



# **Public Broadcasting Service and Subsidiaries**

## **Consolidated Financial Statements and Independent Auditor's Report** Years Ended June 30, 2021 and 2020

# **Public Broadcasting Service and Subsidiaries**

---

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

Years Ended June 30, 2021 and 2020

# Public Broadcasting Service and Subsidiaries

## Contents

---

Independent Auditor's Report	3-5
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	6
Consolidated Statements of Activities	7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11-31



Tel: 301-354-2500  
Fax: 301-354-2501  
www.bdo.com

12505 Park Potomac Avenue  
Suite 700  
Potomac, MD 20854

## **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, 2021 and 2020, 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, 2021 and 2020, and the changes in their net assets and their 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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



### ***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 Matters**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 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 12, 2021

## **Consolidated Financial Statements**

---

# Public Broadcasting Services and Subsidiaries

## Consolidated Statements of Financial Position

<i>June 30,</i> <i>(in thousands)</i>	2021	2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 144,340	\$ 100,463
Investments	35,451	34,093
Accounts receivable, net of allowance	134,512	148,800
Inventory, net	2,063	2,327
Prepaid expenses and other assets	42,422	29,342
<b>Total current assets</b>	<b>358,788</b>	<b>315,025</b>
<b>Noncurrent assets</b>		
Property and equipment, net	48,732	42,475
Unamortized broadcast rights	120,115	130,460
Investments, net of current portion	143,361	111,513
Accounts receivable, net of current portion	9,252	-
Other assets	1,214	1,120
<b>Total assets</b>	<b>\$ 681,462</b>	<b>\$ 600,593</b>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 175,231	\$ 181,815
Cable and license fees payable	39,936	23,415
Deferred revenue	3,358	1,031
<b>Total current liabilities</b>	<b>218,525</b>	<b>206,261</b>
Deferred lease obligations	15,701	9,666
Annuity liabilities	54	15
<b>Total liabilities</b>	<b>234,280</b>	<b>215,942</b>
<b>Minority interest</b>	<b>23,448</b>	<b>22,287</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions		
Board designated	305,469	221,168
Undesignated	26,877	26,940
Total without donor restrictions	<b>332,346</b>	<b>248,108</b>
With donor restrictions		
Purpose restrictions	85,745	108,933
Perpetual in nature	5,643	5,323
Total with donor restrictions	<b>91,388</b>	<b>114,256</b>
<b>Total net assets</b>	<b>423,734</b>	<b>362,364</b>
<b>Total liabilities and net assets</b>	<b>\$ 681,462</b>	<b>\$ 600,593</b>

*See accompanying notes to consolidated financial statements.*



## Public Broadcasting Service and Subsidiaries

### Consolidated Statements of Activities

Years ended June 30, (in thousands)	2021			2020		
	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	\$ 122,852	\$ -	\$ 122,852	\$ 194,088	\$ -	\$ 194,088
Member assessments	201,684	-	201,684	201,619	-	201,619
Grants and contributions	7,635	75,342	82,977	5,838	99,453	105,291
Distribution	195,777	-	195,777	186,467	-	186,467
Investment return, net	36,775	733	37,508	2,322	294	2,616
Other	16,749	(334)	16,415	9,834	10	9,844
Net assets released from restrictions	98,609	(98,609)	-	91,008	(91,008)	-
<b>Total revenues, gains, and other support</b>	<b>680,081</b>	<b>(22,868)</b>	<b>657,213</b>	<b>691,176</b>	<b>8,749</b>	<b>699,925</b>
<b>Expenses</b>						
<b>Program services</b>						
Content	315,766	-	315,766	408,578	-	408,578
Promotion	26,829	-	26,829	30,951	-	30,951
Other member services	7,776	-	7,776	7,384	-	7,384
Technology and operations	47,779	-	47,779	47,296	-	47,296
Educational grants	13,042	-	13,042	18,715	-	18,715
Ventures	133,052	-	133,052	135,970	-	135,970
Royalties and other	2,221	-	2,221	965	-	965
<b>Total program services</b>	<b>546,465</b>	<b>-</b>	<b>546,465</b>	<b>649,859</b>	<b>-</b>	<b>649,859</b>
<b>Supporting services</b>						
Management and general	29,838	-	29,838	34,945	-	34,945
Fundraising	3,252	-	3,252	3,230	-	3,230
<b>Total supporting services</b>	<b>33,090</b>	<b>-</b>	<b>33,090</b>	<b>38,175</b>	<b>-</b>	<b>38,175</b>
<b>Total expenses</b>	<b>579,555</b>	<b>-</b>	<b>579,555</b>	<b>688,034</b>	<b>-</b>	<b>688,034</b>
Change in net assets before minority interest	100,526	(22,868)	77,658	3,142	8,749	11,891
Minority interest	(16,288)	-	(16,288)	(15,308)	-	(15,308)
Change in net assets	84,238	(22,868)	61,370	(12,166)	8,749	(3,417)
Net assets, beginning of year	248,108	114,256	362,364	259,072	105,507	364,579
Cumulative effect of accounting change	-	-	-	1,202	-	1,202
<b>Net assets, end 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>

