

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

***Public Broadcasting of Northwest Pennsylvania, Inc.
(a nonprofit organization)***

June 30, 2018 and 2017

Public Broadcasting of Northwest Pennsylvania, Inc.
Financial Statements and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Broadcasting of Northwest Pennsylvania, Inc.

I have audited the accompanying financial statements of Public Broadcasting of Northwest Pennsylvania, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Broadcasting of Northwest Pennsylvania, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SEAN T. SULLIVAN, CPA, PC

SEAN T. SULLIVAN, CPA, PC

September 24, 2018
Erie, Pennsylvania

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NOTES TO FINANCIAL STATEMENTS

Public Broadcasting of Northwest Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

THE ORGANIZATION AND NATURE OF ACTIVITIES

Public Broadcasting of Northwest Pennsylvania, Inc. (WQLN) operates a public television and FM-radio station. WQLN provides a wide-range of educational, informational and general interest programs. WQLN is supported primarily through grants and support from the general public.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

2. *Cash and Equivalents*

For purposes of the *Statements of Cash Flows*, WQLN considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3. *Broadcast Rights*

WQLN purchases the rights to broadcast various programs for terms that range from one to eight years. These rights are amortized using the straight-line method over the actual term of the individual broadcast rights or the average term of package broadcast rights.

4. *Property and Equipment and Related Depreciation*

Depreciation is provided using the straight-line method over the following estimated useful lives of the assets -- Land improvements 3 – 20 years; Buildings 5 – 35 years; Transmission systems 7 - 20 years; Production equipment 5 - 15 years; Office equipment 5 - 7 years; Vehicle 3 years.

Expenditures for maintenance and repairs are charged to operations in the year incurred; major replacements, renewals and betterments are capitalized, at cost or fair value if donated, and depreciated over their estimated useful lives. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities.

5. *Long-term Investments*

WQLN has adopted Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial positions. Unrealized gains and losses are included in the change in net assets. The investments have been designated by the Board of Directors for funding future facility and equipment replacement; replacement of potential future reductions from supporting agencies and organizations; increasing the amount of self-generated operating revenues; and operating specific education programs of WQLN.

6. *Unrestricted and Restricted Support and Revenue*

Net Assets are classified in the *Statements of Financial Position* and support and revenue are recorded in the *Statements of Activities* as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Support and revenue that is restricted

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

6. Unrestricted and Restricted Support and Revenue

by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when the stipulated time restriction ends or the purpose of the restriction expires, whether or not in the reporting period in which the support is recognized), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the *Statements of Activities* as “net assets released from restrictions”.

7. Promises to Give

Contributions are recognized when the donor makes a promise to give to WQLN that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Promises to give, recognized.

8. Membership Pledges

WQLN is supported through membership pledges. These pledges are at various levels and have a term of one-year. All membership pledges are recognized as revenue when the pledge is made. Pledges unpaid for over four months are written off. A reserve for uncollectible membership pledges is maintained equal to eighteen percent (18%) at June 30, 2018 and June 30, 2017.

9. Contributed Services and Supplies

No amounts have been reflected in the financial statements for donated services. WQLN generally pays for services requiring specific expertise. However, WQLN receives significant personal services from volunteers which do not meet the criteria for recognition as contributed services in the *Statement of Activities*. WQLN received more than 3,000 volunteer hours from approximately 650 volunteers in 2018 and 2017.

10. Deferred Revenues

Payments received by and requiring WQLN to complete some activity (program production, special event) subsequent to June 30 are deferred and recognized as revenue when the activity has been completed.

11. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Functional Expense Allocation

The costs of WQLN’s various activities have been summarized on a functional basis in the *Statements of Activities* and in the *Statements of Functional Expenses*. Accordingly, certain costs have been allocated among the activities provided.

Public Broadcasting of Northwest Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

13. Concentration of Credit Risk

WQLN maintains cash and investment balances at two financial institutions and one brokerage firm. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at financial institutions up to \$250,000. Cash and investment amounts in excess of federally insured limits, or not invested in United States government securities, were \$949,678 as of June 30, 2018 and \$996,506 as of June 30, 2017.

14. Pension Plan

WQLN maintains a contributory defined contribution pension plan for all eligible employees. Employees may elect to contribute no more than sixteen percent of their annual salary to the plan. WQLN is required to match sixty percent of the first six percent of voluntary employee contributions. Employee contributions exceeding six percent of their annual salary are not matched by WQLN. WQLN may also make discretionary non-matching contributions to the plan. Pension costs included in the statement of activities amounted to \$27,887 and \$28,069 for the years ended June 30, 2018 and 2017, respectively.

