Public Broadcasting Service and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

Years Ended June 30, 2019 and 2018

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and Independent Auditor's Report

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Contents

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Independent Auditor's Report

To the Board of Directors
Public Broadcasting Service
Arlington, Virginia

We have audited the accompanying consolidated financial statements of the Public Broadcasting Service and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Public Broadcasting Service and Subsidiaries as of June 30, 2019 and 2018, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 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, 2019

Consolidated Financial Statements

Public Broadcasting Service and Subsidiaries

Consolidated Statements of Financial Position

June 30,	**2019**	2018
(in thousands)		
Assets		
Current assets		
Cash and cash equivalents	**$ 75,451**	$ 53,862
Investments	**32,769**	30,364
Accounts receivable, net of allowance	**187,771**	224,983
Inventory, net	**3,892**	4,320
Prepaid expenses and other assets	**23,415**	22,163
Total current assets	**323,298**	335,692
Noncurrent assets		
Property and equipment, net	**27,763**	33,422
Unamortized broadcast rights	**114,135**	106,978
Investments, net of current portion	**115,693**	128,691
Accounts receivable, net of current portion	**-**	1,082
Other assets	**1,077**	1,525
Total assets	**$ 581,966**	$ 607,390
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	**$ 162,641**	$ 142,807
Cable and license fees payable	**28,881**	13,864
Bonds payable, current portion	**-**	615
Deferred revenue	**2,998**	1,461
Total current liabilities	**194,520**	158,747
Bonds payable, net of current portion	**-**	15,180
Deferred lease obligations	**1,864**	3,558
Total liabilities	**196,384**	177,485
Minority interest	**21,003**	22,602
Commitments and contingencies		
Net assets		
Without donor restrictions		
Board designated	**232,404**	234,394
Undesignated	**26,668**	26,549
Total without donor restrictions	**259,072**	260,943
With donor restrictions		
Purpose restrictions	**100,729**	142,332
Perpetual in nature	**4,778**	4,028
Total with donor restrictions	**105,507**	146,360
Total net assets	**364,579**	407,303
Total liabilities and net assets	**$ 581,966**	$ 607,390

See accompanying notes to consolidated financial statements.

Public Broadcasting Service and Subsidiaries

Consolidated Statements of Activities

Years ended June 30,	2019			2018		
(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets						
Revenues, gains, and other support						
Imputed value of donated broadcast rights	**$ 148,914**	**$ -**	**$ 148,914**	$ 177,712	$ -	$ 177,712
Member assessments	**197,985**	**-**	**197,985**	197,552	-	197,552
Grants and contributions	**4,577**	**50,900**	**55,477**	4,049	101,118	105,167
Distribution	**168,873**	**-**	**168,873**	174,552	237	174,789
Satellite services	**113**	**-**	**113**	137	-	137
Investment return, net	**9,230**	**755**	**9,985**	10,253	592	10,845
Other	**8,431**	**5**	**8,436**	7,905	59	7,964
Net assets released from restrictions	**92,513**	**(92,513)**	**-**	77,424	(77,424)	-
Total revenues, gains, and other support	**630,636**	**(40,853)**	**589,783**	649,584	24,582	674,166
Expenses						
Program services						
Content	**361,384**	**-**	**361,384**	366,489	-	366,489
Promotion	**27,920**	**-**	**27,920**	26,280	-	26,280
Other member services	**7,162**	**-**	**7,162**	8,132	-	8,132
Technology and operations	**40,588**	**-**	**40,588**	36,846	-	36,846
Educational grants	**20,416**	**-**	**20,416**	12,909	-	12,909
Ventures	**118,573**	**-**	**118,573**	123,159	-	123,159
Royalties and other	**2,492**	**-**	**2,492**	4,054	-	4,054
Total program services	**578,535**	**-**	**578,535**	577,869	-	577,869
Supporting services						
Management and general	**36,280**	**-**	**36,280**	36,311	-	36,311
Fundraising	**2,857**	**-**	**2,857**	2,248	-	2,248
Total supporting services	**39,137**	**-**	**39,137**	38,559	-	38,559
Total expenses	**617,672**	**-**	**617,672**	616,428	-	616,428
Change in net assets before minority interest and fair value gain on interest rate swap	**12,964**	**(40,853)**	**(27,889)**	33,156	24,582	57,738
Minority interest	**(14,879)**	**-**	**(14,879)**	(15,186)	-	(15,186)
Fair value gain on interest rate swap	**44**	**-**	**44**	363	-	363
Change in net assets	**(1,871)**	**(40,853)**	**(42,724)**	18,333	24,582	42,915
Net assets, beginning of year	**260,943**	**146,360**	**407,303**	242,610	121,778	364,388
Net assets, end of year	**$ 259,072**	**$ 105,507**	**$ 364,579**	$ 260,943	$ 146,360	$ 407,303

