



# **Public Broadcasting Service and Subsidiaries**

## **Consolidated Financial Statements and Independent Auditor's Report** Years Ended June 30, 2022 and 2021

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# **Public Broadcasting Service and Subsidiaries**

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## **Consolidated Financial Statements and Independent Auditor's Report**

Years Ended June 30, 2022 and 2021

# Public Broadcasting Service and Subsidiaries

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## **Independent Auditor's Report**

To the Board of Directors  
**Public Broadcasting Service**  
Arlington, Virginia

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of the Public Broadcasting Service and Subsidiaries (the Company), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Public Broadcasting Service and Subsidiaries as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022 on our consideration of the Public Broadcasting Service and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Public Broadcasting Service and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*



*Auditing Standards* in considering the Public Broadcasting Service and Subsidiaries' internal control over financial reporting and compliance.

BDO USA, LLP

November 17, 2022

## **Consolidated Financial Statements**

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# Public Broadcasting Services and Subsidiaries

## Consolidated Statements of Financial Position

<i>June 30,</i> <i>(in thousands)</i>	2022	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 144,199	\$ 144,340
Investments	34,998	35,451
Accounts receivable, net of allowance	76,111	75,870
Grants and contributions receivable	75,967	45,292
Inventory, net	1,764	2,063
Prepaid expenses and other assets	66,080	42,422
<b>Total current assets</b>	<b>399,119</b>	<b>345,438</b>
<b>Noncurrent assets</b>		
Property and equipment, net	41,381	48,732
Unamortized broadcast rights	135,659	120,115
Investments, net of current portion	116,879	143,361
Grants and contributions receivable, net of discount and current portion	18,681	22,602
Other assets	1,130	1,214
<b>Total assets</b>	<b>\$ 712,849</b>	<b>\$ 681,462</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 175,189	\$ 175,231
Cable and license fees payable	49,823	39,936
Deferred revenue	4,998	3,358
<b>Total current liabilities</b>	<b>230,010</b>	<b>218,525</b>
Deferred lease obligations	18,635	15,701
Annuity liabilities	102	54
<b>Total liabilities</b>	<b>248,747</b>	<b>234,280</b>
<b>Minority interest</b>	<b>34,828</b>	<b>23,448</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions		
Board designated	279,463	305,469
Undesignated	38,073	26,877
<b>Total without donor restrictions</b>	<b>317,536</b>	<b>332,346</b>
With donor restrictions		
Purpose restrictions	105,997	85,745
Perpetual in nature	5,741	5,643
<b>Total with donor restrictions</b>	<b>111,738</b>	<b>91,388</b>
<b>Total net assets</b>	<b>429,274</b>	<b>423,734</b>
<b>Total liabilities and net assets</b>	<b>\$ 712,849</b>	<b>\$ 681,462</b>

*See accompanying notes to consolidated financial statements.*



## Public Broadcasting Service and Subsidiaries

### Consolidated Statements of Activities

Years ended June 30, (in thousands)	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Changes in net assets</b>						
<b>Revenues, gains, and other support</b>						
Imputed value of donated broadcast rights	\$ 173,837	\$ -	\$ 173,837	\$ 122,852	\$ -	\$ 122,852
Member assessments	203,336	-	203,336	201,684	-	201,684
Grants and contributions	7,658	105,638	113,296	7,635	75,342	82,977
Ventures	193,207	-	193,207	195,777	-	195,777
Investment return, net	(23,344)	(1,236)	(24,580)	36,775	733	37,508
Other	10,444	82	10,526	16,749	(334)	16,415
Net assets released from restrictions	84,134	(84,134)	-	98,609	(98,609)	-
<b>Total revenues, gains, and other support</b>	<b>649,272</b>	<b>20,350</b>	<b>669,622</b>	<b>680,081</b>	<b>(22,868)</b>	<b>657,213</b>
<b>Expenses</b>						
<b>Program services</b>						
Content and promotion	385,293	-	385,293	355,637	-	355,637
Member services	10,248	-	10,248	7,776	-	7,776
Distribution and information technology	63,394	-	63,394	47,779	-	47,779
Ventures	141,055	-	141,055	133,052	-	133,052
Other	3,860	-	3,860	2,475	-	2,475
<b>Total program services</b>	<b>603,850</b>	<b>-</b>	<b>603,850</b>	<b>546,719</b>	<b>-</b>	<b>546,719</b>
<b>Supporting services</b>						
Management and general	42,270	-	42,270	31,533	-	31,533
Fundraising	2,082	-	2,082	1,303	-	1,303
<b>Total supporting services</b>	<b>44,352</b>	<b>-</b>	<b>44,352</b>	<b>32,836</b>	<b>-</b>	<b>32,836</b>
<b>Total expenses</b>	<b>648,202</b>	<b>-</b>	<b>648,202</b>	<b>579,555</b>	<b>-</b>	<b>579,555</b>
<b>Change in net assets before minority interest</b>	<b>1,070</b>	<b>20,350</b>	<b>21,420</b>	<b>100,526</b>	<b>(22,868)</b>	<b>77,658</b>
<b>Minority interest</b>	<b>(15,880)</b>	<b>-</b>	<b>(15,880)</b>	<b>(16,288)</b>	<b>-</b>	<b>(16,288)</b>
<b>Change in net assets</b>	<b>(14,810)</b>	<b>20,350</b>	<b>5,540</b>	<b>84,238</b>	<b>(22,868)</b>	<b>61,370</b>
<b>Net assets, beginning of year</b>	<b>332,346</b>	<b>91,388</b>	<b>423,734</b>	<b>248,108</b>	<b>114,256</b>	<b>362,364</b>
<b>Net assets, end of year</b>	<b>\$ 317,536</b>	<b>\$ 111,738</b>	<b>\$ 429,274</b>	<b>\$ 332,346</b>	<b>\$ 91,388</b>	<b>\$ 423,734</b>

