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PBS npr

WNET AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2021 AND 2020

MARKS PANETH

ACCOUNTANTS & ADVISORS

WNET and SUBSIDIARIES

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YEARS ENDED JUNE 30, 2021 AND 2020

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of WNET

We have audited the accompanying consolidated financial statements of WNET and Subsidiaries (collectively, the "Company") which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 WNET and Subsidiaries as of June 30, 2021 and 2020 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
December 2, 2021

WNET and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C and 16)	$ 17,727,000	$ 14,148,000
Investments (Notes 2D and 5)	248,177,000	180,425,000
Accounts receivable, net (Note 2K)	1,446,000	2,894,000
Grants and gifts receivable, net (Notes 2J, 2K and 4)	57,033,000	70,599,000
Costs incurred for programs not yet telecast (Note 2E)	12,482,000	9,382,000
Prepaid expenses and other assets (Notes 6 and 15)	13,909,000	11,375,000
Property and equipment, net (Notes 2F and 7)	26,839,000	26,086,000
Intangible assets (Note 2H)	15,783,000	15,783,000
TOTAL ASSETS	$ 393,396,000	$ 330,692,000
LIABILITIES		
Accounts payable and accrued expenses (Notes 2I, 2L and 12A)	$ 22,495,000	$ 23,098,000
Deferred revenue (Note 13)	2,414,000	2,433,000
TOTAL LIABILITIES	24,909,000	25,531,000
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS (Note 2B)		
Without donor restrictions		
Operations	32,391,000	28,405,000
Appropriated investment earnings (Note 14)	6,678,000	6,150,000
Board designated (Notes 14 and 17)	55,131,000	35,799,000
Total without donor restrictions	94,200,000	70,354,000
With donor restrictions (Note 9)		
Program restricted	115,560,000	118,360,000
Unappropriated investment earnings (Note 14)	63,203,000	24,439,000
Perpetual in nature (Note 14)	95,524,000	92,008,000
Total with donor restrictions	274,287,000	234,807,000
TOTAL NET ASSETS	368,487,000	305,161,000
TOTAL LIABILITIES AND NET ASSETS	$ 393,396,000	$ 330,692,000

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

WNET and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
OPERATING REVENUE AND OTHER SUPPORT (Note 2O):						
Contributions and underwriting for designated projects (Notes 2J and 10)	$ 41,318,000	$ 68,387,000	$ 109,705,000	$ 41,519,000	$ 89,300,000	$ 130,819,000
New York State grant	6,592,000	(6,592,000)	-	6,650,000	(6,650,000)	-
Nonbroadcast sales and service fees (Note 2M)	18,717,000	-	18,717,000	10,876,000	-	10,876,000
Investment activity (Note 5)	6,345,000	-	6,345,000	5,887,000	-	5,887,000
Other income (Notes 2N and 13)	532,000	-	532,000	1,815,000	-	1,815,000
Sub-total operating revenue and other support	73,504,000	61,795,000	135,299,000	66,747,000	82,650,000	149,397,000
Net assets released from restrictions (Note 2B):						
Underwriting for designated projects	33,629,000	(33,629,000)	-	46,311,000	(46,311,000)	-
CPB program grants	2,566,000	(2,566,000)	-	1,996,000	(1,996,000)	-
CPB community service grant	10,000,000	(10,000,000)	-	11,500,000	(11,500,000)	-
PBS program service grants	18,400,000	(18,400,000)	-	20,715,000	(20,715,000)	-
Total net assets released from restrictions	64,595,000	(64,595,000)	-	80,522,000	(80,522,000)	-
			-			-
TOTAL OPERATING REVENUE AND OTHER SUPPORT	138,099,000	(2,800,000)	135,299,000	147,269,000	2,128,000	149,397,000
OPERATING EXPENSES:						
Program services (Notes 2S and 10):						
National and local programming	63,693,000	-	63,693,000	70,872,000	-	70,872,000
Broadcast station	27,144,000	-	27,144,000	29,721,000	-	29,721,000
Education	3,289,000	-	3,289,000	2,048,000	-	2,048,000
WEB services	3,529,000	-	3,529,000	3,401,000	-	3,401,000
Total program services	97,655,000	-	97,655,000	106,042,000	-	106,042,000
Fundraising:						
Membership	10,713,000	-	10,713,000	11,366,000	-	11,366,000
Marketing and development	6,754,000	-	6,754,000	7,314,000	-	7,314,000
Total fundraising	17,467,000	-	17,467,000	18,680,000	-	18,680,000
Management and administration services	19,087,000	-	19,087,000	19,803,000	-	19,803,000
TOTAL OPERATING EXPENSES	134,209,000	-	134,209,000	144,525,000	-	144,525,000
CHANGE IN NET ASSETS FROM OPERATIONS	3,890,000	(2,800,000)	1,090,000	2,744,000	2,128,000	4,872,000
NON-OPERATING ACTIVITIES AND SUPPORT (Note 2O):						
Endowment contributions	-	3,516,000	3,516,000	-	2,164,000	2,164,000
Board designated contributions (Notes 2B and 17)	19,332,000	-	19,332,000	4,916,000	-	4,916,000
Investment activity, net (Note 5)	-	45,442,000	45,442,000	-	4,803,000	4,803,000
Appropriated investment activity (Note 5)	528,000	(6,678,000)	(6,150,000)	555,000	(6,150,000)	(5,595,000)
Other changes due to merger (Note 1)	-	-	-	561,000	-	561,000
Participation in net surplus (loss) in Centralcast LLC (Note 15)	96,000	-	96,000	(17,000)	-	(17,000)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	19,956,000	42,280,000	62,236,000	6,015,000	817,000	6,832,000
CHANGE IN NET ASSETS	23,846,000	39,480,000	63,326,000	8,759,000	2,945,000	11,704,000
Net Assets - Beginning of Year	70,354,000	234,807,000	305,161,000	61,595,000	231,862,000	293,457,000
NET ASSETS - END OF YEAR	$ 94,200,000	$ 274,287,000	$ 368,487,000	$ 70,354,000	$ 234,807,000	$ 305,161,000