15. Income Taxes

The Internal Revenue Service has ruled WQLN exempt from federal income taxation as prescribed by Internal Revenue Code Section 501(c)(3). However, net income from activities not directly related to WQLN's tax-exempt purpose is subject to taxation as unrelated business income. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2018, 2017, 2016 and 2015 have been filed and are subject to examination by the Internal Revenue Service for a period of three years from filing.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consists of –

	As of June 30,	
	2018	2017
Land and land improvements	\$ 535,634	\$ 511,753
Buildings	3,059,202	3,056,057
Transmission equipment	2,272,852	2,286,036
Production equipment	1,641,898	1,629,217
Office equipment	651,186	650,195
Vehicles	28,656	28,656
FCC station repackaging in-progress	674,803	-
Total cost	8,864,231	8,161,914
Less accumulated depreciation	6,499,140	6,230,603
Net book value	\$ 2,365,091	\$ 1,931,311

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE B - PROPERTY AND EQUIPMENT [continued]

In conjunction with the Federal Communication Commission's [FCC] repurposing of the UHF 600 MHz band spectrum for flexible broadband use, stations which have elected not to sell their allocated UHF 600 MHz spectrum are being reimbursed by the FCC for the repackaging of their broadcasting systems. WQLN has made the decision not to sell its spectrum allocation, but rather upgrade its broadcast equipment subject to reimbursement by the FCC. These reimbursements are being made as costs are incurred by the stations. The Organization has been reimbursed \$581,879 of its repackaging costs during the year ended June 30, 2018.

NOTE C - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying *Statements of Financial Position*. Fair value, as defined in FASB ASC 820, Fair Value Measurements and Disclosures, is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels –

Level 1 consists of quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 consists of observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3 consists of unobservable inputs which are supported by little or no market data and are significant to the fair value of the assets or liabilities.

The fair value hierarchy gives the lowest priority to Level 3 inputs. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Fair value of the "Endowment Held by Others" in long-term investments is reported as Level 3 measurements as they represent an interest in investments pooled with other organizations' funds at the Erie Community Foundation ("Foundation"). Such interest is not publicly traded nor can it be valued on observable direct or indirect inputs. However, a substantial portion of the underlying assets are measured at fair value using Level 1 and 2 inputs by the Foundation.

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments at fair value as of –

Public Broadcasting of Northwest Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE C - FAIR VALUE MEASUREMENTS [continued]

Fair value measurement as of June 30, 2018 using -

	Fair value	Quoted prices in active markets for identical assets (Level 1)	Observable Inputs other than quoted markets (Level 2)	Unobservable Inputs (Level 3)
Common stocks	\$ 501,159	\$ 501,159	\$ -	\$ -
Common equity funds	134,071	134,071	-	-
Real estate mutual funds	23,015	-	23,015	-
Natural resource mutual fund	19,012	-	19,012	-
Common fixed income funds	220,831	220,831	-	-
Endowment held by others	29,026	-	-	29,026
	<u>927,114</u>	<u>\$ 856,061</u>	<u>\$ 42,027</u>	<u>\$ 29,026</u>
Money market funds and cash	22,564			
	<u>\$ 949,678</u>			

Fair value measurement as of June 30, 2017 using -

	Fair value	Quoted prices in active markets for identical assets (Level 1)	Observable Inputs other than quoted markets (Level 2)	Unobservable Inputs (Level 3)
Common stocks	\$ 499,908	\$ 499,908	\$ -	\$ -
Common equity funds	115,537	115,537	-	-
Real estate mutual funds	19,423	-	19,423	-
Natural resource mutual fund	16,028	-	16,028	-
Common fixed income funds	227,672	227,672	-	-
Corporate obligations	45,564	45,564	-	-
Endowment held by others	27,094	-	-	27,094
	<u>951,226</u>	<u>\$ 888,681</u>	<u>\$ 35,451</u>	<u>\$ 27,094</u>
Money market funds and cash	45,281			
	<u>\$ 996,507</u>			

Public Broadcasting of Northwest Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE C - FAIR VALUE MEASUREMENTS [continued]

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying *Statement of Financial Position* for all fair value inputs -

	<u>For the year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 996,507	\$ 1,106,525
Interest and dividends	23,723	26,243
Net realized gains (losses)	(5,453)	(4,171)
Net unrealized gains (losses)	32,772	56,692
Investment fees	(10,959)	(10,429)
Additions	90,653	41,198
Withdrawals	(177,565)	(219,551)
Balance at end of year	<u>\$ 949,678</u>	<u>\$ 996,507</u>