*See accompanying notes to consolidated financial statements.*

# Public Broadcasting Service and Subsidiaries

## Statement of Functional Expenses

Year ended June 30, 2022 (in thousands)	Program Services					Supporting Services				2022 Total
	Content and Promotion	Member Services	Distribution and Information Technology	Ventures	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 21,272	4,977	\$ 19,903	\$ 13,004	\$ -	\$ 59,156	\$ 25,366	\$ 1,274	\$ 26,640	\$ 85,796
Benefits	7,351	1,734	6,293	3,358	-	18,736	2,806	272	3,078	21,814
Professional services	13,393	763	18,391	2,996	3,203	38,746	8,227	301	8,528	47,274
Advertising and promotion	17,598	318	-	14,306	-	32,222	54	57	111	32,333
Office expense	118	89	323	465	-	995	1,029	-	1,029	2,024
Information technology	1,349	199	4,701	2,182	-	8,431	3,682	-	3,682	12,113
Royalties	180	-	-	85,591	49	85,820	-	-	-	85,820
Occupancy	2,214	414	2,071	254	-	4,953	1,275	100	1,375	6,328
Travel and conferences	232	1,046	12	273	5	1,568	174	78	252	1,820
Depreciation and amortization	2,207	548	2,084	2,253	-	7,092	1,728	-	1,728	8,820
Grant expense	1,009	-	1,996	-	549	3,554	-	-	-	3,554
Donated broadcast rights	173,837	-	-	-	-	173,837	-	-	-	173,837
Connectivity and communications	16	-	6,810	-	-	6,826	440	-	440	7,266
Program rights	141,988	120	-	6,632	-	148,740	-	-	-	148,740
Cost of goods sold	348	13	-	5,739	-	6,100	-	-	-	6,100
Others	2,181	27	810	4,002	54	7,074	(2,511)	-	(2,511)	4,563
	\$ 385,293	\$ 10,248	\$ 63,394	\$ 141,055	\$ 3,860	\$ 603,850	\$ 42,270	\$ 2,082	\$ 44,352	\$ 648,202

See accompanying notes to consolidated financial statements.

# Public Broadcasting Service and Subsidiaries

## Statement of Functional Expenses

Year ended June 30, 2021 (in thousands)	Program Services					Supporting Services				2021 Total
	Content and Promotion	Member Services	Distribution and Information Technology	Ventures	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 26,543	4,533	\$ 13,290	\$ 11,541	\$ 25	\$ 55,932	\$ 22,022	\$ 898	\$ 22,920	\$ 78,852
Benefits	8,816	1,573	4,118	2,862	9	17,378	2,555	196	2,751	20,129
Professional services	18,586	623	9,741	2,702	521	32,173	5,891	80	5,971	38,144
Advertising and promotion	20,822	85	34	11,128	-	32,069	(3)	50	47	32,116
Office expense	92	59	244	786	-	1,181	882	-	882	2,063
Information technology	2,515	95	2,955	1,474	222	7,261	3,971	-	3,971	11,232
Royalties	88	-	-	83,228	1,524	84,840	-	-	-	84,840
Occupancy	2,710	290	2,034	367	3	5,404	995	71	1,066	6,470
Travel and conferences	250	45	11	57	-	363	94	8	102	465
Depreciation and amortization	3,025	388	1,400	1,922	4	6,739	1,804	-	1,804	8,543
Grant expense	2,708	5	5,919	-	18	8,650	-	-	-	8,650
Donated broadcast rights	122,852	-	-	-	-	122,852	-	-	-	122,852
Connectivity and communications	1,635	-	7,570	-	-	9,205	435	-	435	9,640
Program rights	141,724	36	-	7,868	393	150,021	6	-	6	150,027
Cost of goods sold	119	25	-	6,988	-	7,132	-	-	-	7,132
Others	3,152	19	463	2,129	(244)	5,519	(7,119)	-	(7,119)	(1,600)
	\$ 355,637	\$ 7,776	\$ 47,779	\$ 133,052	\$ 2,475	\$ 546,719	\$ 31,533	\$ 1,303	\$ 32,836	\$ 579,555

See accompanying notes to consolidated financial statements.

# Public Broadcasting Service and Subsidiaries

## Consolidated Statements of Cash Flows

<i>Years ended June 30, (in thousands)</i>	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,540	\$ 61,370
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization of property and equipment	8,820	8,542
Amortization of broadcast rights	136,880	134,461
Bad debt expense	201	1,068
Minority interest	15,880	16,288
Realized gains on sale of investments	(9,092)	(8,918)
Unrealized losses (gains) on investments	36,001	(26,404)
Provision for inventory	198	(158)
Endowment contributions	(99)	(320)
Change in discount on noncurrent grants and contributions receivable	(1,340)	(218)
Change in present value of annuity liabilities	(22)	(14)
<b>Decrease (increase) in assets</b>		
Accounts receivable	(442)	71,862
Grants and contributions receivable	(25,414)	(67,676)
Inventory, net	101	422
Prepaid expenses and other assets	(23,574)	(13,174)
Unamortized broadcast rights	(152,424)	(124,116)
<b>Increase (decrease) in liabilities</b>		
Accounts payable and accrued expenses	(42)	(6,584)
Cable and license fees payable	9,887	16,521
Deferred revenue	1,640	2,327
Deferred lease obligations	2,934	6,035
Annuity liabilities	70	53
<b>Net cash provided by operating activities</b>	<b>5,703</b>	<b>71,367</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	75,077	184,876
Purchases of investments	(75,050)	(182,760)
Purchases of property and equipment	(1,470)	(14,799)
<b>Net cash used in investing activities</b>	<b>(1,443)</b>	<b>(12,683)</b>
<b>Cash flows from financing activities:</b>		
Endowment contributions	99	320
Cash distributions to minority ownership	(4,500)	(15,127)
<b>Net cash used in financing activities</b>	<b>(4,401)</b>	<b>(14,807)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(141)</b>	<b>43,877</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>	<b>144,340</b>	<b>100,463</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 144,199</b>	<b>\$ 144,340</b>
<b>Supplemental cash flow information:</b>		
Income tax paid	\$ 1,086	\$ 1,566
<b>Noncash investing activity:</b>		
Leasehold improvements acquired through tenant improvement allowance paid by landlord	\$ (10,710)	\$ (11,466)

*See accompanying notes to consolidated financial statements.*

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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### 1. Summary of Significant Accounting Policies

#### *General*

The Public Broadcasting Service (PBS), incorporated in 1969, is a membership organization that in partnership with its member stations serves the American public with programming and services of the highest quality, using media to educate, inspire, entertain, and express a diversity of perspectives.