See accompanying notes to consolidated financial statements.

Public Broadcasting Service and Subsidiaries

Statement of Functional Expenses

	Program Services								Support Services				
Years ended June 30, *(in thousands)*	**Content**	**Promotion**	**Member Services**	**Technology and Operations**	**Educational Grants**	**Ventures**	**Royalties and Other**	**Total Program Services**	**Management and General**	**Fundraising**	**Total Support Services**	**2019 Total**	2018 Total*
Salaries and wages	$ 20,281	$ 3,838	$ 3,731	$ 11,187	$ 1,710	$ 11,302	$ 19	**$ 52,068**	$ 20,135	$ 1,442	**$ 21,577**	**$ 73,645**	$ 69,418
Benefits	6,385	1,233	1,175	3,308	546	2,847	6	**15,500**	1,653	291	**1,944**	**17,444**	16,702
Professional services	15,816	3,796	570	11,548	5,174	1,248	610	**38,762**	6,183	435	**6,618**	**45,380**	38,880
Advertising and promotion	1,502	16,132	60	3	492	6,429	-	**24,618**	9	9	**18**	**24,636**	25,812
Office expense	256	93	108	341	6	2,723	1	**3,528**	552	158	**710**	**4,238**	4,736
Information technology	2,192	600	109	2,821	30	1,438	205	**7,395**	4,169	84	**4,253**	**11,648**	9,032
Royalties	155	-	-	-	-	72,982	1,076	**74,213**	-	-	**-**	**74,213**	73,811
Occupancy	1,809	352	262	1,641	170	295	9	**4,538**	787	94	**881**	**5,419**	6,111
Travel and conferences	1,844	1,146	751	282	214	860	-	**5,097**	1,255	318	**1,573**	**6,670**	7,057
Depreciation and amortization	2,570	525	396	1,199	-	2,009	7	**6,706**	1,753	-	**1,753**	**8,459**	7,489
Grant expense	723	10	-	3,283	10,741	-	-	**14,757**	-	1	**1**	**14,758**	9,131
Donated broadcast rights	148,914	-	-	-	-	-	-	**148,914**	-	-	**-**	**148,914**	177,712
Connectivity and communications	1,514	-	-	4,530	-	-	-	**6,044**	2,760	-	**2,760**	**8,804**	10,241
Program rights	155,462	-	-	-	1	5,263	105	**160,831**	-	-	**-**	**160,831**	140,977
Cost of goods sold	111	7	-	19	-	11,177	-	**11,314**	151	-	**151**	**11,465**	17,132
Others	1,850	188	-	426	1,332	-	454	**4,250**	(3,127)	25	**(3,102)**	**1,148**	2,187
	$ 361,384	**$ 27,920**	**$ 7,162**	**$ 40,588**	**$ 20,416**	**$ 118,573**	**$ 2,492**	**$ 578,535**	**$ 36,280**	**$ 2,857**	**$ 39,137**	**$ 617,672**	$ 616,428

See accompanying notes to consolidated financial statements.

