Combined Financial Statements and Report of Independent Certified Public Accountants

Corporation for Public Broadcasting and Affiliate

September 30, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Corporation for Public Broadcasting and Affiliate

Opinion

We have audited the combined financial statements of the Corporation for Public Broadcasting and Affiliate (collectively, the "Corporation"), which comprise the combined statements of financial position as of September 30, 2023 and 2022, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Corporation as of September 30, 2023 and 2022, and the changes their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Notes A and F to the combined financial statements, the Corporation has adopted new accounting guidance in 2023 relating to the accounting for leases. Our opinion is not modified with respect to this matter

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Grant Thornton LLP

Melville, New York
February 13, 2024

Corporation for Public Broadcasting and Affiliate

COMBINED STATEMENTS OF FINANCIAL POSITION

September 30,

	2023	2022
ASSETS		
Cash and cash equivalents	$ 66,056,446	$ 20,225,608
Short-term investments	177,176,260	173,040,734
Investments-other	40,000,000	35,000,000
Receivables, net	30,221,219	31,068,105
Prepaid expenses	744,891	695,618
Operating lease right-of-use assets	14,200,885	-
Property and equipment, net	2,178,653	2,410,853
Total assets	$ 330,578,354	$ 262,440,918
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 7,198,122	$ 9,037,149
Appropriated grants and contracts payable, net	135,518,346	144,877,086
Lease incentive obligation	-	1,444,544
Operating lease liabilities	17,472,982	-
Total liabilities	160,189,450	155,358,779
Net assets without donor restrictions		
Designated	168,115,229	104,580,470
Investment in property and equipment, net	2,178,653	2,410,853
Literary Classics, Inc.	95,022	90,816
Total net assets without donor restrictions	170,388,904	107,082,139
Total liabilities and net assets	$ 330,578,354	$ 262,440,918

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

Corporation for Public Broadcasting and Affiliate

COMBINED STATEMENTS OF ACTIVITIES

Years ended September 30,

	2023	2022
Revenue		
Federal appropriations		
General	$ 475,000,000	$ 465,000,000
Public broadcasting interconnection	60,000,000	20,000,000
Investment income	16,478,230	1,630,995
Department of Education - Ready to Learn	24,844,196	20,841,552
FEMA Next Generation Warning System	251,165	-
Royalties and other income	2,494,035	1,279,476
Grant and contract refunds	2,950,406	2,165,745
Total revenue	582,018,032	510,917,768
Expenses		
Program services		
Television programming	82,729,563	75,495,054
Radio programming:		
Radio program fund	6,726,165	7,145,925
National program production and acquisition grants	24,650,064	24,579,081
System support		
Television community service grants	237,045,972	232,867,915
Radio community service grants	74,380,781	72,446,561
Public broadcasting interconnection	17,546,517	2,871,313
Department of Education - Ready to Learn	24,844,196	20,841,552
FEMA Next Generation Warning System	251,165	-
Other system support	28,036,065	26,393,157
Long-term contracts payable present value adjustment	71,459	(276,263)
	496,281,947	462,364,295
Corporate administration and other expenses	22,429,320	21,459,901
Total expenses	518,711,267	483,824,196
CHANGES IN NET ASSETS	63,306,765	27,093,572
Net assets, beginning of year	107,082,139	79,988,567
Net assets, end of year	$ 170,388,904	$ 107,082,139

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

Corporation for Public Broadcasting and Affiliate

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended September 30, 2023 and 2022