PBS Enterprises, LLC (PBSE), a single member limited liability company, of which PBS is the sole member, was organized to pursue revenue-producing projects and services as part of an ongoing effort to increase public television's financial base.

PBS Foundation was established by PBS as a 501(c)(3) supporting organization in July 2004. The mission of the PBS Foundation is to enlist philanthropic support of public broadcasting through establishing special initiatives funds and a permanent endowment to ensure PBS' continued excellence, and to promote and enhance outstanding public broadcasting programs and services. The PBS Foundation has established the PBS Endowment Fund for the support of PBS.

In January 2005, PBS created PBS Digital, LLC, a single member limited liability company, of which PBS is the sole member, to account for PBS' activities with the Children's Network, LLC. PBS Digital, LLC sold its interest in Children's Network, LLC in November 2013. PBS Digital, LLC had no activity during the years ended June 30, 2022 and 2021.

Public Media Distribution, LLC (PBSd) was formed on November 5, 2008, under the laws of the state of Delaware by PBS and WGBH Educational Foundation (WGBH). PBS has a 60% membership interest and WGBH has a 40% membership interest in the organization. PBSd promotes the educational mission of public broadcasting through worldwide distribution of public television content and other high-quality content. The 40% minority interest owned by WGBH is reflected as minority interest in the accompanying consolidated statements of financial position.

PBS UK, LLC (PBS UK) was formed on March 16, 2011 under the laws of the State of Delaware by PBSd and Quadra Media, Ltd. (Quadra), with each partner retaining 50% membership interest. On September 17, 2019, PBSd purchased all of Quadra's membership interests, and as a result, PBSd became the sole owner. PBS UK supports public broadcasting through distribution of high-quality content in the United Kingdom. Total consideration paid and the assets and liabilities acquired were immaterial to the consolidated financial statements.

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of PBS, PBSE, PBS Foundation, PBS Digital, LLC, PBSd, and PBS UK (collectively referred to as "the Company"). All inter-company balances and transactions have been eliminated in consolidation.

#### *Basis of Accounting*

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

***Net assets without donor restrictions*** - Net assets that are not subject to donor-imposed stipulations. Included within net assets without donor restrictions are amounts that have been designated by the Board of Directors to support public broadcasting.

***Net assets with donor restrictions*** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Company pursuant to those stipulations, the passage of time and/or required to be maintained in perpetuity by the Company. Expirations of donor restrictions on net assets (i.e., the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Assets authorized for use by the Endowment Committee for purposes meeting the donor-imposed stipulations are reported as net assets released from restrictions.

Revenues, gains, and other support are reported as changes in net assets without donor restrictions unless their use is limited by donor-imposed stipulations, in which case they are reported as changes in net assets with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

### ***Endowment***

The PBS Endowment Fund consists of individual funds established by PBS Foundation for a variety of purposes that are subject to varying levels of donor-imposed stipulations.

The Company classifies amounts designated by the donor to be preserved in perpetuity as increases in net assets with donor restrictions. Earnings from all donor-restricted funds are classified as donor restricted until such time as they are appropriated for use or reclassified as net assets without donor restrictions. Both the principal and earnings of Board designated endowment funds are classified as net assets without donor restrictions. Investment income and investment gains and losses are attributed to individual endowment funds in proportion to their pro rata share of the investment balance.

### ***Investments***

Investments in debt and equity securities are recorded at fair value based on quoted market prices. Unrealized and realized gains and losses are recorded in investment return in the consolidated statements of activities. Interest and dividend income are accounted for on the accrual basis.

Investments that are held with long-term maturities are classified as noncurrent in the consolidated statements of financial position.

### ***Accounts Receivable***

Accounts receivable consists primarily of amounts due from member stations and distribution partners of PBSd.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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The Company regularly evaluates the ability of its members, distribution partners and other customers to pay amounts due and makes appropriate provisions for doubtful accounts. The allowance for doubtful accounts was approximately \$0.3 million for both years ending June 30, 2022 and 2021. Uncollectible amounts are written off when all efforts to collect these receivables have been exhausted.

### *Grants and Contributions Receivable*

The Company receives funding from the U.S. government, individuals, and organizations for direct and indirect program costs, payable in future periods. This funding is subject to contractual restrictions, which must be met through the performance of program activities and or from incurring qualifying expenses for programs. Grants and contributions that are expected to be collected within one year are recorded at net realizable value, and those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The Company regularly evaluates the ability of its donors to pay amounts due and makes appropriate provisions for doubtful accounts, if necessary. The Company concluded that no allowance for doubtful accounts was necessary as of June 30, 2022 and 2021.

### *Inventory*

Inventory, which primarily consists of DVDs, Blu-rays, and print packaging, is stated at the lower of average cost or net realizable value. A specific reserve for obsolete or un-saleable inventory is calculated by evaluating units on hand against prior years' sales and any plans to discontinue specific titles. A general reserve is calculated for any remaining inventory on hand that exceed the prior year two-year demand, net of the expected industry decline. The Company wrote off \$767,400 and \$761,877 in inventory for the year ended June 30, 2022 and 2021, respectively.

Inventory consisted of the following as of June 30 (in thousands):

	2022	2021
Finished goods	\$ 3,076	\$ 3,945
Reserve for obsolescence	(1,312)	(1,882)
Inventory, net	\$ 1,764	\$ 2,063

### *Property and Equipment*

Property and equipment are recorded at cost and depreciated or amortized on the straight-line basis over the following estimated useful lives:

Building	45 years
Satellite transponder	12 years
Broadcasting equipment	4-5 years
Computer and software	3-5 years
Furniture and equipment	3-8 years
Mobile applications	1 year
Leasehold improvements	Term of lease, plus all reasonably assured renewal periods

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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The Company capitalizes property and equipment with an original cost of \$5,000 or more and an estimated useful life of more than one year. When assets are sold, or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is recorded. Repairs and maintenance are charged to expense when incurred.