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in long-term investments using significant unobservable (Level 3) inputs -

	<u>Endowment Held by Others</u>	
	<u>For the year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 27,094	\$ 25,161
Interest and dividends	394	370
Realized gains (losses)	1,705	327
Unrealized gains (losses)	133	2,533
Investment fees	(299)	(277)
Withdrawals	-	(1,020)
Balance at end of year	<u>\$ 29,027</u>	<u>\$ 27,094</u>

NOTE D - LINE OF CREDIT

At June 30, 2018 and 2017 WQLN has available a \$500,000 variable rate, bank line of credit which automatically renews annually. The line of credit bears interest at the prime rate minus one-quarter percent (1/4%) and is secured by a first priority perfected security interest in all property of WQLN.

Public Broadcasting of Northwest Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE E - LONG-TERM DEBT

Long-term debt consists of –

	As of June 30,	
	2018	2017
3.85% bank mortgage, maturing in December 2018; payable in monthly installments of \$3,778 principal plus interest; secured by a first priority mortgage lien on the real estate of WQLN and the assignment of all pledges receivable	\$ -	\$ 26,444
3.65% installment loan, maturing December, 2018; in monthly installments of \$455 principal and interest; secured by a vehicle	4,003	9,096
4.45% bank loan maturing January 2019; secured by all assets of WQLN; payable in monthly principal and interest payments of \$2,904	20,021	53,144
	24,024	88,684
Less current maturities	24,024	64,891
	<u>\$ -</u>	<u>\$ 23,793</u>

Maturities of long-term debt subsequent to June 30, 2018 are –

Year ended June 30,	
2019	<u>\$ 24,024</u>

NOTE F - LEASES

The Organization leases the land upon which the broadcast towers are located to the owner of the towers for \$9,000 per year. The term of these lease is for ten (10) years expiring February 2021. The lease includes ten (10) renewal options of five (5) years each. See **Note H**.

Following are the minimum lease payments under the lease –

Year ended June 30,	
2019	\$ 9,000
2020	9,000
2021	5,250
	<u>\$ 23,250</u>

Public Broadcasting of Northwest Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE F - LEASES

In addition, WQLN leases office space in its building to several for-profit and not-for-profit organizations. The leases are accounted for as operating leases. Two of the leases are renewable on an annual basis and one lease is for a five-year term ending December 2022.

Following are the minimum lease payments under the leases –

Year ended June 30,	
2019	\$ 27,234
2020	20,722
2021	21,136
2022	21,559
2023	<u>10,886</u>
	<u>\$ 101,537</u>

NOTE G - EDUCATIONAL IMPROVEMENT TAX CREDIT PROGRAM

For the year ended June 30, 2018 and 2017 WQLN received \$61,750 and \$50,500, respectively in contributions under its Commonwealth of Pennsylvania, Department of Community and Economic Development education improvement tax credit program. The program provides tax credits to businesses that contribute to scholarship organizations or education improvement programs.

NOTE H - TOWER SALE AND LEASE-BACK

On February 04, 2011, WQLN had entered into an agreement with Grain Communications II, LLC (GC) for the sale and lease-back of its broadcast towers. WQLN retains ownership of the land upon which the towers are located and leases that land to GC. GC owns the towers and is leasing them back to WQLN. Under the terms of the agreements –

- (1) WQLN sold the broadcast towers to GC for a sum of \$1,023,000.
- (2) \$120,000 of the sale proceeds were committed by WQLN for certain repairs to the towers.
- (3) WQLN shall lease the property upon which the broadcast towers are located to GC for a monthly rental of \$750, with annual escalators of the greater of two percent (2%) or CPI. The leases shall have an initial term of ten (10) years with an additional ten (10) renewal terms of five (5) years each. Upon expiration of the initial term and any renewal period, the lease shall become a month-to-month lease at a monthly rent of one-hundred fifty percent (150%) of the rent applicable during the last month of the immediately preceding term.
- (4) WQLN shall lease the towers from GC for a total annual rental of \$90,000, with annual escalators of the greater of two percent (2%) or CPI. The leases shall have an initial term of ten (10) years with an additional four (4) renewal terms of five (5) years each. Upon expiration of the initial term and any renewal period, the lease shall become a month-

Public Broadcasting of Northwest Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE H - TOWER SALE AND LEASE-BACK [continued]

to-month lease at a monthly rent of one-hundred fifty percent (150%) of the rent applicable during the last month of the immediately preceding term.

(5) Existing tower-space leases between WQLN and third-parties shall be transferred to GC.