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

WNET and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021				For the Year Ended June 30, 2020			
		Supporting Services				Supporting Services		
	Program Services	Fundraising	Management and Administrative	Total 2021	Program Services	Fundraising	Management and Administrative	Total 2020
Salaries and wages	$ 27,644,000	$ 6,520,000	$ 10,078,000	$ 44,242,000	$ 32,681,000	$ 6,750,000	$ 10,761,000	$ 50,192,000
Benefits and payroll taxes (Note 11)	6,940,000	1,558,000	2,473,000	10,971,000	6,974,000	1,353,000	2,173,000	10,500,000
Program production, acquisition and consulting costs	35,734,000	1,605,000	1,178,000	38,517,000	34,789,000	3,056,000	1,342,000	39,187,000
Dues and PBS assessments	12,390,000	5,000	16,000	12,411,000	15,412,000	8,000	13,000	15,433,000
Rent (Note 12)	6,715,000	757,000	1,345,000	8,817,000	6,398,000	712,000	1,257,000	8,367,000
Utilities	509,000	61,000	188,000	758,000	412,000	61,000	193,000	666,000
Accounting, legal and other professional fees	-	672,000	801,000	1,473,000	-	517,000	1,269,000	1,786,000
Supplies and premiums	16,000	1,211,000	2,000	1,229,000	48,000	1,298,000	11,000	1,357,000
Telephone and transmission	1,899,000	1,207,000	900,000	4,006,000	2,002,000	1,301,000	677,000	3,980,000
Postage, delivery and fulfillment	271,000	1,205,000	110,000	1,586,000	374,000	1,175,000	25,000	1,574,000
Insurance	385,000	80,000	294,000	759,000	380,000	75,000	225,000	680,000
Security and fire safety	212,000	41,000	43,000	296,000	213,000	40,000	67,000	320,000
General building maintenance	216,000	36,000	50,000	302,000	237,000	17,000	113,000	367,000
Equipment rentals, purchase and maintenance	475,000	46,000	344,000	865,000	561,000	28,000	351,000	940,000
Printing and publications	49,000	554,000	177,000	780,000	257,000	697,000	5,000	959,000
Travel and business	221,000	42,000	42,000	305,000	1,296,000	169,000	163,000	1,628,000
Depreciation and amortization (Note 7)	2,511,000	458,000	699,000	3,668,000	2,686,000	245,000	739,000	3,670,000
Advertising and promotion (Note 2T)	1,201,000	181,000	193,000	1,575,000	1,313,000	138,000	300,000	1,751,000
Bad debt	249,000	-	-	249,000	-	-	-	-
Miscellaneous	18,000	1,228,000	154,000	1,400,000	9,000	1,040,000	119,000	1,168,000
TOTAL OPERATING EXPENSES	$ 97,655,000	$ 17,467,000	$ 19,087,000	$ 134,209,000	$ 106,042,000	$ 18,680,000	$ 19,803,000	$ 144,525,000

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

WNET and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 63,326,000	$ 11,704,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,668,000	3,670,000
Pledge discount decrease	(194,000)	(330,000)
Bad debt expense	249,000	-
Endowment contributions	(3,516,000)	(2,164,000)
Equity (earnings) loss on the investment in Centralcast LLC	(96,000)	17,000
Other changes due to merger	-	(561,000)
Loss on disposal of property and equipment	16,000	-
Realized (gains) losses on investments	(4,588,000)	137,000
Unrealized gains on investments	(39,788,000)	(4,134,000)
Subtotal	19,077,000	8,339,000
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	1,199,000	46,000
Grants and gifts receivable	13,760,000	(1,143,000)
Costs incurred for programs not yet telecast	(3,100,000)	5,306,000
Prepaid expenses and other assets	(2,438,000)	(1,401,000)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(91,000)	1,134,000
Deferred revenue	(19,000)	(654,000)
Net Cash Provided by Operating Activities	28,388,000	11,627,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases and reinvested income	(47,540,000)	(25,056,000)
Proceeds from sales of investments	24,164,000	19,028,000
Purchase of radio license	-	(1,029,000)
Purchase of property and equipment	(4,437,000)	(8,459,000)
Net Cash Used by Investing Activities	(27,813,000)	(15,516,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions	3,516,000	2,164,000
Repayment of annuity obligations	(512,000)	(493,000)
Net Cash Provided by Financing Activities	3,004,000	1,671,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,579,000	(2,218,000)
Cash and cash equivalents - beginning of year	14,148,000	16,366,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 17,727,000	$ 14,148,000

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

WNET ("WNET" or the "Company") is a New York education corporation chartered by the Board of Regents of the University of the State of New York on April 15, 2008. Its mission is to acquire, distribute, and, through its controlled subsidiaries, THIRTEEN Productions LLC ("THIRTEEN Productions"), WLIW LLC ("WLIW"), Creative News Group LLC ("CNG"), Interactive Engagement Group LLC ("IEG"), WNET Spotlight LLC ("Spotlight"), and Audio Enterprise Group LLC ("AEG"), produce public educational television programs and other media. WNET is the sole member of THIRTEEN Productions, WLIW, CNG, IEG, Spotlight and AEG. WNET serves the entire New York City metropolitan area with local and national productions, broadcasts and innovative educational projects. WNET's goal is to create media experiences of lasting significance for New York, America and the world. On March 20, 2009, WNET received a final determination letter from the Internal Revenue Service covid

Formed in 1961, Educational Broadcasting Corporation ("EBC") was a New York education corporation chartered by the Board of Regents of the University of the State of New York. WNET, through EBC, produced public television programs individually and in collaboration with other entities and broadcast such programs on Channel 13, Channel 21 and on other public television stations throughout the United States. On June 22, 2010, EBC changed its name to THIRTEEN. On June 30, 2013, THIRTEEN was consolidated with and into WNET, with WNET as the surviving entity. Also, on June 30, 2013, THIRTEEN Productions was created, and the production assets formerly held by THIRTEEN were contributed to THIRTEEN Productions. THIRTEEN Productions produces public television programs. THIRTEEN Productions is a Delaware limited liability company.