*See accompanying notes to consolidated financial statements.*

## Public Broadcasting Service and Subsidiaries

### Statement of Functional Expenses

<i>Year ended June 30, 2021</i> <i>(in thousands)</i>	Program Services							Supporting Services			2021 Total	
	Content	Promotion	Other Member Services	Technology and Operations	Educational Grants	Ventures	Royalties and Other	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and wages	\$ 18,379	5,509	4,533	\$ 13,290	\$ 2,655	\$ 11,541	\$ 25	\$ 55,932	\$ 20,856	\$ 2,064	\$ 22,920	\$ 78,852
Benefits	6,171	1,734	1,573	4,118	911	2,862	9	17,378	2,299	453	2,752	20,130
Professional services	11,521	2,640	623	9,741	4,425	2,702	521	32,173	5,662	309	5,971	38,144
Advertising and promotion	4,344	15,157	85	34	1,321	11,128	-	32,069	(3)	50	47	32,116
Office expense	65	23	59	244	4	786	-	1,181	815	67	882	2,063
Information technology	2,021	454	95	2,955	40	1,474	222	7,261	3,872	99	3,971	11,232
Royalties	88	-	-	-	-	83,228	1,524	84,840	-	-	-	84,840
Occupancy	1,940	469	290	2,034	301	367	3	5,404	904	162	1,066	6,470
Travel and conferences	134	114	45	11	3	57	-	364	91	12	103	467
Depreciation and amortization	2,365	659	388	1,400	-	1,922	4	6,738	1,804	-	1,804	8,542
Grant expense	894	59	5	5,919	1,755	-	-	8,632	-	18	18	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	141,589	11	36	-	123	7,868	393	150,020	6	-	6	150,026
Cost of goods sold	39	-	25	-	79	6,988	-	7,131	-	-	-	7,131
Others	1,729	-	19	463	1,425	2,129	(480)	5,285	(6,903)	18	(6,885)	(1,600)
	\$ 315,766	\$ 26,829	\$ 7,776	\$ 47,779	\$ 13,042	\$ 133,052	\$ 2,221	\$ 546,465	\$ 29,838	\$ 3,252	\$ 33,090	\$ 579,555

*See accompanying notes to consolidated financial statements.*

## Public Broadcasting Service and Subsidiaries

### Statement of Functional Expenses

<i>Year ended June 30, 2020</i> <i>(in thousands)</i>	Program Services								Supporting Services			2020 Total
	Content	Promotion	Other Member Services	Technology and Operations	Educational Grants	Ventures	Royalties and Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 22,350	\$ 4,311	\$ 4,181	\$ 11,671	\$ 2,160	\$ 12,552	\$ 20	\$ 57,245	\$ 20,040	\$ 2,048	\$ 22,088	\$ 79,333
Benefits	7,493	1,419	1,280	3,611	723	3,094	7	17,627	2,085	412	2,497	20,124
Professional services	15,807	3,764	609	15,017	5,772	1,758	623	43,350	6,341	282	6,623	49,973
Advertising and promotion	3,088	17,840	28	(2)	233	9,348	-	30,535	12	52	64	30,599
Office expense	215	74	77	395	5	3,048	-	3,814	624	66	690	4,504
Information technology	2,244	564	108	1,988	31	1,502	227	6,664	3,727	92	3,819	10,483
Royalties	176	-	-	-	-	78,428	(169)	78,435	-	-	-	78,435
Occupancy	1,428	282	206	1,366	176	280	5	3,743	962	125	1,087	4,830
Travel and conferences	827	852	351	93	124	445	-	2,692	359	134	493	3,185
Depreciation and amortization	3,475	716	528	1,403	-	2,379	9	8,510	2,467	-	2,467	10,977
Grant expense	782	950	-	3,523	8,049	-	-	13,304	-	5	5	13,309
Donated broadcast rights	194,088	-	-	-	-	-	-	194,088	-	-	-	194,088
Connectivity and communications	2,361	-	-	7,806	-	-	-	10,167	308	-	308	10,475
Program rights	151,804	16	-	-	-	9,035	140	160,995	-	-	-	160,995
Cost of goods sold	1,207	7	-	12	-	14,472	-	15,698	1	-	1	15,699
Others	1,233	156	16	413	1,442	(371)	103	2,992	(1,981)	14	(1,967)	1,025
	\$ 408,578	\$ 30,951	\$ 7,384	\$ 47,296	\$ 18,715	\$ 135,970	\$ 965	\$ 649,859	\$ 34,945	\$ 3,230	\$ 38,175	\$ 688,034