**Only totals are shown for the fiscal year ended June 30, 2018 as permitted under ASU 2016-14. See Note 1.*

Public Broadcasting Service and Subsidiaries

Consolidated Statements of Cash Flows

Years ended June 30, *(in thousands)*		2019		2018
Cash flows from operating activities:				
Change in net assets	$	**(42,724)**	$	42,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization of property and equipment		**8,459**		7,489
Amortization of broadcast rights		**149,357**		129,198
Loss on disposal of property and equipment		**-**		18
Impairment expense of acquired rights		**-**		1,989
Bad debt expense		**91**		781
Minority interest		**14,879**		15,186
Realized gains on sale of investments		**(11,746)**		(12,813)
Unrealized losses on investments		**5,765**		5,400
Fair value gain on interest rate swap		**(44)**		(363)
Endowment contributions		**(750)**		-
Decrease (increase) in assets				
Accounts receivable		**38,203**		(15,109)
Inventory, net		**428**		2,410
Prepaid expenses and other assets		**(1,124)**		(2,474)
Unamortized broadcast rights		**(156,514)**		(148,780)
Increase (decrease) in liabilities				
Accounts payable and accrued expenses		**19,834**		10,916
Cable and license fees payable		**15,017**		(1,314)
Deferred revenue and other liabilities		**1,537**		(789)
Deferred lease obligations		**(1,694)**		(1,319)
Net cash provided by operating activities		**38,974**		33,341
Cash flows from investing activities:				
Proceeds from sale of investments		**83,826**		91,882
Purchases of investments		**(67,252)**		(80,957)
Purchases of property and equipment		**(2,800)**		(7,335)
Net cash provided by investing activities		**13,774**		3,590
Cash flows from financing activities:				
Proceeds from interest rate swap agreement termination		**364**		-
Endowment contributions		**750**		-
Repayment of bonds payable		**(15,795)**		(595)
Proceeds from line-of-credit		**11,550**		13,150
Repayment of line-of-credit		**(11,550)**		(13,150)
Cash distributions to minority ownership		**(16,478)**		(10,692)
Net cash used in financing activities		**(31,159)**		(11,287)
Net increase in cash and cash equivalents		**21,589**		25,644
Cash and cash equivalents, beginning of year		**53,862**		28,218
Cash and cash equivalents, end of year	$	**75,451**	$	53,862
Supplemental cash flow information:				
Cash paid for interest	$	**178**	$	386

See accompanying 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, 2019 and 2018.

Public Media Distribution, LLC (PBSd) was formed on December 15, 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.

Principles of Consolidation

The consolidated financial statements include the accounts of PBS, PBSE, PBS Foundation, PBS Digital, LLC, and PBSd (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).

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Company has adopted this standard during the fiscal year ended June 30, 2019 and adjusted the presentation of the financial statements accordingly.

The ASU has been applied retrospectively to all periods presented except the Company has opted to present the liquidity and availability and functional expense allocation information only for the year of adoption, as permitted under the ASU. There was no effect on the change in net assets reported at June 30, 2018.

Accounting Pronouncements Issued but Not Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standards are effective for annual periods beginning after December 15, 2017. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date,* which defers the effective date of new revenue accounting standards to fiscal years beginning after December 31, 2018. In December 2016, FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers,* which amends the new revenue standard. The amendments do not alter the core principle of the standard, but clarify certain narrow aspects of the standard including contract cost accounting, disclosures, illustrative examples, and other matters. The effective date and transition requirements for ASU 2016-20 are the same as the effective date and transition requirements of Topic 606 which is fiscal years beginning after December 31, 2018. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

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, 2020, 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 August 2016, the FASB issued ASU 2016-15, *Classification of Certain Receipts and Cash Payments*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. This ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on the 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 Foundation pursuant to those stipulations, the passage of time and/or required to be maintained in perpetuity by the Foundation. 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 classified 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.