In 2003, EBC acquired the assets of the Long Island Educational TV Council, Inc. and transferred those assets to WLIW. In 2008, EBC transferred its sole ownership of WLIW to WNET. WLIW produces public television programs for broadcast on Channel 13, Channel 21 and on other public television stations throughout the United States. WLIW is a Delaware limited liability company.

In 2008, WNET acquired CNG. CNG produces public television programs for broadcast on Channel 13, Channel 21 and on other public television stations throughout the United States. CNG is a New York limited liability company.

In April 2009, IEG (formerly, WNET.ORG Properties LLC) was formed to administer the interactive media and web programming of the Company. IEG is a Delaware limited liability company.

In 2011, the Company, through its sole member WLIW, established Public Media NJ, Inc. ("PMNJ"), a New Jersey nonprofit corporation. PMNJ entered into an agreement with the New Jersey Public Broadcasting Authority to provide certain operational, fundraising and back-office services and public television programs, including New Jersey-centric programming specifically designed to meet the needs of the citizens of New Jersey. PMNJ commenced operations on July 1, 2011. Prior to December 6, 2012, WLIW was the sole member of PMNJ; effective December 6, 2012, WNET (the sole member of WLIW) became the sole member of PMNJ.

In December 2018, Spotlight was formed to acquire the assets of NJ Spotlight LLC, an editorial website featuring news and analysis about politics and public policy in New Jersey. Spotlight is a Delaware limited liability company.

In January of 2020, AEG was formed to acquire the assets of Peconic Public Broadcasting, owner and operator of WPPB (FM), a non-commercial public radio station on eastern Long Island. AEG is a Delaware limited liability company.

On June 8, 2020, The Friends of Thirteen, Inc. (the "Friends") was consolidated with and into WNET, with WNET as the surviving entity. The Friends incorporated in 1987 as a standalone New York not-for-profit corporation to carry out fundraising for, and provide financial support to Thirteen, and then WNET as its successor.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Principles of Consolidation*** – The accompanying consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements of the Company include the accounts of WNET and its subsidiaries, THIRTEEN Productions, WLIW, CNG, IEG, Spotlight, AEG and PMNJ. All intercompany balances have been eliminated. Also, the Company's consolidated financial statement amounts are rounded to the nearest thousand.

B. ***Net Asset Presentation*** – The Company classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions:

- These represent resources received that are available for use in general operations and not subject to donor restrictions. These may be expended for any purpose in performing the primary objectives of the Company over which the Board of Trustees (Board) has discretionary control. The Board may also designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions:

- These consist of funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

- Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Investment income or loss (including gains and losses on investment, interest and dividends) is included in the consolidated statements of activities as increases in net assets without donor restrictions unless the income or loss is restricted by the donor or law in which case it is recorded as an increase or decrease in purpose restricted net assets.

C. ***Cash and Cash Equivalents*** – The Company considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents, except money market funds held in the investment portfolio.

D. ***Investments*** – Investments are stated at fair value. Fair value for investments traded publicly is based on published market prices. Fair value for investments not traded publicly have been estimated by management based on information provided by the fund managers, the general partners or the limited liability companies. Investment transactions are accounted for on the date the investments are purchased or sold (trade date). The realized gains from the sale of securities, capital gain distributions, interest and dividend income are recorded as earned.

E. ***Costs Incurred for Programs Not Yet Telecast*** – Costs incurred for programs not yet telecast relate to programs that will be aired subsequent to the Company's fiscal year-end. As the programs are telecast, these costs are included in operating expenses and related restricted net assets, if any are released.

F. ***Property and Equipment*** – Property and equipment is recorded at cost less accumulated depreciation and amortization. The amounts do not purport to represent replacement or recoverable values. The Company capitalizes computer equipment with a cost of $750 or more, and all other property and equipment with a cost of $5,000 or more and a useful life of greater than three years. Depreciation is calculated using the straight-line method over the useful lives of the assets, ranging from 3 to 40 years. Expenditures for leasehold improvements are capitalized and amortized over the shorter of the life of the asset or the lease term.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. ***Impairment of Long-Lived Assets*** – In accordance with U.S. GAAP, *Property, Plant and Equipment, Impairment or Disposal of Long-Lived Assets,* the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. No impairment loss has been recognized by the Company for the years ended June 30, 2021 and 2020.

H. ***Intangible Assets –*** Intangible assets of $15,783,000 consist of five components. The first component relates to the 1961 Channel Thirteen purchase and amounts to $5,854,000. This amount resulted from the excess of the purchase price over the net tangible assets (resulting in goodwill) of Channel Thirteen and the acquisition of its broadcast license. The second component relates to the 2003 purchase of the WLIW broadcast license and amounts to $7,700,000. The third component relates to the contributions in 2018 of two commercial licenses of Class A television stations both licensed to New York, New York which are valued at $600,000 each. The fourth component relates to the asset purchase of NJ Spotlight, and the fifth component relates to the acquisition of the Eastern Long Island National Public Radio station WPPB in March 2020 with a purchase price of $1,029,000.

   Intangible assets have not been amortized as permitted by U.S. GAAP. In the opinion of the Company, both the excess purchase price over the net tangible assets and the broadcast license are deemed to have indefinite lives, and no diminution in value has occurred. There were no impairment charges recorded during the years ended June 30, 2021 and 2020.