*See accompanying notes to consolidated financial statements.*

# Public Broadcasting Service and Subsidiaries

## Consolidated Statements of Cash Flows

<i>Years ended June 30,</i> <i>(in thousands)</i>	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 61,370	\$ (2,215)
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization of property and equipment	8,542	10,977
Amortization of broadcast rights	134,461	145,992
Bad debt expense	1,068	899
Minority interest	16,288	15,308
Realized (gains) losses on sale of investments	(8,918)	514
Unrealized (gains) losses on investments	(26,404)	1,078
Provision for inventory	(158)	668
Endowment contributions	(320)	(545)
<b>Decrease (increase) in assets</b>		
Accounts receivable	3,968	38,072
Inventory, net	422	897
Prepaid expenses and other assets	(13,174)	(5,985)
Unamortized broadcast rights	(124,116)	(162,317)
<b>Increase (decrease) in liabilities</b>		
Accounts payable and accrued expenses	(6,584)	19,174
Cable and license fees payable	16,521	(5,466)
Deferred revenue	2,327	(1,952)
Deferred lease obligations	6,035	(1,875)
Annuity liabilities	39	15
<b>Net cash provided by operating activities</b>	<b>71,367</b>	<b>53,239</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	184,876	63,486
Purchases of investments	(182,760)	(62,222)
Purchases of property and equipment	(14,799)	(16,012)
<b>Net cash used in investing activities</b>	<b>(12,683)</b>	<b>(14,748)</b>
<b>Cash flows from financing activities:</b>		
Endowment contributions	320	545
Cash distributions to minority ownership	(15,127)	(14,024)
<b>Net cash used in financing activities</b>	<b>(14,807)</b>	<b>(13,479)</b>
<b>Net increase in cash and cash equivalents</b>	<b>43,877</b>	<b>25,012</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>	<b>100,463</b>	<b>75,451</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 144,340</b>	<b>\$ 100,463</b>
<b>Supplemental cash flow information:</b>		
Income tax paid	\$ 1,566	\$ -
<b>Noncash investing activity:</b>		
Leasehold improvements acquired through tenant improvement allowance paid by landlord	\$ (11,466)	\$ (9,677)

*See accompanying notes to consolidated financial statements.*

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

### 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, 2021 and 2020.

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

---

### ***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. The investment in fund of funds is recorded at fair value based on net asset value (NAV) as a practical expedient. 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, the Corporation for Public Broadcasting and distribution partners of PBSd.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

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 and \$0.2 million as of June 30, 2021 and 2020, respectively. Uncollectible amounts are written off when all efforts to collect these receivables have been exhausted.

### *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 \$761,877 and \$978,576 in inventory for the year-ended June 30, 2021 and 2020, respectively.

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

	2021	2020
Finished goods	\$ 3,945	\$ 5,129
Reserve for obsolescence	(1,882)	(2,802)
Inventory, net	\$ 2,063	\$ 2,327

### *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

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.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

### **Revenue Recognition**

Revenue recognized in accordance with Financial Accounting Standards Board (FASB) 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 a cost 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 recorded for the total amount of underwriting funds provided directly to producers for specific programs.

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.

**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 unrecognized conditional contributions as of June 30, 2021 and \$721,000 as of June 30, 2020. The revenue related to the fiscal year 2020 agreements was conditioned on incurring allowable expenditures under the terms of the agreements, and those conditions were fully met in fiscal year 2021.