### ***Impairment of Long-Lived Assets***

The Company reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. If considered impaired, the carrying amount of the asset is reduced to its current fair value.

### ***Unamortized Broadcast Rights***

PBS capitalizes the cost of purchased broadcast rights (obtained principally for the National Program Service), charging such rights to expense when the program is made available to member stations for initial broadcast. Unamortized broadcast rights are shown as noncurrent assets in the consolidated statements of financial position because current portions are not readily determinable.

### ***Revenue Recognition***

Revenue recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 include the following:

***Imputed value of donated broadcast rights*** - In administering the National Program Service, PBS acquires and receives program productions and the related broadcast rights at cost which is estimated to be lower than fair market value because the production was directly funded in part by corporate and foundation underwriting.

Imputed value of donated broadcast rights is recognized as revenue in the year the initial program is made available to member stations for initial broadcast. An equal amount of expense is recognized as content expense in the same year the corresponding revenue is recorded. As such, imputed value of donated broadcast rights meets recognition criteria for contributed non-financial assets under Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958).

During 2022 and 2021, as reported by the producers, the imputed value of donated broadcast rights are recorded for the total amount of underwriting funds provided directly to producers for specific programs. Broadcast rights have donor-imposed purpose restrictions for use in PBS's content programming area.

***Grants and Contributions*** - Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift.

The Company had no conditional contributions as of June 30, 2022 and 2021, other than conditional contributions from federal sponsors.

Grants and contributions include grants awarded by federal sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes and are



# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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recognized as revenue when qualifying reimbursable expenses have been incurred and conditions under the agreements are met. Federal grants are considered conditional contributions.

The remaining award balance on federal grants was approximately \$22,048,760 and \$20,846,000 as of June 30, 2022 and 2021, respectively. This award balance is not recognized as an asset and will be recognized as revenue as the project progresses and conditions are met, as allowable expenses are incurred. For the years ended June 30, 2022 and 2021, there were no refundable donor advances recorded related to federal grants since the Company typically requests payment only after obligations are incurred. For contributions made, conditional grants and contributions revenue is recognized by the Company when the condition is satisfied by the grantee.

The Company recognizes all other revenue in accordance with FASB ASC Topic 606 when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Company expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Company combines it with other performance obligations until a distinct bundle of goods or services exists. Other than accounts receivable, no amounts have been recorded in the Company's consolidated statements of financial position with respect to contract assets as no material costs to obtain or fulfill a contract existed at that date. Amounts received in advance of services performed, but not yet earned, are held as prepayments and retainers, and are recorded as deferred revenue. Sales and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue.

**Member assessments** - PBS member stations pay an annual nonrefundable member assessment for access to programming and non-programming services. Programming services includes the broadcast rights of the National Program Service, PBS PLUS and PBS Fundraising Programming, which consists of approximately 1,776 hours of programming and related promotion and support. Non-programming related services include digital products, education, and development.

Member assessments are invoiced twice a year, based on amounts determined under the Company's dues formula. The membership period is July 1 - June 30, which corresponds with the Company's fiscal year. Revenue from member assessments is recognized during the membership year as membership benefits are provided, resulting in no related deferred revenue balance for the current annual membership period at year end. Eighty five percent of the annual member assessment is due by November 30 and the remaining fifteen percent is due by March 31.

**Ventures** - In the following table, ventures revenue is disaggregated by type of services provided and consist of the following as of June 30 (in thousands):

	2022	2021
Licensing and royalties	\$ 179,785	\$ 171,794
Product sales	12,228	21,561
Other ventures	1,194	2,422
Total ventures revenue	\$ 193,207	\$ 195,777

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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The Company recognizes significant financing components when payment is received one year or more after the initial revenue recognition. More detailed information about the revenue recognition policies for the above significant distribution revenue sources follows:

*Licensing and royalties* - Licensing and royalties are generated from the distribution of media content worldwide. Licensing revenue primarily consists of content distributed via subscription video on demand (SVOD), transactional video on demand (TVOD), and international program sales. Licensing and royalty revenue amounts are determined based on contractually specified amounts or percentages. Revenue from licensing is recognized at the point in time when the license period has started, all content assets have been delivered to the customer, and the usage has occurred, if applicable. Revenue from royalties is recognized over time as the customer receives the benefits over the period of the royalty term or as the subsequent sale or usage occurs for sales-based or usage-based royalties.

*Product sales* - Product sales primarily consists of sales of DVDs, Blu-rays, and merchandise. Product prices are fixed at the time of purchase based on price listings or negotiated rates. Most customers pay at the time of purchase, but some customers are invoiced for purchases. Revenue from product sales is recognized at a point in time when ownership is transferred.

*Other ventures* - Other ventures revenue, which includes revenue from contracts that are outside the normal course of the Company's distribution activities, are received and recognized when the goods and services are rendered, and typically occur in the same fiscal year.

**Other Revenue** - In the following table, other revenue disaggregated by type of services provided, consists of the following as of June 30 (in thousands):

	2022	2021
Sponsorship and underwriting	\$ 6,845	\$ 7,073
Satellite services	613	606
Technical services	549	727
Meetings and events	54	54
Educational services	-	167
Proceeds from the sale of series	-	6,400
Miscellaneous	2,465	1,388
<b>Total other revenue</b>	<b>\$ 10,526</b>	<b>\$ 16,415</b>

More detailed information about the revenue recognition policies for the above significant other revenue sources follows:

*Sponsorship and underwriting* - Sponsorship and underwriting revenue includes amounts received in exchange for recognition within the Company's television or digital programming. The Company recognizes sponsorship and underwriting revenue at the time the spots are aired on television or included in online programming.

*Satellite services* - Satellite services revenue includes commercial and non-commercial revenues generated from the sale of satellite capacity or uplink access to member stations as well as the sale of physical space on the Company's antenna to third party customers. Revenue from satellite services is based on a fixed contract price and billed either monthly

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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or annually based on the contract provisions. Revenue from satellite services is recognized ratably over the contract period as services are provided.

*Technical services* - The Company provides technical services to third parties including stations, producers, and production houses. Technical service fees are fixed at the time of purchase based on price listings or negotiated rates. Revenue is recognized when the work is completed, and the customer is invoiced.