I. ***Life Annuities*** – The Company has entered into Life Annuity Trusts whereby donors receive payments for the remainder of their lives with any remainder at death reverting to the Company. The remainders of all such agreements have been restricted in perpetuity by the donors. The liability is determined based on actuarial assumptions and, as of June 30, 2021 and 2020, a liability of $2,554,000 and $2,285,000, respectively, is included in accounts payable and accrued expenses. The amount of contributions recorded by the Company is the fair value of the trust assets received less the present value of the estimated annuity payments. As of June 30, 2021 and 2020, the trust assets were $6,004,000 and $3,958,000, respectively.

J. ***Contributions Gifts and Grants*** – Contributions, gifts and grants are recognized as revenue when they are received or unconditionally pledged under ASU-2018-08. When such amounts are payable by the donor in more than one year they are discounted to present value using a risk adjusted rate of return commensurate with the length of the pledge. The amortization of the discount is reflected as additional contribution revenue in the accompanying consolidated financial statements.

   The Company reports gifts of property and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

   Under U.S. GAAP, nonprofit organizations are required to reflect contribution revenue in the year received despite the fact that, at times, certain of these contributions are purpose restricted and the expenditures to accomplish the purpose do not occur until a subsequent period. It is this accounting methodology that can cause significant differences in the change in net assets between years.

K. ***Allowance for Doubtful Accounts*** – Accounts receivable represents money owed to the Company arising from licensing and programming fees, nonbroadcast sales, facility rental and reimbursement for expenses. The Company estimates the allowance for doubtful accounts based on management's evaluation of the creditworthiness of its donors, grantors and customers, the aged basis of its receivables, as well as current economic conditions and historical information. As of June 30, 2021 and 2020, the allowance for doubtful accounts receivable amounted to $75,000 and $414,000, respectively, and the allowance for doubtful accounts for grants and gifts receivable amounted to $550,000 for each year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. ***Deferred Rent*** – The Company leases real property under operating leases expiring at various dates in the future (see Note 12A). Since the rent payments increase over time, the Company records an adjustment to rent expense each year to reflect its straight-lining policy. The annual adjustment recorded for the years ended June 30, 2021 and 2020 amounted to a decrease of $399,000 and $36,000, respectively. Straight-lining of rent gives rise to a timing difference that is reflected within accounts payable and accrued expenses in the accompanying consolidated statements of financial position. As of June 30, 2021 and 2020, such deferrals amounted to $5,938,000 and $6,337,000, respectively.

M. ***Non-broadcast Sales*** **–** Non-broadcast sales are generated primarily from home video sales, streaming services, download to own, video on demand, royalties and service fees. Revenue from royalties is recognized, net of royalties payable, upon notification from the third-party distributor in the accounting period in which the services are provided. Performance obligations are determined based on the nature of the services provided by the Company in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. (See Note 2U).

N. ***Other Income*** **–** Other income is generated from facility rental fees and reimbursement for expenses. Additionally, during the years ended June 30, 2021 and 2020, the Company recognized revenue from the licensing of its unused Nextwave spectrum (see Note 13).

O. ***Measure of Operations*** **–** The Company includes in its definition of operations, all support, revenue and expenses that are an integral part of its program and supporting activities. Endowment contributions, non-recurring items, and investment income, including realized and unrealized gains and losses, earned in excess of the Company's authorized spending policy, unconditional bequests and planned gifts received from donors in excess of $500,000, and the Company's equity interest in Centralcast, LLC (see Note 15), are recognized as non-operating activities and support. In addition, all of the unrestricted planned gifts received in a fiscal year can be recognized as non-operating support at the discretion of a committee of the board of trustees.

P. ***Use of Estimates*** **–** The preparation of consolidated financial statements in accordance with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets, as well as liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Q. ***Fair Value Measurements*** **–** Fair value measurements are 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, other than in a forced sale or liquidation. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

R. ***Investment Spending Policy*** – The Company's Board has approved a policy to provide a predictable flow of funds to support operations. The policy permits up to a 5% spending rate based on the average cumulative investment fund balance for the past five fiscal years, to be used for operations as long as unappropriated investment earnings are available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. ***Functional Allocation of Expenses –*** The costs of program and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, benefits and payroll taxes which are allocated on the basis of time and effort, as well as occupancy, utilities, facility maintenance, depreciation and amortization which are allocated on a square footage basis.

T. **Advertising –** The cost of advertising is expensed as incurred and amounted to $1,575,000 and $1,751,000 for the years ended June 30, 2021 and 2020, respectively.

U. ***Change in Accounting Guidance*** – The Company adopted the following accounting guidance:

Recent Accounting Pronouncements FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) was adopted by the Company as of July 1, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The effects of applying ASU 2014-09 had no impact on the way the Company was recognizing revenue and therefore, no adjustment was made to the financial statements as previously reported.

V. ***Reclassification*** – Certain line items in the June 30, 2020 consolidated statement of activities have been reclassified to conform to the June 30, 2021 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Company's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the consolidated statement of financial position date and amounts set aside for long-term investing in endowments.

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize investment value of its available funds. The Company has various sources of liquidity at its disposal, including board designated funds and unappropriated investment earnings. Although the Company does not intend to spend from its unappropriated investment earnings other than amounts appropriated for spending draw as part of its annual budget approval and appropriation process, the amount from unappropriated investment earnings could be available if necessary.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Company considers all expenditures related to its ongoing direct mission activities as well as those services undertaken to support those activities.

In addition to financial assets available to meet general expenditures over the next 12 months, the Company intends to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In the event of an unanticipated liquidity need, the Company could also draw upon $15,000,000 of its available line of credit (see Note 8).