Following are the minimum lease payments under the lease –

Year ended June 30,

2019	\$ 90,000
2020	90,000
2021	52,500
	<u> </u>
	<u>\$ 232,500</u>

NOTE I - RISKS AND UNCERTAINTIES

The Organization investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the *Statement of Financial Position*.

NOTE J – SUBSEQUENT EVENTS

WQLN has evaluated subsequent events through September 24, 2018, the date which the financial statements were available to be issued.

FINANCIAL STATEMENTS

Public Broadcasting of Northwest Pennsylvania, Inc.

STATEMENTS OF FINANCIAL POSITION

	As of June 30,	
	2018	2017
ASSETS (Note D)		
Cash (Note A2, A13.)	\$ 226,377	\$ 197,019
Trade receivables	15,497	42,884
Membership pledges receivable, net of \$19,795 and \$18,284 allowance for doubtful accounts (Note A8, E)	90,175	83,292
Prepaid items and other assets	73,255	53,372
Broadcast rights (Note A3.)	116,598	126,135
Property and equipment, at net cost (Note A4, B, E, F)	2,365,091	1,931,311
Long-term investments, at fair market value (Note A5, A13, C, I)	949,678	996,507
Total assets	<u>\$ 3,836,671</u>	<u>\$ 3,430,520</u>
LIABILITIES		
Trade accounts payable	\$ 145,165	\$ 62,078
Current maturities of long-term debt (Note E)	24,024	64,891
Deferred revenue (Note A10.)	176,132	182,263
Accrued payroll and withholdings	102,487	104,154
Accrued broadcast rights and other expenses	4,791	5,183
Line of credit (Note D)	100,000	200,000
Long-term debt (Note E)	-	23,793
Total liabilities	<u>552,599</u>	<u>642,362</u>
NET ASSETS (Note A6.)		
Unrestricted	<u>3,284,072</u>	<u>2,788,158</u>
Total net assets	<u>3,284,072</u>	<u>2,788,158</u>
Total liabilities and net assets	<u>\$ 3,836,671</u>	<u>\$ 3,430,520</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Public Broadcasting of Northwest Pennsylvania, Inc.

STATEMENT OF ACTIVITIES - UNRESTRICTED

	<u>For the year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Support and revenue <i>(Note A10.,G1)</i>		
Corporation for Public Broadcasting	\$ 837,613	\$ 824,772
Other grants	43,428	34,250
Contributed services and supplies <i>(Note A9.)</i>	2,187	1,450
Broadcasting, underwriting and production	625,418	663,994
Membership <i>(Note A8.)</i>	906,304	911,439
Auction / special events	469,579	393,607
Facilities rental <i>(Note F)</i>	34,101	28,649
Education revenue and grant	1,500	1,500
Contributions	103,015	126,896
Investment income and other	41,238	69,726
Total support and revenue	<u>3,064,383</u>	<u>3,056,283</u>
Expenses		
Program services		
Broadcasting	539,264	552,447
Program / production	1,011,113	1,009,440
Public information	171,715	164,941
Support services		
Fund raising	866,408	869,380
Management and general	561,848	564,854
Total expenses	<u>3,150,348</u>	<u>3,161,062</u>
	(85,965)	(104,779)
FCC repackaging grant <i>(Note B)</i>	<u>581,879</u>	<u>-</u>
CHANGE IN NET ASSETS	495,914	(104,779)
Net assets at beginning of year	<u>2,788,158</u>	<u>2,892,937</u>
Net assets at end of year	<u>\$ 3,284,072</u>	<u>\$ 2,788,158</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Public Broadcasting of Northwest Pennsylvania, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