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.

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 $14.6 million at June 30, 2019 and 2018, respectively.

Inventory

Inventory, which consists primarily of DVDs, catalogs and print packaging for the wholesale and consumer markets, is stated at the lower of average cost or net realizable value. PBSd determines cost using the average cost method. Obsolete or unsalable inventory is reflected at its estimated net realizable value.

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.

Revenue Recognition

Member Assessments – PBS member stations pay an annual 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 1,562 hours of programming and related promotion and support. Non-programming related services include digital products, education, and development. The revenue is recognized in the fiscal year to which the assessment applies.

Grants and Contributions – Unconditional contributions, and grants classified as contributions, are recognized as revenue in the period received or when the promise is made, whichever comes first.

Conditional contributions are recorded as revenue when all conditions have been substantially met. As of June 30, 2019 and 2018, the Company had no conditional contributions.

Revenue from grants, classified as exchange transactions, is recognized to the extent of expenses incurred. When cumulative expenses incurred in accordance with the grant provisions are in excess of cumulative receipts, the excess is accrued and reflected as accounts receivable with a corresponding credit to revenue, up to the total grant award. When cumulative receipts are in excess of cumulative expenses, the excess is reflected as deferred revenue.

Distribution – Revenue from the sale of DVDs is recognized in the period in which the DVD is shipped to the customer. Revenue from on demand digital video content is recognized when the content is downloaded. Revenue from video distribution agreements is recognized upon receipt of billing activity from the mass retail distribution partner. In addition, revenue earned from the licensing of programming for subscription on demand platforms and for international distribution is recognized once a formal contract is executed and all program masters and deliverables have been delivered to the customer. Royalty revenue is recorded in the period in which it is earned, except when the amount of revenue cannot be reasonably determined before receipt. In these cases, revenue is recognized when funds are received. Revenue from satellite providers is recognized in the period in which the programs are aired by the satellite providers. Revenue from cable providers is recognized when funds are received by the United States Copyright Office, as amounts to be paid cannot be reasonably determined before they are received.

Satellite Services – Revenue from the sale of excess satellite transponder capacity is recognized in the period in which the related services are provided.

Other Revenue – Included within other revenue in the consolidated statements of activities is revenue from underwriting, sponsorship and digital advertising revenues, as well as educational courses, conference registrations and mobile application distribution revenues.

Advertising Expenses

The costs of advertising are expensed, except for direct-response advertising, which is deferred and amortized over its expected period of future benefit.

Direct-response advertising consists primarily of printing, mailing and postage related to product catalogs. Total direct-response advertising expense was $1.8 million in fiscal 2019 and $2.1 million in fiscal 2018.

Total advertising expense was $24.6 million in fiscal 2019 and $25.8 million in fiscal 2018.

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 no federal tax payments for the years ended June 30, 2019 and 2018 for unrelated business income as the Company had sufficient net operating loss carry forwards to offset the tax liabilities generated. As of June 30, 2019 and 2018, PBS has not recorded a deferred tax asset for net operating loss carry forwards, since their realization is uncertain.

Under FASB Accounting Standards Codification (ASC) 740-10, *Income Taxes*, 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, 2019 and 2018, 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 2016 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 statement of functional expenses. Expenses that can be identified with a specific program or support 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:

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

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.

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):

		2019
Cash and cash equivalents	$	75,451
Investments		148,462
Accounts receivable		187,771
Financial assets, as of June 30, 2019		411,684
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions:		
Restricted by donor with purpose restrictions		(105,507)
Board designations		(10,823)
Total financial assets available to meet cash needs for general expenditures within one year	$	295,354

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 13, a determination of the amount available for distribution is performed annually utilizing the calculation provided in the Endowment Fund Expenditure and Accumulation Policy. 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 proceeding 20 calendar quarters, as determined in the first quarter of the Company's fiscal year. 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 Company has $8.4 million in board designated endowment funds and $2.4 million in board designated strategic investment funds which are available, with board approval, to meet cash needs for general expenditure within one year of the date of the statement 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 without Board approval.