The following financial assets could readily be made available immediately from the consolidated statement of financial position date to meet general expenditures as of June 30:

	2021	2020
Cash and cash equivalents	$ 17,727,000	$ 14,148,000
Accounts receivable, net	1,446,000	2,894,000
Grants and gifts receivable, due in one year	50,462,000	50,096,000
Investments for operations	32,657,000	23,614,000
Board designated funds	55,131,000	35,799,000
Unappropriated investment earnings	63,203,000	24,439,000
	$ 220,626,000	$ 150,990,000

NOTE 4 – GRANTS AND GIFTS RECEIVABLE

The Company has unconditional grants and gifts receivable as follows as of June 30:

	2021	2020
Amount due in less than one year	$ 50,462,000	$ 50,096,000
Amount due from one to five years	4,835,000	18,961,000
Amount due after five years	2,824,000	2,824,000
	58,121,000	71,881,000
Less: Unamortized discount to present value	(538,000)	(732,000)
Allowance for doubtful accounts	(550,000)	(550,000)
	$ 57,033,000	$ 70,599,000

The pledges to be received after one year are discounted to present value at interest rates ranging from 0.16% to 6.00%.

NOTE 5 – INVESTMENTS

The major classes of investments are as follows as of June 30:

	2021	2020
Cash and money market funds	$ 69,748,000	$ 48,861,000
U.S. equity	77,944,000	46,117,000
International equity funds	39,492,000	30,158,000
Fixed income funds	15,684,000	13,517,000
Government backed Treasury Inflation Protected Securities (“TIPS”)	8,809,000	8,195,000
Alternative investments-hedge funds and fund of funds	36,500,000	33,577,000
	$ 248,177,000	$ 180,425,000

Certain investments including alternative investments are made up of hedge fund of funds that invest primarily in limited partnerships and private investment companies. Investments in limited partnerships are generally carried at fair value as determined by the investees’ General Partners. Such value generally represents the Company’s proportionate share of the Partner’s capital of the investment partnerships as reported by their general partners. The investments in private investment companies are valued at fair value using the net asset valuations provided by the underlying private investment companies, unless management determined another valuation is more appropriate. Substantially all the underlying assets of the limited partnership and private investment companies consist of public equity securities, bonds, cash and cash equivalents, and other investments stated at fair value.

Alternative investments include investments in hedge funds whose objective is to provide investors with compound annual long-term returns that are superior to the broad market averages while having less risk than the overall stock market. The agreements underlying these investments limit the Company’s ability to liquidate its interest in such investments for a period of time.

Securities with no readily available market are initially valued at cost, with subsequent adjustments to values which reflect either the basis of meaningful third-party transactions in the private market or the fair value deemed appropriate by the General Partners of the underlying investment partnership. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant.

NOTE 5 – INVESTMENTS (Continued)

Securities with readily available markets (listed on a securities exchange or traded in an over-the-counter market) are valued at quoted market prices or at an appropriate discount from such price if marketability of the securities is limited.

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. Additionally, due to the inherent uncertainty of these valuations, the estimated fair value of investments without a readily determinable fair value may differ from the fair value that would have been used had a ready market existed for the investments, and these differences could be material.

Investment activity consists of the following for the years ended June 30:

	2021	2020
Income from investment fund:		
Realized gains (loss)	$ 4,588,000	$ (137,000)
Unrealized gains	39,788,000	4,134,000
Net realized and unrealized gains	44,376,000	3,997,000
Dividends/interest	2,198,000	1,797,000
Sub-total investment fund income	46,574,000	5,794,000
Less investment fees	(1,132,000)	(991,000)
Investment activity, net	$ 45,442,000	$ 4,803,000

The transfer from the investment fund of current and prior period accumulated income amounted to $6,150,000 and $5,595,000 for the years ended June 30, 2021 and 2020, respectively. The total investment activity from operations was comprised of the following for the years ended June 30:

	2021	2020
Investment fund - Board authorized spending	$ 6,150,000	$ 5,595,000
Dividends/interest - operations	378,000	483,000
Realized/unrealized loss - operations	(183,000)	(191,000)
Total investment income for operations	$ 6,345,000	$ 5,887,000

For financial instruments, including cash equivalents, certain investments, receivables, payables and debt, the carrying amount approximates fair value because of the short maturity of these instruments.

NOTE 5 – INVESTMENTS (Continued)

Financial assets carried at fair value as of June 30, 2021 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Level 3	Total 2021
Investments:				
Cash and money market funds	$ 69,748,000	$ -	$ -	$ 69,748,000
U.S. equity	13,103,000	64,841,000	-	77,944,000
International equity funds	22,295,000	17,197,000	-	39,492,000
Fixed income funds	15,684,000	-	-	15,684,000
TIPS	8,809,000	-	-	8,809,000
Alternative investments - hedge funds and fund of funds	-	-	36,500,000	36,500,000
Total Assets at Fair Value	$ 129,639,000	$ 82,038,000	$ 36,500,000	$ 248,177,000

Financial assets carried at fair value as of June 30, 2020 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Level 3	Total 2020
Investments:				
Cash and money market funds	$ 48,861,000	$ -	$ -	$ 48,861,000
U.S. equity	4,711,000	41,406,000	-	46,117,000
International equity funds	16,346,000	13,812,000	-	30,158,000
Fixed income funds	13,517,000	-	-	13,517,000
TIPS	8,195,000	-	-	8,195,000
Alternative investments - hedge funds and fund of funds	-	-	33,577,000	33,577,000
Total Assets at Fair Value	$ 91,630,000	$ 55,218,000	$ 33,577,000	$ 180,425,000

The changes in assets for the years ended June 30 measured at fair value for which the Company has classified as Level 3 are as follows:

	2021	2020
Balance at beginning of year	$ 33,577,000	$ 29,999,000
Purchases	-	6,500,000
Redemptions and fees	(4,192,000)	(4,518,000)
Realized gain	1,101,000	846,000
Unrealized gain	6,014,000	750,000
Balance at end of year	$ 36,500,000	$ 33,577,000

NOTE 6 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of June 30:

	2021	2020
Charitable remainder trusts and other	$ 10,529,000	$ 7,807,000
Prepaid insurance, membership premiums and other (Note 15)	3,380,000	3,568,000
	$ 13,909,000	$ 11,375,000

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2021	2020
Land	$ 1,363,000	$ 1,363,000
Building and improvements	2,542,000	2,542,000
Leasehold improvements	19,118,000	16,866,000
Broadcast, transmission and other equipment	39,284,000	31,929,000
Construction in progress (see below)	2,374,000	8,681,000
Total cost	64,681,000	61,381,000
Less: Accumulated depreciation and amortization	(37,842,000)	(35,295,000)
Net book value	$ 26,839,000	$ 26,086,000

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 amounted to $3,668,000 and $3,670,000, respectively. During the year ended June 30, 2021, certain property and equipment with a total cost of $1,137,000 and accumulated depreciation and amortization of $1,121,000 were disposed of resulting in a loss of $16,000. For the year ended June 30, 2020, certain property and equipment with a total cost and accumulated depreciation of $1,431,000, were disposed of.

