilities	30,272	40,562
<b>Net cash provided by (used in) operating activities</b>	<b>989,624</b>	<b>(413,071)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(203,642)	(441,078)
Purchases of investments	(6,861,862)	(3,910,474)
Proceeds from the sale of investments	13,952,668	3,666,732
Proceeds from the sale of property and equipment	93,070	-
<b>Net used in provided by (used in) investing activities</b>	<b>6,980,234</b>	<b>(684,820)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings of Payment Protection Program loan	-	1,571,000
Repayment of notes payable	(6,825,038)	(464,144)
<b>Net cash (used in) provided by financing activities</b>	<b>(6,825,038)</b>	<b>1,106,856</b>
Net increase in cash and cash equivalents	1,144,820	8,965
Cash and cash equivalents, beginning of year	6,694,703	6,685,738
Cash and cash equivalents, end of year	<b>\$ 7,839,522</b>	<b>\$ 6,694,703</b>
<b>NON-CASH TRANSACTION</b>		
Realized loss on interest rate swap	\$ 84,100	\$ 38,500
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for taxes	\$ 9,501	\$ 11,324
Cash paid for interest	\$ 205,105	\$ 208,857

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

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

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Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **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 KXT-91.7 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. 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 KXT-91.7 are members of National Public Radio and affiliates of the Public Radio Exchange (PRX).

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, 2020, 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, 2021 and 2020, the Corporation periodically had cash deposits in excess of the FDIC insurable limit. The Corporation has not experienced any losses related to this concentration.

As of June 30, 2021 and 2020, the Corporation invested approximately \$1,202,000 and \$1,200,000, respectively, in cash sweeps fully insured by the FDIC.

#### **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.

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **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, 2021 and 2020, there were no transfers among Levels 1, 2, and 3.

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.

## NORTH TEXAS PUBLIC BROADCASTING, INC.

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Investments, Continued

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 years ended June 30, 2021 and 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.

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, 2021 and 2020.

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

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Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **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, 2021 and 2020.

#### **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.

#### **Endowments**

The Corporation’s endowments consist of two funds, one from the National Institute of Arts and one from the Clark Foundation to support the stations’ educational arts activities. 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

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

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Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **Endowments, Continued**

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.

#### **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 of 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.

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **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 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.

#### **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, 2021 and 2020, expense related to trade agreements of \$83,805 and \$408,571, 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 \$3,000 and \$55,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, advertising costs of approximately \$9,000 and \$396,000 were recorded, respectively.

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

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Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **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 and amortization expense from functional expense categories in the consolidated statements of activities for the fiscal years ended June 30, 2021 and 2020.

#### **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 \$6,603,000 and \$6,023,000 between natural expense accounts for the years ended June 30, 2021 and 2020, respectively.

#### **Federal Income Taxes**

The Corporation is exempt from Federal income taxes under 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, 2021 and 2020. There was no federal excise taxes for the years ended June 30, 2021 and 2020.

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.

## NORTH TEXAS PUBLIC BROADCASTING, INC.

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### 3 – RESTATEMENT

Management of the Corporation continually reviews accounting practices and policies to ensure they are appropriate. During 2021 Management determined that its accounting for sustaining member contributions was not in line with donors' intent. Sustaining members authorize regular monthly contributions without any fixed termination date. The Corporation determined that sustaining member contributions should be recorded on a monthly basis rather than annually. The Corporation believes this better reflects the intention of the sustaining member to support the operations on a month-to-month basis. As a result of this change Management has restated the financial statements as of and for the year ended June 30, 2020 to reflect the impact of this change which is summarized as follows.