	For the year ended June 30,						2017
	2018			2017			
	Program services			Support Services			
	Broadcasting	Program / Production	Public Information	Fund Raising	Management and General	Total	Total
Salaries and employee benefits	\$ 113,628	\$ 279,126	\$ 113,367	\$ 384,702	\$ 347,323	\$ 1,238,146	\$ 1,206,964
Management and professional	6,063	18,830	208	64,113	139,879	229,093	240,645
Travel	3,863	1,084	683	19,200	5,658	30,488	55,656
Sales expense	-	-	-	15,348	-	15,348	9,015
Promotional	-	73	36,251	305,162	500	341,986	304,676
Telephone	-	-	-	12,429	12,035	24,464	32,674
Utilities	118,734	-	-	-	-	118,734	110,399
Real property rental/maintenance	106,040	-	-	1,200	25,868	133,108	143,626
Programming and production	29,720	629,488	-	1,164	-	660,372	668,020
Office supplies	160	975	1,977	18,796	6,395	28,303	36,895
Postage and freight	-	66	12,570	24,542	183	37,361	37,988
Miscellaneous	110	525	2,683	3,633	5,738	12,689	12,414
Total operating expenses	378,318	930,167	167,739	850,289	543,579	2,870,092	2,858,972
Contributed services and supplies (Note A9.)	-	-	-	2,187	-	2,187	1,450
Interest	5,517	2,775	136	478	626	9,532	14,918
Depreciation	155,429	78,171	3,840	13,454	17,643	268,537	285,722
Total expenses	\$ 539,264	\$ 1,011,113	\$ 171,715	\$ 866,408	\$ 561,848	\$ 3,150,348	\$ 3,161,062
	2017						
Total operating expenses	\$ 378,436	\$ 921,923	\$ 160,642	\$ 852,868	\$ 545,103	\$ 2,858,972	
Total expenses	\$ 552,447	\$ 1,009,440	\$ 164,941	\$ 869,380	\$ 564,854	\$ 3,161,062	

The accompanying *Notes to Financial Statements* are an integral part of these financial statements.

Public Broadcasting of Northwest Pennsylvania, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

	For the year ended June 30, 2017					
	Program services			Support Services		
	Broadcasting	Program / Production	Public Information	Fund Raising	Management and General	Total
Salaries and employee benefits	\$ 128,859	\$ 270,696	\$ 107,262	\$ 363,616	\$ 336,531	\$ 1,206,964
Management and professional	6,556	17,832	166	81,791	134,300	240,645
Travel	1,904	181	51	46,362	7,158	55,656
Sales expense	-	-	-	9,015	-	9,015
Promotional	-	282	33,580	269,818	996	304,676
Telephone	-	-	-	17,619	15,055	32,674
Utilities	110,399	-	-	-	-	110,399
Real property maintenance	101,077	-	-	1,450	41,099	143,626
Programming and production	28,956	631,020	-	8,044	-	668,020
Office supplies	556	544	3,816	26,066	5,913	36,895
Postage and freight	27	119	12,572	25,044	226	37,988
Miscellaneous	102	1,249	3,195	4,043	3,825	12,414
Total operating expenses	378,436	921,923	160,642	852,868	545,103	2,858,972
Contributed services and supplies (Note A10.)	-	-	-	1,450	-	1,450
Interest	8,635	4,343	213	747	980	14,918
Depreciation	165,376	83,174	4,086	14,315	18,771	285,722
Total expenses	\$ 552,447	\$ 1,009,440	\$ 164,941	\$ 869,380	\$ 564,854	\$ 3,161,062

The accompanying *Notes to Financial Statements* are an integral part of these financial statements.

Public Broadcasting of Northwest Pennsylvania, Inc.

STATEMENTS OF CASH FLOWS

	<u>For the year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities -		
Change in net assets	(\$ 85,965)	(\$ 104,779)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -		
Depreciation	268,537	285,722
Net realized/unrealized investment (gain) loss	(27,319)	(52,521)
Change in assets and liabilities -		
(Increase) decrease in receivables	20,504	(12,965)
(Increase) decrease in prepaid items and other assets	(19,883)	13,786
Increase (decrease) in trade accounts payables	83,087	8,487
Increase (decrease) in deferred revenue	(6,131)	32,139
Increase (decrease) in accrued payroll and withholdings	(1,667)	997
Increase (decrease) in accrued broadcast rights and expenses	(392)	(4,899)
Net cash provided by (used in) operating activities	<u>230,771</u>	<u>165,967</u>
Cash flows from investing activities -		
Net (increase) decrease in broadcast rights	9,537	(1,069)
Payments for property and equipment	(702,317)	(105,391)
Net (increase) decrease in long-term investments	74,148	162,539
Net cash (used in) investing activities	<u>(618,632)</u>	<u>56,079</u>
Cash flows from financing activities -		
Net line of credit borrowings (repayments)	(100,000)	-
Repayments of long-term debt	(64,660)	(81,823)
FCC repackaging grant	581,879	-
Net cash provided by (used in) investing activities	<u>417,219</u>	<u>(81,823)</u>
Net increase in cash	29,358	140,223
Cash at beginning of year	<u>197,019</u>	<u>56,796</u>
Cash at end of year	<u>\$ 226,377</u>	<u>\$ 197,019</u>
Supplemental information –		
Interest paid	\$ 9,532	\$ 14,918

The accompanying *Notes to Financial Statements* are an integral part of these financial statements.