As of June 30, 2021, the construction in progress primarily represents the transition to digital and marketing cloud implementation, and replacement of studio and control room production equipment. The estimated cost to complete these projects will be approximately $1,667,000.

The Congressionally-mandated spectrum incentive auction involved a repacking, reorganization of the broadcasting television bands, and the opportunity to maximize or broaden the over-the-air reach of broadcast coverage. WNET and WLIW stations have been involuntarily reassigned to new TV channels as part of the repacking pursuant to the *Auction 1000 Closing and Channel Reassignment Public Notice* released on April 13, 2017. WNET and WLIW stations have incurred costs and will continue to incur costs for new equipment or modifications to existing equipment, engineering studies, construction services to operate on the new channels, and to maximize the broadcast coverage. The incentive auction statute provides that the FCC will reimburse up to 90% of the estimated costs that are reasonably incurred. The Company received a total reimbursement of $96,000 and $1,011,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8 – BANK LINE OF CREDIT

The Company has a $15,000,000 two year unsecured line of credit with a bank, bearing interest at LIBOR plus 1.75% with an unused line of credit rate of 0.20% expiring March 31, 2022 with an adjusted LIBOR plus 0.90% with an unused line of credit rate of 0.1%. There are no outstanding borrowings on this line of credit as of June 30, 2021 and 2020 and December 2, 2021. This line of credit is guaranteed by THIRTEEN Productions.

Under the terms of the line of credit, the Company is required to meet certain financial covenants, and as of June 30, 2021 and 2020, the Company was in compliance with these covenants.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets consist of the following purposes as of June 30:

	2021	2020
Subject to expenditure for program purpose:		
Underwriting for designated projects	$ 76,806,000	$ 63,752,000
CPB program grants	4,803,000	2,770,000
CPB community service grant	15,228,000	15,327,000
PBS program services grants	18,723,000	36,511,000
	115,560,000	118,360,000
Unappropriated investment earnings (Note 14)	63,203,000	24,439,000
Endowments:		
General programs	51,338,000	47,822,000
Art and humanities programs	11,181,000	11,181,000
Social programs	11,337,000	11,337,000
Education resources fund	1,070,000	1,070,000
Children's programs	2,804,000	2,804,000
Science and nature programs	9,559,000	9,559,000
News and public affairs programs	7,622,000	7,622,000
Campaign Arts and Culture	613,000	613,000
Total Endowments	95,524,000	92,008,000
Total Net Assets with Donor Restrictions	$ 274,287,000	$ 234,807,000

NOTE 10 – IN-KIND INCOME

During the years ended June 30, 2021 and 2020, the Company received approximately $8,565,000 and $10,025,000, respectively, of in-kind income. These amounts have been calculated based upon the fair value of the in-kind services provided and production services performed by the donors and are included in the Company's consolidated financial statements as follows:

	2021	2020
Revenues:		
Contributions and underwriting for designated projects	$ 8,565,000	$ 10,025,000
Expenses:		
National Program Service	$ 8,565,000	$ 10,025,000

NOTE 11 – RETIREMENT PLANS

A. The Company has a defined contribution retirement plan under IRC Section 403(b) for primarily all full-time nonunion employees as of their date of hire. The Company provides a matching contribution up to 4% of the employee's compensation that is contributed (elective deferral) by the employee to its retirement account. In addition, the employer may choose to make a discretionary contribution equivalent to 3% of the employee's compensation for employees who have completed two years of service. Company pension plan payments under the plan for the years ended June 30, 2021 and 2020, amounted to $1,146,000 and $1,161,000, respectively. The Company's policy is to fund retirement plan costs currently.

B. The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

NOTE 11 – RETIREMENT PLANS (Continued)

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act ("PPA") zone status available in 2020 and 2019 are for the plan years noted below, which include the plans funded percentage. The zone status is based on information that the Company received from the plans and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The significance of entering critical status is that the Plan's Trustees are required by law to adopt a "rehabilitation plan," consistent with the requirements of the PPA, designed to improve the Plan's financial health and to allow it to emerge from critical status.

The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The table below lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject. The Company has no plans to withdraw.

The Company's contribution to these plans is specified by the union collective bargaining agreements and approximated $414,000 and $689,000 for the years ended June 30, 2021 and 2020, respectively.

Pension Plan Name	Employer Identification Number/Plan Number	PPA Zone Status		FIP/RP Status Pending/ Implemented	Surcharge Imposed	Collective Bargaining Agreement Expiration Dates	Critical Status	
		2020	2019				2020	2019
American Federation of Musicians & Employers' Pension Fund	51-6120204/001	Red	Red	Yes	Yes	A	Yes	Yes
AFTRA Retirement Fund	13-6414972/001	Green	Green	N/A	No	B	No	No
Directors Guild of America – Producer Pension Plan	95-2892780/001	Green	Green	N/A	No	C	No	No
Radio, Television Recording Arts Pension	13-6159229/001	Red	Red	Yes	Yes	D	Yes	Yes
Pension Fund of Local No. One, I.A.T.S.E.	13-6414973/001	Green	Green	N/A	No	E	No	No
Annuity Fund of Local No. One, I.A.T.S.E.	13-3022965/001	Green	Green	N/A	No	E	No	No
Producer – Writers Guild of America Pension Plan	95-2216351/001	Green	Green	N/A	No	F	No	No

NOTE 11 – RETIREMENT PLANS (Continued)

Footnotes:

A. The Collective Bargaining Agreement ("CBA") between THIRTEEN Productions and the American Federation of Musicians & Employers expired on May 31, 2019 with an ongoing obligation in accordance with the last negotiated agreement until a new agreement is reached. The funded percentage as of April 1, 2020 and 2019 is projected to be 53.6% and 59.2%, respectively. The Plan remains in critical status since it fails to meet the requirement under IRC Section 432(e)(4)(2) to emerge from critical status as the Plan is projected to become insolvent for the plan year ending March 31, 2035.