*Meetings and events* - Meetings and events revenue includes amounts paid by or on behalf of meeting participants and sponsors. Registration fees are based on published fixed rates and collected either at the time of registration, in advance of the meeting resulting in a deferred revenue balance, or at the time that the meeting or event takes place and immediately recognized as revenue.

Meeting sponsorships, which are generally considered nonreciprocal transactions, are recognized when the conditions associated with providing the sponsorship are met at the meeting. As such, all meeting revenue is recognized upon completion of the respective meeting.

*Educational services* - Educational services revenue consists of registration fees for teacher online professional development courses. Registration fees are fixed at the time of registration based on price listings for each course. Due to the short-term nature of the courses, revenue is recognized when the customer registers for the course.

*Proceeds from the sale of series* - The Company received revenue from the sale of its rights in the children's series *Caillou*. Revenue from the sale is recognized at a point in time when the ownership of rights is transferred.

*Miscellaneous* - Miscellaneous revenue, which includes various items ancillary to the Company's operations, are received and recognized when the goods and services are rendered, and typically occur in the same fiscal year.

### *Variable Consideration*

The nature of the Company's business gives rise to variable consideration, including rebates, allowances, and returns that generally decrease the transaction price which reduces revenue. These variable amounts are generally credited to the customer, based on product returns or price concessions. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will occur. Estimates of variable consideration are based upon historical experience and known trends.

### *Deferred Revenue*

Deferred revenue represents revenues received in advance, which will be recognized in future periods as they are earned.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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Deferred revenue consists of the following as of June 30 (in thousands):

	2022	2021
Sponsorship and underwriting	\$ 3,301	\$ 327
Licensing and royalties	1,034	1,755
Membership dues	635	1,247
Other	28	29
<b>Total deferred revenue</b>	<b>\$ 4,998</b>	<b>\$ 3,358</b>

Substantially all amounts deferred as of June 30, 2021 were recognized during the year ended June 30, 2022.

### *Advertising Expenses*

The Company expenses the costs of advertising as incurred. Total advertising expense was \$32.3 million and \$32.1 million for the years ended June 30, 2022 and 2021, respectively.

### *Income Taxes*

PBS and PBS Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. PBSd is subject to tax. PBSE LLC and PBS Digital, LLC are treated as disregarded entities for tax purposes, and included on the tax returns of PBS.

PBS made \$170,000 and \$400,000 in federal tax payments for unrelated business income for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, PBS has not recorded a deferred tax asset for net operating loss carry forwards, since their realization is uncertain.

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Company does not believe there are any unrecognized tax benefits that should be recorded. For the years ended June 30, 2022 and 2021, there were no interest or penalties related to tax positions included in the consolidated statements of activities. The Company is still open to examination by taxing authorities from fiscal year 2019 forward.

### *Allocation of Costs*

The costs of providing the Company's programs and other activities have been summarized on a functional and natural basis in the accompanying consolidated statements of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly according to their natural expenditure classifications. Certain costs common to multiple functions have been allocated among the various functions benefited. Management and general expenses include those costs that are not directly identifiable with any specific function, but which provide for the overall support and direction of the Company. Accordingly, certain benefit, occupancy, office, and depreciation expenses have been allocated among program services, management and general, and fundraising.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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The expenses that have been allocated include the following:

Expense	Method of Allocation
Printing, postage, office supplies, depreciation, and occupancy costs	Full Time Headcount Equivalent
Benefit costs	Salary Expense by Project and Cost Center

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### ***Use of Estimates in the Preparation of Financial Statements***

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

### **Accounting Pronouncements Adopted**

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The ASU requires certain information be disclosed related to contributed nonfinancial assets, including disaggregation by category on the statement of activities by type of contributed nonfinancial asset, qualitative information about whether the contributed nonfinancial asset was monetized or utilized during the reporting period, the nonprofit's policy about monetizing rather than utilizing contributed nonfinancial assets, a description of any donor restrictions associated with the contributed nonfinancial assets, and the valuation techniques and inputs used to arrive at fair value measurement. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The adoption of this guidance did not have a material impact to the consolidated financial statements and disclosures. Refer to Note 1 for the enhanced disclosures related to donated broadcast rights.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (Topic 848). This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. During the year ended June 30, 2022, the Company's line of credit agreement was changed to amend the interest rate from the LIBOR Daily Floating Rate or the Index Floor of 1% + 1.26% to the One-Month Bloomberg Short-Term Bank Yield Index + 0.675%. The change in the reference rate did not impact the consolidated financial statements since the line of credit was not utilized during the year ended June 30, 2022.

### **Accounting Pronouncements Issued but Not Adopted Yet**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with the existing U.S. GAAP. This ASU is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses* (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for fiscal years beginning after December 15, 2022. Early application is permitted. The Company is currently evaluating this ASU to determine the impact, if any, on its consolidated financial statements and disclosures.

### *Reclassifications*

Certain prior year amounts have been reclassified in the consolidated financial statements and accompanying notes to conform to the current year presentation. Accounts receivable and grants and contributions receivable are now presented separately within the consolidated statements of financial position. Prior year amounts within the statement of functional expenses have been updated to conform with the updated expense allocation methodology adopted in the current year. The reclassifications had no effect on the consolidated change in net assets for the years ended June 30, 2022 and 2021.

## 2. Liquidity and Availability

The Company's financial assets available within one year of the consolidated statements of financial position date for general expenditure without donor or other restrictions limiting their use are as follows (in thousands):

	2022	2021
Cash and cash equivalents	\$ 144,199	\$ 144,340
Investments	151,877	178,812
Accounts receivable, net of allowance	76,111	75,870
Grants and contributions receivable	94,648	67,894
Financial assets, as of June 30, 2022	466,835	466,916
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions:		
Restricted by donor with purpose restrictions	(111,738)	(91,388)
Board designated endowment fund	(11,326)	(12,912)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 343,771	\$ 362,616

The Company structures its financial assets to be available to meet its cash flow needs by preparing quarterly financial forecasts that analyze revenue and expense projections, controlling operating and capital expenditures, and closely managing daily receipts and cash disbursements. The goal of the steps outlined above is to optimize the sources and uses of available funds for programs and operations based on the Company's projected cash flow.