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
<b>Consolidated Statement of Financial Position</b>			
Membership contribution, grant, and underwriting receivable, net	\$ 4,872,897	\$ 1,510,374	\$ (3,362,523)
Total current assets	31,316,136	27,953,883	(3,362,253)
Total assets	56,917,545	53,555,022	(3,362,523)
Net assets without donor restrictions	41,682,785	38,320,262	(3,362,523)
Total liabilities and net assets	56,917,545	53,555,022	(3,362,523)
<b>Consolidated Statement of Activities and Change in Net Assets</b>			
Membership contributions, major gifts, and grants	\$ 18,404,272	\$ 16,755,736	\$ (1,648,536)
Total revenues, gains, and other support	26,522,497	24,873,961	(1,648,536)
Bad debt expense	3,503,984	-	(3,503,984)
Total operating expenses	23,834,681	25,690,129	1,855,448
Change in Net Assets from Operating Activities	(2,671,617)	(816,169)	1,855,448
Change in Net Assets	(3,066,960)	(1,211,512)	1,855,448
Net assets, beginning of year	48,882,294	43,664,323	(5,217,971)
Net assets, end of year	45,815,334	42,452,811	(3,362,523)
<b>Consolidated Statement of Cash Flows</b>			
Decrease in net assets	\$ (3,066,960)	\$ (1,211,512)	\$ 1,855,448
Membership contributions and underwriting receivable	1,619,631	(235,817)	(1,855,448)

### 4 – LIQUIDITY AND FUNDS AVAILABLE

As of June 30, 2021, 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	\$ 7,839,522
Membership, underwriting, and other receivables	697,284
Investments	16,484,372
<b>Total financial assets</b>	<b><u>\$ 25,021,178</u></b>
<b>Contractual or donor-imposed restrictions:</b>	
Split-interest agreements	(96,551)
Net appreciation on endowment assets	(182,722)
Pledges for future operations	(1,361,189)
Endowment funds	(1,000,000)
<b>Board designations:</b>	
Board designated long term reserve	(15,301,650)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b><u>\$ 7,079,066</u></b>

## NORTH TEXAS PUBLIC BROADCASTING, INC.

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### 4 – LIQUIDITY AND FUNDS AVAILABLE, CONTINUED

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	1,510,374
Investments	18,766,348
<b>Total financial assets</b>	<b>\$ 26,971,425</b>
<b>Contractual or donor-imposed restrictions:</b>	
Split-interest agreements	(80,332)
Net appreciation on endowment assets	(130,327)
Pledges for future operations	(2,921,890)
Endowment funds	(1,000,000)
<b>Board designations:</b>	
Board designated long term reserve	(18,244,000)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 4,594,876</b>

### 5 – MEMBERSHIP CONTRIBUTIONS, GRANTS, AND UNDERWRITING RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Membership contributions	\$ 195,417	\$ 68,799
Program underwriting	557,039	700,160
Grants	-	795,000
	<b>752,456</b>	<b>1,563,959</b>
Allowance for doubtful accounts	(55,172)	(17,432)
Discount to present value	-	(36,153)
Membership contributions, grants, and underwriting receivable, net	<b>\$ 697,284</b>	<b>\$ 1,510,374</b>

## NORTH TEXAS PUBLIC BROADCASTING, INC.

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### 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, 2021 by level within the fair value measurement hierarchy:

	Assets (Liabilities) Measured at Fair Value June 30	Fair Value Measurements at Reporting Date Using		
		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 core bond fund	\$ 3,626,773	\$ 3,626,773	\$ -	\$ -
Foreign large blend fund	4,097,449	4,097,449	-	-
Large blend fund	5,709,176	5,709,176	-	-
Stock market index equity fund	870,713	870,713	-	-
Real estate fund	862,454	862,454	-	-
World allocation fund	490,198	490,198	-	-
Alternative strategy	827,609	827,609	-	-
	16,484,372	16,484,372	-	-
Prepaid expenses and other assets:				
Split-interest agreement	96,551	-	-	96,551

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:

	Assets (Liabilities) Measured at Fair Value June 30	Fair Value Measurements at Reporting Date Using		
		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 core bond fund	\$ 5,116,688	\$ 5,116,688	\$ -	\$ -
Foreign large blend fund	3,930,611	3,930,611	-	-
All world excluding U.S. equity fund	6,114,095	6,114,095	-	-
Stock market index equity fund	1,160,915	1,160,915	-	-
Real estate fund	785,262	785,262	-	-
Energy 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 agreements	80,332	-	-	80,332
Liabilities:				
Interest rate swaps	171,960	-	171,960	-

## NORTH TEXAS PUBLIC BROADCASTING, INC.

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS, CONTINUED

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

	<u>Split-interest Agreements</u>
Balance, June 30, 2019	\$ 93,472
Change in value of split-interest agreements	(13,139)
Balance, June 30, 2020	<u>80,333</u>
Change in value of split-interest agreements	16,218
Balance, June 30, 2021	<u><u>\$ 96,551</u></u>

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

	<u>2021</u>	<u>2020</u>
Dividend and interest income	\$ 398,208	\$ 443,834
Net realized gain on investment	2,676,502	1,283,117
Net unrealized gain (loss) on investments	1,734,120	(1,799,039)
	<u><u>\$ 4,808,830</u></u>	<u><u>\$ (72,088)</u></u>

### 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 482,142	\$ 482,142
Buildings and improvements	7,994,500	7,994,500
Studio and transmission equipment	8,489,962	8,446,914
Data processing equipment	2,486,130	2,384,946
Furniture and fixtures	583,192	583,192
	<u>20,035,926</u>	<u>19,891,694</u>
Less accumulated depreciation	(13,562,630)	(12,540,831)
	<u><u>\$ 6,473,296</u></u>	<u><u>\$ 7,350,863</u></u>

Depreciation expense was \$1,039,622 and \$958,672 for the years ended June 30, 2021 and 2020, respectively.

### 8 – NOTES PAYABLE, PLEDGED ASSETS, AND INTEREST RATE SWAPS

At June 30, 2021 and 2020, the Corporation had total outstanding notes payable with a commercial bank totaling \$0 and \$6,825,038, respectively. Escalating principal and interest payments, commencing on July 1, 2013, were 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 was 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, 2021 and 2020, the debt discount balances were \$0 and \$27,567, respectively.

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **8 – NOTES PAYABLE, PLEDGED ASSETS, AND INTEREST RATE SWAPS, CONTINUED**

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.

Effective June 18, 2021, the Corporation paid off the tax-exempt note and the related interest rate swap.

The fair value of the interest rate swaps is a liability of \$0 and \$171,960 as of June 30, 2021 and 2020, 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, 2021 and 2020, 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.

The Corporation met the PPP's loan forgiveness requirements, and therefore applied for forgiveness. Legal release was received on November 11, 2020, therefore, the Corporation recorded the forgiveness under changes in net assets from non-operating activities.

The Corporation's long-term debt agreements require compliance with certain financial and nonfinancial covenants. As of June 30, 2021 and 2020, the Corporation was in compliance with those covenants.

Interest expense related to notes payable was approximately \$188,000 and \$209,000 for the years ended June 30, 2021 and 2020, respectively.

## NORTH TEXAS PUBLIC BROADCASTING, INC.

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### 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, 2021, future minimum rental commitments under noncancelable operating leases are as follows:

Years ending June 30:

2022	\$	436,087
2023		447,151
2024		460,565
2025		474,382
2026		488,614
Thereafter		2,474,096
Total minimum lease payments	<b>\$</b>	<b>4,780,895</b>

The rental expense was approximately \$512,000 and \$517,000 for the years ended June 30, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Split-interest agreements	\$ 96,551	\$ 80,332
Net appreciation on endowment assets	182,722	130,327
Pledges for future operations	1,361,189	2,921,890
<b>Total temporarily restricted net assets</b>	<b>\$ 1,640,462</b>	<b>\$ 3,132,549</b>
National Endowment for the Arts	\$ 750,000	\$ 750,000
Clark Foundation	250,000	250,000
<b>Total permanently restricted net assets</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>
<b>Total donor restricted net assets</b>	<b>\$ 2,640,462</b>	<b>\$ 4,132,549</b>