B. THIRTEEN Productions is a party to three CBAs with SAG-AFTRA PTV Local, SAG-AFTRA PTV National and SAG-AFTRA Staff. The agreement with SAG-AFTRA PTV Local renews automatically at the beginning of each year. The agreement with SAG-AFTRA PTV National expired on July 20, 2021. The agreement with SAG-AFTRA Staff expired on August 31, 2001. However, THIRTEEN Productions has an ongoing obligation in accordance with the last negotiated agreement. Such insolvency may result in benefit reductions.

C. The CBA between THIRTEEN Productions and the Directors Guild of America will expire on June 30, 2024.

D. THIRTEEN Productions and WLIW are both parties to the CBA. THIRTEEN Productions agreement with IBEW has been ratified by the union's member and expired on June 30, 2021. WLIW's agreement will expire on June 30, 2023 and is not a contributor to the plan. For the Plan year ended December 31, 2020, the Plan was in critical and declining status because there was a deficiency in the Funding Standard Account for the current year. The Plan is expected to become insolvent in the 2029 Plan Year. Such insolvency may result in benefit reductions.

E. THIRTEEN Productions and CNG are parties to the CBA. The agreements with Thirteen Productions and CNG expired on March 28, 2020. Currently, there is no full time-staff employed under this agreement.

F. The CBA between THIRTEEN Productions and the Writers Guild of America will expire on June 30, 2023.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. The Company has entered into various real estate lease agreements expiring through 2026:

I. In August 2010, the Company entered into a 16-year operating lease at 825 Eighth Avenue for its office and other programming space. It provides a period of free rent and base rental amounts that increase at certain points during the lease term. In addition, the Company has a letter of credit amounting to $2,000,000, which serves primarily as security in connection with this real property lease.

As of December 28, 2015, the Company entered into a ten-year lease (plus an option for renewal) at One World Trade Center ("OWTC") for its new transmission facilities and a ten-year lease (plus an option for renewal) at Four Times Square ("4TS") for its backup transmission facility.

On August 20, 2018, the Company also entered into a lease at OWTC for transmission facilities for WLIW. The backup transmission facility will remain at Plainview on Long Island, NY. The lease will end on the same date as the agreements for THIRTEEN Productions at OWTC and 4TS, which were each extended by fifteen months as part of the negotiations for WLIW. The Company agreed to move its primary transmission facilities for WLIW from the Plainview facility to OWTC as part of the post-FCC Spectrum Auction "repacking" process, during which the FCC has granted stations the opportunity to "maximize," or broaden its reach of over-the-air broadcast coverage. WLIW received six months of free rent at OWTC.

II. In November 2008, the Company entered into a 15-year and 5-month operating lease at Lincoln Center for the Performing Arts, Inc. primarily for the studio site of the Company's various programs.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

III. On October 15, 2014, PMNJ entered into a lease agreement with a third party for a studio facility located in Newark, New Jersey with a lease term of five years and three months from the commencement date of the lease. PMNJ renegotiated the lease in August 2019, to expand the leased space from approximately 10,600 square feet to approximately 16,500 square feet and to renew the lease for a ten-year term, expiring in January 2030.

IV. On March 2, 2020 WNET entered into a ten (10) year lease for radio studio and office facilities in Southampton, New York. On May 15, 2020, WNET entered into a one (1) year permit with Stony Brook University (the "University") for use of its facilities to house WPPB's antenna and transmitter. This was subsequently converted into a five-year contract with the University commencing on July 1, 2021.

The rent expense incurred under all rent agreements aggregated to $7,255,000 and $7,046,000 for the years ended June 30, 2021 and 2020, respectively.

For the years ending after June 30, 2021, the future minimum rentals under the various real estate lease agreements follows:

2022	$	8,590,000
2023		8,796,000
2024		8,880,000
2025		7,447,000
2026		7,172,000
Thereafter		7,022,000
	$	47,907,000

In addition, these agreements include escalation provisions for real estate taxes and building improvements based on changes in the assessed valuation of the property. Additional rent expense incurred under these escalation clauses for the years ended June 30, 2021 and 2020, amounted to $1,593,000 and $1,147,000, respectively.

B. The Company is party to various pending legal proceedings arising in the ordinary course of business. The Company's management and legal counsel have reviewed the probable outcome of these proceedings and the costs and expenses reasonably expected to be incurred. While the outcome of the pending proceedings cannot be predicted with certainty, based on its review, management believes that the liabilities that may result are not likely to have a material effect on the Company's liquidity, financial condition or change in net assets.

C. Approximately 7% of the Company's full-time equivalent employees were covered by collective bargaining agreements as of June 30, 2021 and 2020. The agreements, which cover various periods, stipulate wage levels and differentials, participation in group health and dental plans and certain agreements with regard to paid time off and leave policies, work hours and schedules, personnel policies including grievance, discharge and discipline procedures. New agreements are currently being negotiated.

D. The Company believes it has no uncertain tax positions as of June 30, 2021 and 2020 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 13 – DEFERRED REVENUE

In 2006, the Company entered into an agreement to lease certain of its unused spectrum (bandwidth) to an unrelated third party. The Company recognizes the payment as revenue over 30 years. Included in deferred revenue in the accompanying consolidated financial statements are $939,000 and $1,173,000 as of June 30, 2021 and 2020, respectively, related to the unamortized portion of this income. For the years ended June 30, 2021 and 2020, approximately $234,000 and $282,000, respectively, were recognized in other income.