Endowment funds consist of donor-restricted endowments and Board designated endowments. Income from donor-restricted endowments that are restricted for specific purposes are not available for general expenditure. As described in Note 15, a determination of the amount available for distribution is performed annually utilizing the calculation provided in the Endowment Fund Expenditure and Accumulation Policy.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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The Company has \$11.3 million and \$12.9 million in Board designated endowment funds, as of June 30, 2022 and 2021, respectively, which are available, with board approval, to meet cash needs for general expenditure within one year of the date of the consolidated statements of financial position. The remainder of total Board designated net assets are immediately available to meet cash needs for general expenditure towards the execution of management's strategic priorities that include the acquisition and promotion of content for the National Program Service and are available for general expenditure. On an annual basis, management reports the usage of the Board designated net assets to the board.

Although the Company does not intend to spend the long-term investments in excess of the annual spending rule, these amounts could be made available, if necessary.

As described in Note 10, the Company has a credit facility with a committed line of credit with availability of up to \$50 million, which it could draw upon in the event of an unanticipated liquidity need. The Company also invests excess cash in short-term investments and money market funds.

### 3. Description of Functional Activities

The following is a description of the Company's functional activities:

**Content and Promotion** - A core function under PBS's mission as a multi-platform media organization and represents costs associated with the diverse content offered to its 151-member public television licensees. PBS's wide array of content expands the minds of children, includes documentaries that enlighten the public on new worlds, non-commercialized news programs that keep citizens informed on world events and cultures and programs that expose America to the worlds of music, theater, dance and art.

As America's largest classroom, PBS is available to all of America's children and offers educational media that helps prepare children for success in school and in life. PBS is committed to bringing the power of media into the classroom and helping educators to engage students in new and different ways.

It also represents institutional and program promotion and press efforts intended to increase viewership and increase awareness of the value of public television. These activities provide public television stations with a broad array of promotional support, including on-air and online promotional spots, social media, print and radio advertising, press support and the coordination of public television's educational message and positioning.

**Member Services** - Represents services provided to PBS' member stations, including digital products and services, development, and copyright administration.

**Distribution and Information Technology** - Represents Network, Media, and Satellite Operation Centers handling, technical evaluation, and other pre-transmission processing of all program video; program origination transmission including operational support for news and other live event coverage, and the scheduling and logging of all satellite feeds. This expense category also includes other technical research and planning, and the oversight, lease, and acquisition of satellite capacity.

**Ventures** - Represents activities associated with marketing and selling programs across multiple platforms, including subscription video-on-demand, digital content, producing and manufacturing physical goods such as DVD and Blu-ray products and program-related products; the licensing,

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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development, and distribution of interactive products; the licensing of video content to commercial online and mobile service providers; and online sponsorship activities.

**Other** - Represents amounts distributed to public broadcasting stations and producers from cable and license fee revenue received from cable and satellite providers.

**Management and General** - Represents overhead costs, including accounting, administration, finance, human resources, information technology and legal, associated with the operations of the Company. Cable copyright royalties and overhead cost recoveries are netted against other expenses in the consolidated statements of functional expenses.

**Fundraising** - Represents costs incurred to raise funds and perform activities in support of PBS's mission, the vast majority of which is incurred by PBS Foundation. Acting collaboratively and cooperatively with PBS member stations, the Foundation works to secure the extraordinary funding necessary to maintain and enhance PBS's commitment to serving the American public through public media.

### 4. Concentrations of Credit Risk

The Company maintains its operating cash balances at a financial institution, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of investments held at creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration.

Approximately 53% and 45% of the Company's grants and contributions receivable as of June 30, 2022 and 2021, respectively, are due from three grantors. Approximately 38% and 46% of the Company's trade accounts receivable for the years ended June 30, 2022 and 2021, respectively, were due from one customer for 2022 and 2021. Approximately 23% and 21% of the Company's revenues during both fiscal years 2022 and 2021, were generated from one customer. The Company believes the credit risk is mitigated based on a long history with these grantors and customers, and management's ongoing considerations around collectability of its receivables. The credit risk with respect to the remaining accounts receivable is limited because the Company deals with many customers over a wide geographic area.

### 5. Cash and Cash Equivalents

As of June 30, 2022 and 2021, the Company had \$17.9 million and \$18.5 million, respectively, in funds received with donor restrictions due to purpose restrictions invested in money market accounts. These amounts are restricted to support the deployment of public television interconnection system, and content development and promotion, and are included in cash and cash equivalents in the consolidated statements of financial position.



# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

### 6. Investments

The Company's investments consist of the following as of June 30 (in thousands):

	2022	2021
<i>Short Term:</i>		
Fixed income funds	\$ 34,998	\$ 35,451
<i>Long Term:</i>		
Money market funds	563	590
Fixed income funds	29,894	28,981
U.S. equity securities	86,376	112,619
Foreign equity securities	46	1,171
	116,879	143,361
Total investments	\$ 151,877	\$ 178,812

Net investment return for the years ended June 30, 2022 and 2021 consist of the following (in thousands):

	2022	2021
Interest and dividends, net	\$ 2,329	\$ 2,186
Realized gains (losses)	9,092	8,918
Unrealized (losses) gains	(36,001)	26,404
Total investment return, net	\$ (24,580)	\$ 37,508

Interest and dividends are reported net of related expenses, such as custodial, commission, and investment advisory fees.

### 7. Fair Value of Financial Instruments

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Company would use in pricing the Company's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Company are traded. The Company estimates the price of such assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on the best information available in the circumstances.