Grants and contributions include grants awarded by federal sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes and are 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 \$20,846,000 and \$12,552,000 as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 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



# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

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 1,900 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.

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

	2021	2020
Licensing and royalties	\$ 171,794	\$ 147,945
Product sales	21,561	36,993
Other distribution	2,422	1,529
<b>Total distribution revenue</b>	<b>\$ 195,777</b>	<b>\$ 186,467</b>

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 distribution** - Other distribution 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.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

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

	2021	2020
Sponsorship and underwriting	\$ 7,073	\$ 5,511
Proceeds from the sale of series	6,400	-
Technical services	727	734
Satellite services	606	600
Educational services	167	472
Meetings and events	54	-
Miscellaneous	1,388	2,527
<b>Total other revenue</b>	<b>\$ 16,415</b>	<b>\$ 9,844</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

*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.

*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.

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

*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.

*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.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

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.

*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.

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

	2021	2020
Licensing and royalties	\$ 1,755	\$ 655
Membership dues	1,247	-
Sponsorship and underwriting	327	335
Other	29	41
Total deferred revenue	\$ 3,358	\$ 1,031

Substantially all amounts deferred as of June 30, 2020 were recognized during the year ended June 30, 2021.

### *Advertising Expenses*

The Company expenses the costs of advertising as incurred. Total advertising expense was \$32.1 million and \$30.6 million for the years ended June 20, 2021 and 2020, 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.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

PBS made \$400,000 in federal tax payments for the year ended June 30, 2021 for unrelated business income and made no federal tax payments for the year ended June 30, 2020 as the Company had sufficient net operating loss carry forwards to offset the tax liabilities generated. As of June 30, 2021 and 2020, 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, 2021 and 2020, 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 2018 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.

The expenses that have been allocated include the following:

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

---

### ***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 August 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurements Topic 820, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements*. ASU No. 2018-13 eliminates certain disclosures including the disclosure related to transfers between level 1 and 2 investments, the valuation policies for level 3 measurements, and for nonpublic entities, the change in the level 3 investment unrealized gains and losses included in earnings. ASU No. 2018-13 also amends certain disclosures including disclosing purchases, sales, and transfers for level 3 investments instead of the level 3 roll forward. ASU No.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

2018-13 is effective for periods beginning after December 15, 2019. The Company adopted the guidance on July 1, 2020. The adoption of this guidance did not have a material impact to the financial statements and investment disclosures.

### 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 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.

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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The standard 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. Early adoption of the ASU is permitted. The Company is currently evaluating this ASU to determine the impact, if any, on its consolidated financial statements and disclosures.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

### 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):

	2021	2020
Cash and cash equivalents	\$ 144,340	\$ 100,463
Investments	178,812	145,606
Accounts receivable, current	135,845	148,800
Financial assets, as of June 30, 2021	458,997	394,869
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions:		
Restricted by donor with purpose restrictions	(91,388)	(114,256)
Board designated endowment fund	(12,912)	(8,061)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 354,697	\$ 272,552

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 14, a determination of the amount available for distribution is performed annually utilizing the calculation provided in the Endowment Fund Expenditure and Accumulation Policy.

The Company has \$12.9 million and \$8.1 million in Board designated endowment funds, as of June 30, 2021 and 2020, 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 9, the Company has a credit facility with a committed line of credit with availability of up to \$50.0 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.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

### 3. Description of Functional Activities

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

**Content** - Represents approximately 1,900 hours of broadcast content, provided by PBS to its 150-member public television licensees, to inform, inspire, engage, and educate. This expense category includes costs associated with administering programming, including content oversight, program scheduling and packaging. 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.

**Promotion** - 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.

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

**Technology and Operations** - Represents Media Operation Center 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.

**Educational Grants** - Represents activity related primarily to grants received from the Corporation for Public Broadcasting.

**Ventures** - Represents activities associated with the sale of DVDs, digital content, and program-related products that are sold to educational institutions, libraries, businesses, government agencies and individuals; the licensing, development, and distribution of interactive products, such as online video games; the licensing of video content to commercial online and mobile service providers; and online sponsorship activities.