The amount of amortization for the years ended June 30, 2021 and 2020 was based on an assessment of the deferral made by an outside consultant.

NOTE 14 – ENDOWMENT NET ASSETS

The Company adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted perpetual endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. In addition, in accordance with U.S. GAAP, any unappropriated earnings on endowment funds that would otherwise be considered without donor restrictions should be reflected as net assets with donor restrictions until appropriated by the Board of Trustees.

The Company's Board of Trustees, on advice of counsel, understood the state law as allowing the Company to appropriate for expenditure or accumulate so much of an endowment fund as the Company determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be deemed donor-restricted assets until appropriated for expenditure by the Board of Trustees. The policy for valuing the Company's investments is described in Note 2D.

The Company's endowment investment policy is to invest in funds of funds consisting primarily in equities and fixed income based on an asset allocation, approved by the Investment Committee, to satisfy its overall endowment financial and investment objectives. The Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Annual spending from the endowment fund is described in Note 2R.

The asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage the risk of the Company consistent with market conditions. The Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

In accordance with U.S. GAAP, institutions are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. The Company had not incurred such deficiencies in its endowment funds as of June 30, 2021 and 2020.

NOTE 14 – ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions			With Donor Restrictions			
	Operations	Appropriated Investment Earnings	Board Designated	Unappropriated Investment Earnings	Purpose Restricted	Restricted in Perpetuity	Total 2021
Endowment net assets, beginning of year	$ -	$ 6,150,000	$35,799,000	$ 24,439,000	$1,029,000	$ 92,008,000	$ 159,425,000
Contributions to the fund (Note 2B)	-	-	19,332,000	-	-	3,516,000	22,848,000
Investment activity:							
Dividends and interest	378,000	-	-	2,198,000	-	-	2,576,000
Realized (loss) gain on investments	(30,000)	-	-	4,588,000	-	-	4,558,000
Unrealized (loss) gain on investments	(153,000)	-	-	39,788,000	-	-	39,635,000
Management fees	-	-	-	(1,132,000)	-	-	(1,132,000)
Total investment activity	195,000	-	-	45,442,000	-	-	45,637,000
Board appropriated for expenditure	-	6,678,000	-	(6,678,000)	-	-	-
Releases	6,150,000	(6,150,000)	-	-	-	-	-
Used in operations	(6,345,000)	-	-	-	-	-	(6,345,000)
Endowment net assets, end of year	$ -	$ 6,678,000	$ 55,131,000	$ 63,203,000	$1,029,000	$ 95,524,000	$ 221,565,000

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions			With Donor Restrictions			
	Operations	Appropriated Investment Earnings	Board Designated	Unappropriated Investment Earnings	Purpose Restricted	Restricted in Perpetuity	Total 2020
Endowment net assets, beginning of year	$ -	$ 5,595,000	$30,883,000	$ 25,786,000	$1,029,000	$ 89,844,000	$ 153,137,000
Contributions to the fund (Note 2B)	-	-	4,916,000	-	-	2,164,000	7,080,000
Investment activity:							
Dividends and interest	483,000	-	-	1,797,000	-	-	2,280,000
Realized (loss) gain on investments	(314,000)	-	-	(137,000)	-	-	(451,000)
Unrealized gain on investments	123,000	-	-	4,134,000	-	-	4,257,000
Management fees	-	-	-	(991,000)	-	-	(991,000)
Total investment activity	292,000	-	-	4,803,000	-	-	5,095,000
Board appropriated for expenditure	-	6,150,000	-	(6,150,000)	-	-	-
Releases	5,595,000	(5,595,000)	-	-	-	-	-
Used in operations	(5,887,000)	-	-	-	-	-	(5,887,000)
Endowment net assets, end of year	$ -	$ 6,150,000	$ 35,799,000	$ 24,439,000	$1,029,000	$ 92,008,000	$ 159,425,000

Endowment net assets of $221,565,000 and $159,425,000 as of June 30, 2021 and 2020, respectively, are included in the investments and grants and gifts receivable accounts in the accompanying consolidated statements of financial position.

NOTE 15 – CENTRALCAST LLC

Centralcast, LLC ("Centralcast") is a Delaware limited liability company comprised of eight public broadcasting corporations (the “Members”) that serve New York State through a broad range of noncommercial television and radio programming. Each Member is an organization described in Section 501(c)(3) of the Internal Revenue Code. WNET is one of the Members and has a 22% equity interest in Centralcast. Centralcast operates a joint master control facility that enables the Members and others to disseminate educational programming in a collaborative and efficient manner. Centralcast’s joint master control facility became fully operational in July 2014. WNET pays service fees to Centralcast which are calculated on a standard basis in accordance with the level of service required by WNET.

The carrying amount related to the Centralcast investment is recorded under the equity method of accounting which approximates the Company’s underlying equity in the net asset value of Centralcast and is included in prepaid expenses and other assets, and amounted to $1,145,000 and $1,049,000 as of June 30, 2021 and 2020, respectively.

NOTE 16 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Company to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash and cash equivalent accounts are insured up to $250,000 per depositor. As of June 30, 2021 and 2020, there was approximately $16,870,000 and $12,815,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits. Such excess amounts include outstanding checks.

NOTE 17 – BOARD DESIGNATED FUNDS

The Company received major planned gifts amounting to $19,332,000 and $4,916,000 during the years ended June 30, 2021 and 2020, respectively. These planned gifts were added to the board designated fund in accordance with the Company policy for future needs.

NOTE 18 – SUBSEQUENT EVENTS

No events have occurred subsequent to June 30, 2021 through December 2, 2021 which is the date the consolidated financial statements were available to be issued that would require adjustment to or disclosure in the financial statements.