The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. The fair value of fixed income funds, U.S. equity securities, foreign equity

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

securities and money market funds are based on quoted market prices at the reporting date for those or similar investments.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. The fair value of certain bonds and other investments are estimated using recently executed transactions, bid/ask prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

For gifts that establish charitable gift annuities, the contributed assets are recognized at fair value using quoted market prices at the date of the annuity agreements. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor or the donor's designee. Present values are calculated using average U.S. Treasury bill rates and donors' life expectancies. Liabilities are adjusted during the term of the annuities for payments, accretion of discounts and changes in life expectancies. The Foundation uses the 2012 Individual Annuity Reserving table compiled from the National Association of Insurance Commissioners for life expectancies.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 (in thousands):

Description	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Fixed income funds	\$ 64,892	\$ -	\$ -	\$ 64,892
U.S. equity securities	86,376	-	-	86,376
Money market funds	563	-	-	563
Foreign equity securities	46	-	-	46
<b>Total assets, at fair value</b>	<b>\$ 151,877</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 151,877</b>
<b>Annuity liabilities</b>	<b>\$ -</b>	<b>\$ 102</b>	<b>\$ -</b>	<b>\$ 102</b>

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 (in thousands):

Description	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Fixed income funds	\$ 64,432	\$ -	\$ -	\$ 64,432
U.S. equity securities	112,619	-	-	112,619
Foreign equity securities	1,171	-	-	1,171
Money market funds	590	-	-	590
<b>Total assets, at fair value</b>	<b>\$ 178,812</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,812</b>
<b>Annuity liabilities</b>	<b>\$ -</b>	<b>\$ 54</b>	<b>\$ -</b>	<b>\$ 54</b>

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

### 8. Grants and Contributions Receivable

The anticipated cash flows from grants and contributions receivable consist of the following as of June 30 (in thousands):

	2022		2021
Unconditional promises to give expected to be collected in:			
Less than one year	\$ 75,967	\$	45,292
One to five years	20,239		22,820
Subtotal	96,206		68,112
Less unamortized discount	(1,558)		(218)
Grants and contributions receivable, net	\$ 94,648	\$	67,894

The discount rate used in determining the net present value of noncurrent contributions range from 0.47% to 3.50%.

### 9. Property and Equipment, Net

The Company's property and equipment, net of accumulated depreciation and amortization, consists of the following as of June 30 (in thousands):

	2022		2021
Land and building	\$ 30,432	\$	30,404
Broadcasting equipment	81,926		81,426
Furniture and equipment	7,442		7,361
Computer and software	53,035		53,227
Mobile applications	2,154		2,154
Leasehold improvements	15,023		14,626
	190,012		189,198
Less accumulated depreciation and amortization	(148,631)		(140,466)
	\$ 41,381	\$	48,732

Depreciation and amortization of property and equipment amounted to \$8.8 million and \$8.5 million for the years ended June 30, 2022 and 2021, respectively. The Organization disposed of fully depreciated property and equipment amounting to \$0.7 million and \$23.0 million for the years ended June 30, 2022 and 2021, respectively.

### 10. Debt

#### *Line-of-Credit*

PBS has a credit facility with a committed line-of-credit with availability of up to \$50.0 million, which was amended in May 2022 with an expiration date of May 31, 2024. The line-of-credit incurs interest at the sum of the One-Month Bloomberg Short-Term Bank Yield Index + 0.675% and has an

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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unused balance fee of 0.15%. During the fiscal year ended June 30, 2021, and prior to the amendment in May 2022, the unused balance fee was 0.25%. Interest expense related to the line-of-credit was \$0 in both fiscal years 2022 and 2021. As of June 30, 2022 and 2021, there was no amount outstanding on the line-of-credit facility.

PBS is subject to certain financial covenants under the line-of-credit agreement. All covenants have been met by PBS as of June 30, 2022.

### 11. Minority Interest

Minority interest represents the ownership interests of the minority owner in PBSd of 40%. The amounts shown in the consolidated statements of activities represent the minority owner's share of the net income of PBSd for the fiscal years then ended. The amounts shown in the consolidated statements of financial position and consolidated statements of cash flows are net of cash distributions by PBSd to the minority owner.

The minority interest balance for the years ended June 30, 2022 and 2021 consists of the following (in thousands):

	2022	2021
Beginning balance, minority interest	\$ 23,448	\$ 22,287
Share of PBSd fiscal year net income	15,880	16,288
Cash distributions to minority ownership	(4,500)	(15,127)
Ending balance, minority interest	\$ 34,828	\$ 23,448

### 12. Net Assets Without Donor Restrictions - Board Designated Net Assets

Board designated net assets consist of the following as of June 30 (in thousands):

	2022	2021
Content	\$ 159,897	\$ 150,122
Roadmap to the future	56,972	56,972
Investment gains	24,032	49,906
Property	12,538	15,685
PBS Foundation endowment fund	11,326	12,912
Digital and content initiatives	8,995	14,195
PBS Foundation Board designated	3,227	3,226
Strategic investment	2,476	2,451
Total net assets without donor restrictions - Board designated	\$ 279,463	\$ 305,469

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

### 13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30 (in thousands):

	2022		2021
<b>Subject to expenditure for specified purpose:</b>			
Content	\$ 11,025	\$	12,473
Technical products and services	36,794		18,379
Other grants	58,178		54,893
	<u>105,997</u>		<u>85,745</u>
<b>Not subject to appropriation or expenditure:</b>			
Original donor-restricted endowment amount and amounts required to be retained by donor	5,741		5,643
Total net assets with donor restrictions	\$ 111,738	\$	91,388

### 14. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 as follows (in thousands):

	2022		2021
<b>Purpose restrictions accomplished:</b>			
Other grants	\$ 32,607	\$	36,315
Content	27,315		27,524
Technical products and services	24,212		34,770
Total restrictions released	\$ 84,134	\$	98,609

### 15. Endowment

The PBS Endowment Fund consists of individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed stipulations.

#### Description of Endowment Funds

The Company has both donor-restricted and Board designated endowment funds.

##### *Donor-Restricted Endowment Funds:*

The Iris and Joseph Pollock Fund: To provide for the broadcast and dissemination of classical music programming.

News, Journalism, and Public Affairs Fund of the PBS Endowment Fund: To support news, journalism, and public affairs programming, particularly in the areas of investigative journalism found in programs like PBS NewsHour and FRONTLINE, broadcast by PBS.

## Public Broadcasting Service and Subsidiaries

### Notes to Consolidated Financial Statements

**Board Designated Fund:**

PBS Endowment Fund: To provide a continued source of income for operations, special projects, capital improvements or for emergency needs.