**Royalties and 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, the vast majority of which is incurred by PBS Foundation.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

### 4. Concentrations of Credit Risk

The Company maintains its cash balances at a financial institution in accounts which, at times, may exceed federally insured limits. 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 45% and 46% of the Company's accounts receivable as of June 30, 2021 and 2020, respectively, are contributions due from three grantors. Approximately 46% and 45% of the Company's trade accounts receivable for the years ended June 30, 2021 and 2020, respectively, were due from one and three customers for 2021 and 2020, respectively. Approximately 21% of the Company's revenues during both fiscal years 2021 and 2020, were generated from one and four customers, respectively. 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, 2021, and 2020, the Company had \$18.5 million and \$37.9 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.

### 6. Investments

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

	2021	2020
<i>Short Term:</i>		
Fixed income funds	\$ 35,451	\$ 34,093
<i>Long Term:</i>		
Money market funds	590	505
Fixed income funds	28,981	29,080
U.S. equity securities	112,619	81,688
Foreign equity securities	1,171	240
	<b>143,361</b>	<b>111,513</b>
Total investments	\$ 178,812	\$ 145,606



# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

Net investment return for the years ended June 30, 2021 and 2020 consist of the following (in thousands):

	2021		2020
Interest and dividends, net	\$ 2,186	\$	4,208
Realized gains (losses)	8,918		(514)
Unrealized gains (losses)	26,404		(1,078)
<b>Total investment return, net</b>	<b>\$ 37,508</b>	<b>\$</b>	<b>2,616</b>

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. Examples include equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the-counter market.

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.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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

Description	Level 1	Level 2	Level 3	NAV	Total
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>\$ 178,812</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,812</b>

The following table sets forth the Company's financial assets measured at fair value on a recurring basis as of June 30, 2020 (in thousands):

Description	Level 1	Level 2	Level 3	NAV	Total
Fixed income funds	\$ 63,173	\$ -	\$ -	\$ -	\$ 63,173
U.S. equity securities	81,688	-	-	-	81,688
Foreign equity securities	240	-	-	-	240
Money market funds	505	-	-	-	505
	<b>\$ 145,606</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 145,606</b>

There were no financial liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020.

### Fair Value of Investments

The fair value of fixed income funds, U.S. equity securities, foreign equity securities and money market funds are based on quoted market prices at the reporting date for those or similar investments.

## 8. 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):

	2021	2020
Land and building	\$ 30,404	\$ 26,255
Satellite transponder	-	6,712
Broadcasting equipment	81,426	79,688
Furniture and equipment	7,361	4,867
Computer and software	53,227	51,980
Mobile applications	2,154	2,154
Leasehold improvements	14,626	25,770
	<b>189,198</b>	<b>197,426</b>
Less accumulated depreciation and amortization	<b>(140,466)</b>	<b>(154,951)</b>
	<b>\$ 48,732</b>	<b>\$ 42,475</b>

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

Depreciation and amortization of property and equipment amounted to \$8.5 million and \$11.0 million for the years ended June 30, 2021 and 2020, respectively. The Organization disposed of fully depreciated property and equipment amounting to \$23.0 million and \$5.4 for the years ended June 30, 2021 and 2020, respectively.

### 9. Debt

#### *Line-of-Credit*

PBS has a credit facility with a committed line-of-credit with availability of up to \$50.0 million and an expiration date of May 31, 2022. The line-of-credit incurs interest at the greater of the LIBOR Daily Floating Rate or the Index Floor of 1% + 1.26% and has an unused balance fee of 0.25% in both fiscal 2021 and 2020. Interest expense related to the line-of-credit was \$0 in fiscal year 2021 and 2020. As of June 30, 2021 and 2020, 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, 2021.

### 10. 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, 2021 and 2020 consists of the following (in thousands):

	2021	2020
Beginning balance, minority interest	\$ 22,287	\$ 21,003
Share of PBSd fiscal year net income	16,288	15,308
Cash distributions to minority ownership	(15,127)	(14,024)
Ending balance, minority interest	\$ 23,448	\$ 22,287

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

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

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

	2021	2020
Content	\$ 150,122	\$ 140,809
Roadmap to the future	56,972	26,566
Investment gains	49,906	21,496
Property	15,685	6,205
Digital and content initiatives	14,195	14,195
PBSF endowment fund	12,912	8,061
PBSF Board designated	3,226	1,426
Strategic investment	2,451	2,410
<b>Total net assets without donor restrictions - Board designated</b>	<b>\$ 305,469</b>	<b>\$ 221,168</b>