## **NORTH TEXAS PUBLIC BROADCASTING, INC.**

Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020

### **10 – RESTRICTIONS ON NET ASSETS, CONTINUED**

The changes in endowment assets for the years ended June 30, 2021 and 2020 are summarized below:

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	<u>(25,976)</u>
Endowment assets at June 30, 2020	<b>1,130,327</b>
Net change in unrealized gains/losses	52,395
Dividend and interest income	29,805
Endowment assets appropriated for spending	<u>(29,805)</u>
Endowment assets at June 30, 2021	<b><u>\$ 1,182,722</u></b>

### **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, 2021 and 2020, the Corporation made discretionary contributions equaling 4% of compensation for qualifying employees. For the years ended June 30, 2021 and 2020, the Corporation contributed approximately \$312,000 and \$273,000, respectively, in discretionary contributions. Additionally, the Corporation incurred approximately \$75,000 and \$49,000 in expenses related to the Plan for the years ended June 30, 2021 and 2020, respectively.

### **12 – SUBSEQUENT EVENTS**

The Corporation has evaluated all events and transactions that occurred after June 30, 2021 through December 14, 2021, 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, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. We issued our report thereon dated December 14, 2021, 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  
December 14, 2021

## NORTH TEXAS PUBLIC BROADCASTING, INC.

Consolidated Statements of Activities and Changes in Net Assets by Broadcast Entity

For the Year Ended June 30, 2021

	Radio	Television	Total
<b>Revenues, Gains, and Other Support</b>			
Membership contributions	\$ 7,934,905	\$ 9,051,409	\$ 16,986,314
Underwriting	2,874,326	374,754	3,249,080
Community service grants	681,233	1,867,943	2,549,176
Special events	174,450	116,300	290,750
In-kind contributions	121,362	124,731	246,093
Other support	339,774	798,147	1,137,921
<b>Total revenues, gains, and other support</b>	<b>12,126,050</b>	<b>12,333,284</b>	<b>24,459,334</b>
<b>Expenses and Losses</b>			
Program services:			
Technical services	766,395	394,521	1,160,916
Broadcasting	13,296	4,039,443	4,052,739
Radio	6,345,724	19,369	6,365,093
Content services	2,641,428	2,066,295	4,707,723
Total program services	9,766,843	6,519,628	16,286,471
Support services:			
Human resources	561,176	374,118	935,294
General and administrative	926,629	617,752	1,544,381
Communications and marketing	222,351	139,925	362,276
Total support services	1,710,156	1,131,795	2,841,951
Fundraising costs:			
Membership development	1,519,830	1,524,000	3,043,830
Major gifts and foundations	490,845	323,319	814,164
Underwriting	630,810	428,956	1,059,766
Total fundraising costs	2,641,485	2,276,275	4,917,760
Depreciation and amortization	623,773	415,849	1,039,622
<b>Total operating expenses</b>	<b>14,742,257</b>	<b>10,343,547</b>	<b>25,085,804</b>
<b>Change in Net Assets from Operating Activities</b>	<b>(2,616,207)</b>	<b>1,989,737</b>	<b>(626,470)</b>
<b>Changes in Net Assets from Non-Operating Activities</b>			
Investment return, net	2,883,178	1,925,652	4,808,830
Change in value of split-interest agreements	9,731	6,487	16,218
Loss on retirement assets	30,890	20,593	51,483
Interest income	13,950		13,950
Interest expense	(215,675)		(215,675)
Gain on forgiveness of PPP loan	942,600	628,400	1,571,000
Interest rate swap	52,716	35,144	87,860
<b>Change in net assets from non-operating activities</b>	<b>3,717,390</b>	<b>2,616,276</b>	<b>6,333,666</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,101,183</b>	<b>\$ 4,606,013</b>	<b>\$ 5,707,196</b>