The distribution of endowment net assets between donor-restricted and Board designated as of June 30, 2022 and 2021 (in thousands) are as follows:

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 6,319	\$ 6,319
Board designated endowment fund	11,326	-	11,326
<b>Total endowment net assets</b>	<b>\$ 11,326</b>	<b>\$ 6,319</b>	<b>\$ 17,645</b>

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 7,690	\$ 7,690
Board designated endowment fund	12,912	-	12,912
<b>Total endowment net assets</b>	<b>\$ 12,912</b>	<b>\$ 7,690</b>	<b>\$ 20,602</b>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 (in thousands):

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 12,912	\$ 7,690	\$ 20,602
Contributions and additions	595	99	694
Investment return, net	(2,181)	(1,237)	(3,418)
Distributions	-	(233)	(233)
<b>End of year</b>	<b>\$ 11,326</b>	<b>\$ 6,319</b>	<b>\$ 17,645</b>

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 8,061	\$ 5,745	\$ 13,806
Contributions and additions	2,339	320	2,659
Investment return, net	2,512	1,834	4,346
Distributions	-	(209)	(209)
<b>End of year</b>	<b>\$ 12,912</b>	<b>\$ 7,690</b>	<b>\$ 20,602</b>

#### Funds with Deficiencies

The Company is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Virginia. The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Company to retain as a fund

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## Notes to Consolidated Financial Statements

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of perpetual duration. These deficiencies result from unfavorable market fluctuations that erode the accumulated gains of the endowments restricted in perpetuity, as well as continued appropriation for certain programs to maintain the spending power of the programs. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Company considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the applicable donor gift instrument.

In accordance with the Endowment Fund Expenditure and Accumulation Policy, the Endowment Fund Committee of PBS Foundation's Board of Directors has interpreted UPMIFA to allow spending, at their discretion, on underwater endowments to maintain the spending power of programs in any given year. The Company considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Company and (7) the Company's investment policies. Temporary deficiencies of this nature are reported as net assets with donor restrictions. Future gains restore the balance of the endowment to be maintained in perpetuity to return the individual endowment funds to their required levels as stipulated by the donors or UPMIFA. There were no funds with a deficiency as of June 30, 2022 and 2021.

### Endowment Investing Policies

Permanent endowments and other endowments are aggregated into a single investment pool to permit optimal investment allocation. The Company's primary investment objectives are to preserve the portfolio's purchasing power through asset growth in excess of the spending distribution, plus the rate of inflation and to invest assets in order to maximize the long-term return while assuming a reasonable level of risk.

The investment portfolio is composed of money market and mutual fund investments. PBS' Investment Committee monitors the portfolio and the investment manager and advises the PBS Foundation Endowment Fund Committee on investment matters in accordance with the Endowment Fund Investment Policy Statement.

### Endowment Spending Policy

Endowment gifts are spent in accordance with the wishes of the donor. A determination of the amount available for distribution is performed annually utilizing the calculation provided in The Endowment Fund Expenditure and Accumulation Policy. In the first or second quarter of each fiscal year the PBS Investment Committee is responsible for reporting to the PBS Foundation Endowment Committee the annual distribution amount. The annual distribution amount is calculated as 4% of a rolling average of the end-of-quarter market value of the endowment fund for the preceding 20 calendar quarters, as determined in the first quarter of the Company's fiscal year. During the first five years of the Fund's existence, the amounts shall be determined based on the rolling average of however many preceding calendar quarters during which the endowment fund has been in existence. The PBS Foundation Endowment Fund Committee is responsible for determining on an annual basis the amount of funds, if any, to expend from the endowment fund. The PBS Investment Committee shall follow the expenditure decisions and directives provided by the PBS Foundation Endowment Fund Committee.

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### 16. Retirement Plans

Retirement benefits are provided for all eligible employees under defined contribution retirement plans (the Plans). Expenses related to the Plans were \$5.6 million in both fiscal 2022 and 2021.

### 17. Commitments

#### *Operating Leases*

The Company is obligated under various non-cancelable operating leases for office space, satellite transponders, automobiles, storage, and technical facilities in approximate annual amounts, excluding renewal options available after June 30, 2022, as follows (in thousands):

#### *Years ending June 30,*

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2023	\$	7,396
2024		4,907
2025		5,042
2026		5,181
2027		5,504
2028 and thereafter		62,523
	\$	90,553

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PBS has an operating lease for its headquarters facilities in Arlington, Virginia. The lease for PBS's new headquarters facilities in Arlington, VA commenced September 26, 2020. The new operating lease is effective through August 31, 2036. In addition to base rent, PBS is required to pay its pro rata share of real estate taxes and operating expenses in excess of the base year (January 1, 2021) real estate taxes and operating expenses

Incentives received at the inception of the operating lease for the Company's current headquarters are accounted for as deferred lease obligations in the accompanying consolidated statements of financial position and amortized on a straight-line basis over the life of the lease.

Rent expense was \$5.2 million and \$5.0 million in fiscal year 2022 and fiscal year 2021, respectively.

#### *Programming*

PBS has current unpaid commitments of \$113.3 million for programs that have not yet been made available for broadcast. These commitments will be funded primarily from the member assessments and from grants from the Corporation for Public Broadcasting and Margaret A. Cargill Philanthropies.

### 18. Contingencies

The Company is party to various claims, legal actions and complaints arising from its distribution of programming to member stations and from its video sales and other operations in the ordinary course of business. The Company is generally indemnified contractually by program producers and is also covered by insurance, subject to a deductible amount, for any claims that might be payable by the Company as a result of its distribution of programs to stations. Management believes, based upon advice of counsel, that the disposition of any such matters will not have a material adverse effect on the consolidated financial position of the Company.



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The Company receives a portion of its revenue from contracts and grants which are subject to audit by the granting agencies. The ultimate determination of amounts received under these contracts and grants is generally based upon allowable costs required to be reported to and audited by the grantor. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management is of the opinion that no significant liability will result from audit adjustments, if any.

### **19. Subsequent Events**

The Company has evaluated subsequent events through November 17, 2022, which is the date the consolidated financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the consolidated financial statements.