### 12. Net Assets with Donor Restrictions

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

	2021	2020
<b>Subject to expenditure for specified purpose:</b>		
Content	\$ 12,473	\$ 11,729
Technical products and services	18,379	50,450
Other grants	54,893	46,754
	<b>85,745</b>	<b>108,933</b>
<b>Not subject to appropriation or expenditure:</b>		
Original donor-restricted endowment amount and amounts required to be retained by donor	5,643	5,323
<b>Total net assets with donor restrictions</b>	<b>\$ 91,388</b>	<b>\$ 114,256</b>

### 13. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2021 and 2020 as follows (in thousands):

	2021	2021
<b>Purpose restrictions accomplished:</b>		
Other grants	\$ 36,315	\$ 40,635
Content	27,524	26,037
Technical products and services	34,770	24,336
<b>Total restrictions released</b>	<b>\$ 98,609</b>	<b>\$ 91,008</b>

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

### 14. 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

As of June 30, 2021 and 2020, the Company had endowment funds totaling \$20.6 million and \$13.8 million, respectively. Of this total, funds totaling \$5.6 million and \$5.3 million in fiscal 2021 and 2020, respectively, were restricted in perpetuity with donor-imposed stipulations on the use of the funds. In addition to the net assets with donor restrictions, the Company had 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.

#### *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, 2021 and 2020 (in thousands) are as follows:

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
Total endowment net assets	\$ 12,912	\$ 7,690	\$ 20,602

  

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment fund	\$ -	\$ 5,745	\$ 5,745
Board designated endowment fund	8,061	-	8,061
Total endowment net assets	\$ 8,061	\$ 5,745	\$ 13,806

## Public Broadcasting Service and Subsidiaries

### Notes to Consolidated Financial Statements

Changes in endowment net assets for the years ended June 30, 2021 and 2020 (in thousands):

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)
End of year	\$ 12,912	\$ 7,690	\$ 20,602

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 7,935	\$ 5,399	\$ 13,334
Contributions and additions	63	545	608
Investment return, net	63	1	64
Distributions	-	(200)	(200)
End of year	\$ 8,061	\$ 5,745	\$ 13,806

#### 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 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 for the years ended June 30, 2021 and 2020.

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

### 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.

## 15. 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 and \$5.3 million in fiscal 2021 and 2020, respectively.

## 16. 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, 2021, as follows (in thousands):

<i>Years ending June 30,</i>		
2022	\$	4,388
2023		4,776
2024		4,907
2025		5,042
2026		5,181
2027 and thereafter		68,026
	\$	92,320

---

# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

PBS has an operating lease for its headquarters facilities in Arlington, Virginia. The initial lease term was for 15 years starting March 1, 2006. In addition to base rent, PBS was required to pay its pro rata share of real estate taxes in excess of the base year (January 1, 2006) real estate taxes, and of the amount of operating expenses in excess of the base year operating expenses. This lease was amended on December 17, 2018 to provide for a reduction in rent and an early termination of the lease. This lease terminated on the day immediately preceding the occupancy date of the lease for PBS's new headquarters facilities in Arlington, VA, which occurred on September 26, 2020. The new operating lease is effective through August 31, 2036.

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 \$5.0 million and \$3.5 million in fiscal year 2021 and fiscal year 2020, respectively.

### *Programming*

PBS has current unpaid commitments of \$73.2 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.

## **17. 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.

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.

## **18. Risks and Uncertainties**

The federal funding that supports public broadcasting may decline in the future as part of the ongoing deficit reduction efforts of Congress. It is not possible to estimate the probability, the amount or the timing of any potential funding cuts, or the effect that any funding reductions might have on PBS.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak), and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the World Health Organization declared the novel coronavirus a global pandemic.



# Public Broadcasting Service and Subsidiaries

## Notes to Consolidated Financial Statements

---

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Company will depend on the duration and continued spread of the outbreak. In addition, the Company depends on funds from contributions and grants which may decrease or not be available. COVID-19 presents potential material uncertainty and risk with respect to the Company, its performance, and its financial results in fiscal year 2022.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” was signed into law. Management has examined the provisions of the CARES Act and did not participate in any of the programs or apply for economic assistance.

Management continues to monitor the impact the COVID-19 pandemic could potentially have on its operations and financial position in fiscal year 2022.

### **19. Subsequent Events**

The Company has evaluated subsequent events through November 12, 2021, 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.