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 8, 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 – Represents approximately 1,562 hours of broadcast content, provided by PBS to its 153-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 the scheduling and logging of all satellite feeds; media operation center handling, technical evaluation and other pre-transmission processing of all program video; and program origination transmission including operational support for news and other live event coverage. This expense category also includes other technical research and planning, the management of excess satellite transponder capacity, and the 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.

Fundraising – Represents costs incurred to raise funds and perform activities in support of PBS, the vast majority of which is incurred by PBS Foundation.

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 33% and 42% of the Company's accounts receivable as of June 30, 2019 and 2018, respectively, are due from one grantor. Approximately 39% of the Company's accounts receivable for both the years ended June 30, 2019 and 2018, were due from two and three customers respectively. Approximately 22% and 16% and of the Company's revenues during fiscal years 2019 and 2018, respectively, were generated from three and two customers, respectively. The Company believes the credit risk is mitigated based on a long history with the grantor, and management's ongoing considerations around collectability of its trade receivables. The credit risk with respect to the remaining accounts receivable is limited because the Company deals with a large number of customers over a wide geographic area.

5. Cash and Cash Equivalents

As of June 30, 2019, and 2018, the Company had $13.6 million and $16.9 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):

	2019	2018
Short Term:		
Fixed income funds	**$ 32,769**	$ 30,364
Long Term:		
Money market funds	**279**	109
Fixed income funds	**32,093**	18,428
U.S. equity securities	**81,016**	107,662
Foreign equity securities	**993**	1,064
Investment in fund of funds	**1,312**	1,428
	115,693	128,691
Total investments	**$ 148,462**	$ 159,055

Net investment return for the years ended June 30, 2019 and 2018 consist of the following (in thousands):

		2019		2018
Interest and dividends, net	**$**	**4,004**	$	3,432
Realized gains		**11,746**		12,813
Unrealized losses		**(5,765)**		(5,400)
Total investment return, net	**$**	**9,985**	$	10,845

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

7. 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):

		2019		2018
Land and building	**$**	**19,460**	$	19,132
Satellite transponder		**6,712**		6,712
Broadcasting equipment		**75,217**		74,356
Furniture and equipment		**5,582**		5,576
Computer and software		**52,911**		51,373
Mobile applications		**2,154**		2,154
Leasehold improvements		**15,117**		15,050
		177,153		174,353
Less accumulated depreciation and amortization		**(149,390)**		(140,931)
	$	**27,763**	$	33,422

Depreciation and amortization of property and equipment amounted to $8.5 million and $7.5 million for the years ended June 30, 2019 and 2018, respectively.

8. 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, 2020. The line-of-credit incurred interest at LIBOR Daily Floating Rate + 0.50% and has an unused balance fee of 0.17% in both fiscal 2019 and 2018. Interest expense related to the line-of-credit was $27,000 in fiscal 2019 and $15,000 in fiscal 2018. As of June 30, 2019, and 2018 there was no amount outstanding on the line-of-credit facility.

PBS is subject to certain financial covenants under the line-of-credit and bond refinancing agreements. All covenants have been met by PBS as of June 30, 2019.

Bonds Payable

On June 30, 2005, PBS issued 30-year Fairfax County Economic Development Authority Variable Rate Revenue Bonds (Series 2005) in the amount of $19.5 million to finance the rehabilitation and expansion of its technical facilities and outfitting of its new headquarters facility.

On August 1, 2012, PBS refinanced these bonds through a direct purchase transaction with a bank. Under this agreement, the bank purchased all of the re-issued Series 2005 bonds with an aggregate outstanding principal balance of $18,545,000. The agreement had a term of approximately nine and a half years. The bonds were required to be held by the bank until the termination of the refinancing agreement on February 1, 2022. Repayment of the bonds in full occurred on November 1, 2018.

Interest on the bonds accrues at a rate of 77% of 30-day LIBOR + 85 basis points. As of June 30, 2019, there was no bond principal outstanding. As of June 30, 2018, the bond principal outstanding was $15.8 million. Interest expense related to the bonds payable for the years ended June 30, 2019 and 2018 was $117,000 and $371,000, respectively.

PBS entered into an interest rate swap (the Swap) to stabilize interest expense related to the debt. Following the repayment of the bonds in full, the Swap was terminated on November 2, 2018 and PBS received proceeds of $364,000. The Swap is recorded at fair value of $317 in other assets in the consolidated statements of financial position as of June 30, 2018.

9. 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, 2019 and 2018 consists of the following (in thousands):

		2019		2018
Beginning balance, minority interest	**$**	**22,602**	$	18,108
Share of PBSd fiscal year net income		**14,879**		15,186
Cash distributions to minority ownership		**(16,478)**		(10,692)
Ending balance, minority interest	**$**	**21,003**	$	22,602

10. Net Assets Without Donor Restrictions – Board Designated Net Assets

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

		2019		2018
Content	$	**145,414**	$	149,301
Investment gains		**25,014**		22,165
Digital and content initiatives		**21,999**		28,167
Roadmap to the future		**19,878**		14,882
Property		**9,276**		10,411
PBS endowment fund		**8,435**		7,185
Strategic investment		**2,388**		2,283
	$	**232,404**	$	234,394

11. Net Assets with Donor Restrictions

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

		2019		2018
Subject to expenditure for specified purpose:				
Content	$	**11,537**	$	39,793
Technical products and services		**49,160**		68,683
Other grants		**40,032**		33,856
		100,729		142,332
Not subject to appropriation or expenditure:				
Original donor-restricted endowment amount and amounts required to be retained by donor		**4,778**		4,028
Total net assets with donor restrictions	$	**105,507**	$	146,360

12. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2019 and 2018 as follows (in thousands):

		2019		2018
Purpose restrictions accomplished:				
Other grants	$	**43,990**	$	34,224
Content		**28,857**		32,314
Technical products and services		**19,666**		10,886
Total restrictions released	$	**92,513**	$	77,424

13. 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. The Company reports those funds in accordance with FASB ASC 958, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*.

Description of Endowment Funds

At June 30, 2019 and 2018, the Company had endowment funds totaling $13.8 million and $11.9 million, respectively. Of this total, funds totaling $4.8 million and $4.0 million in fiscal 2019 and 2018, 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.

The distribution of endowment net assets between donor restricted and Board designated as of June 30, 2019 and 2018 (in thousands) is as follows:

June 30, 2019	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor restricted endowment fund:			
The Iris and Joseph Pollock Fund	**$ -**	**$ 4,618**	**$ 4,618**
News, Journalism, and Public Affairs Fund	**-**	**781**	**781**
Board designated fund:			
PBS Endowment Fund	**8,435**	**-**	**8,435**
Total endowment net assets	**$ 8,435**	**$ 5,399**	**$ 13,834**

June 30, 2018	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor restricted endowment fund:			
The Iris and Joseph Pollock Fund	$ -	$ 4,717	$ 4,717
Board designated fund:			
PBS Endowment Fund	7,185	-	7,185
Total endowment net assets	$ 7,185	$ 4,717	$ 11,902

Changes in endowment net assets for the years ended June 30, 2019 and 2018 (in thousands):

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	$ 7,185	$ 4,717	$ 11,902
Contributions and additions	842	750	1,092
Investment return, net	408	263	671
Distributions	-	(331)	(331)
End of year	$ 8,435	$ 5,399	$ 13,334

June 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	$ 4,810	$ 4,530	$ 9,340
Contributions and additions	2,050	-	2,050
Investment return, net	325	337	662
Distributions	-	(150)	(150)
End of year	$ 7,185	$ 4,717	$ 11,902

Funds with Deficiencies

The Company is subject to 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 to the Endowment Fund Expenditure and Accumulation Policy, the Endowment Fund Committee of the 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, 2019 and 2018.

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.

14. 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. The total amount of underwriting funds provided directly to producers for specific programs is recorded in the accompanying consolidated statements of activities as imputed value of donated broadcast rights.

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. The imputed value of donated broadcast rights was $148.9 million and $177.7 million for the years ended June 30, 2019 and 2018, respectively.

15. Retirement Plans

Retirement benefits are provided for all eligible employees under defined contribution retirement plans (the Plans). Expenses related to the Plans were $5.0 million and $4.8 million in fiscal 2019 and 2018, 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 subsequent to June 30, 2019, as follows (in thousands):

Years ending June 30,		
2020	$	**6,658**
2021		**5,698**
2022		**4,888**
2023		**4,888**
2024 and thereafter		**64,358**
	$	**86,490**

PBS has an operating lease for its headquarters facilities in Arlington, Virginia. The initial lease term is for 15 years starting March 1, 2006. In addition to base rent, PBS is 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 will terminate on the day immediately preceding the occupancy date of the lease for PBS's new headquarters facilities in Arlington, VA, which is estimated to be in the summer of 2020. The new operating lease is effective for 15 years.

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 $4.4 million in fiscal 2019 and $4.6 million in fiscal 2018.

Programming

PBS has current unpaid commitments of $83.2 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.

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.

The federal funding that supports public broadcasting may decline in the future as part of the on-going deficit reduction and sequestration 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.

18. Fair Value of Financial Instruments

FASB ASC 820 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.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis as of June 30, 2019 (in thousands):

Description	Level 1	Level 2	Level 3	NAV	Total
Fixed income funds	**$ 64,862**	**$ -**	**$ -**	**$ -**	**$ 64,862**
U.S. equity securities	**81,016**	**-**	**-**	**-**	**81,016**
Foreign equity securities	**993**	**-**	**-**	**-**	**993**
Money market funds	**279**	**-**	**-**	**-**	**279**
Fund of funds	**-**	**-**	**-**	**1,312**	**1,312**
Interest rate swap	**-**	**-**	**-**	**-**	**-**
	$ 147,150	**$ -**	**$ -**	**$ 1,312**	**$ 148,462**

The following table sets forth the Company's financial assets measured at fair value on a recurring basis as of June 30, 2018 (in thousands):

Description	Level 1	Level 2	Level 3	NAV	Total
Fixed income funds	$ 48,792	$ -	$ -	$ -	$ 48,792
U.S. equity securities	107,662	-	-	-	107,662
Foreign equity securities	1,064	-	-	-	1,064
Money market funds	109	-	-	-	109
Fund of funds	-	-	-	1,428	1,428
Interest rate swap	-	317	-	-	317
	$ 157,627	$ 317	$ -	$ 1,428	$ 159,372

There were no financial liabilities measured at fair value on a recurring basis as of June 30, 2019 and 2018.

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.

The fund of funds (Fund) is valued based on an estimated net asset value per share as a practical expedient. As of June 30, 2019, and 2018, the fair value of the Fund was $1.3 million and $1.4 million, respectively. During 2008, the Fund announced that it would begin liquidating the fund by prudently redeeming assets from the underlying managers pursuant to the underlying managers' redemption schedules. The Fund's final liquidation was for $1.3 million and PBS received the proceeds on July 2, 2019. The Company has no unfunded commitments associated with this investment.

Interest Rate Swap

The fair value of this instrument is based on the value obtained from the counterparty which is determined using a pricing model. This is the estimate of the amount PBS would receive or pay to settle the interest rate swap at the reporting date. The Swap was terminated on November 2, 2018.

19. Subsequent Events

The Company has evaluated subsequent events through November 12, 2019, 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.