Year Ended September 30, 2023

	Program Services			System Support								
	Television Programming	Radio Program Fund	National Program Production and Acquisition Grants	Television Community Service Grants	Radio Community Service Grants	Public Broadcasting Interconnection	Department of Education - Ready to Learn	FEMA Next Generation Warning System	Other System Support	Long-term Contracts Payable Present Value Adjustment	Corporate Administration and Other Expenses	Total
Grants and contracts	$ 82,729,563	$ 6,726,165	$ 24,650,064	$ 237,045,972	$ 74,380,781	$ 17,546,517	$ 23,866,417	$ -	$ 27,234,200	$ 71,459	$ -	$ 494,251,138
People costs	-	-	-	-	-	-	809,647	251,047	-	-	18,205,690	19,266,384
Occupancy	-	-	-	-	-	-	-	-	-	-	2,063,160	2,063,160
Office and IT expenses	-	-	-	-	-	-	7,716	-	15,160	-	567,402	590,278
Professional services	-	-	-	-	-	-	55,152	-	379,420	-	207,852	642,424
Travel	-	-	-	-	-	-	14,976	118	-	-	248,872	263,966
Meetings and conferences	-	-	-	-	-	-	50,042	-	325,696	-	186,324	562,062
Depreciation	-	-	-	-	-	-	-	-	-	-	342,618	342,618
Non-staff travel	-	-	-	-	-	-	38,758	-	80,712	-	19,524	138,994
Other	-	-	-	-	-	-	1,488	-	877	-	587,878	590,243
	$ 82,729,563	$ 6,726,165	$ 24,650,064	$ 237,045,972	$ 74,380,781	$ 17,546,517	$ 24,844,196	$ 251,165	$ 28,036,065	$ 71,459	$ 22,429,320	$ 518,711,267

Year Ended September 30, 2022

	Program Services			System Support								
	Television Programming	Radio Program Fund	National Program Production and Acquisition Grants	Television Community Service Grants	Radio Community Service Grants	Public Broadcasting Interconnection	Department of Education - Ready to Learn	FEMA Next Generation Warning System	Other System Support	Long-term Contracts Payable Present Value Adjustment	Corporate Administration and Other Expenses	Total
Grants and contracts	$ 75,495,054	$ 7,145,925	$ 24,579,081	$ 232,867,915	$ 72,446,561	$ 2,871,313	$ 20,083,834	$ -	$ 26,032,214	$ (276,263)	$ -	$ 461,245,634
People costs	-	-	-	-	-	-	676,299	-	-	-	17,712,522	18,388,821
Occupancy	-	-	-	-	-	-	-	-	-	-	2,053,732	2,053,732
Office and IT expenses	-	-	-	-	-	-	2,175	-	21,463	-	544,577	568,215
Professional services	-	-	-	-	-	-	54,324	-	334,524	-	310,055	698,903
Travel	-	-	-	-	-	-	8,252	-	-	-	92,875	101,127
Meetings and conferences	-	-	-	-	-	-	1,360	-	2,535	-	47,570	51,465
Depreciation	-	-	-	-	-	-	-	-	-	-	348,432	348,432
Non-staff travel	-	-	-	-	-	-	13,361	-	2,320	-	-	15,681
Other	-	-	-	-	-	-	1,947	-	101	-	350,138	352,186
	$ 75,495,054	$ 7,145,925	$ 24,579,081	$ 232,867,915	$ 72,446,561	$ 2,871,313	$ 20,841,552	$ -	$ 26,393,157	$ (276,263)	$ 21,459,901	$ 483,824,196

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

Corporation for Public Broadcasting and Affiliate

COMBINED STATEMENTS OF CASH FLOWS

Years ended September 30,

	2023	2022
Cash flows from operating activities:		
Changes in net assets	$ 63,306,765	$ 27,093,572
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	342,618	348,432
Decrease (increase) in assets:		
Receivables, net	846,886	(13,240,155)
Prepaid expenses	(49,273)	(300,263)
Operating lease right-of-use assets	(14,200,885)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,839,027)	679,492
Appropriated grants and contracts payable	(9,358,740)	(4,988,696)
Lease incentive obligation	(1,444,544)	(150,735)
Operating lease liabilities	17,472,982	-
Net cash provided by operating activities	55,076,782	9,441,647
Cash flows from investing activities:		
Purchase of property and equipment	(110,418)	-
Purchase of investments	(366,432,273)	(263,674,724)
Proceeds from investments	357,296,747	222,091,319
Net cash used in investing activities	(9,245,944)	(41,583,405)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,830,838	(32,140,758)
Cash and cash equivalents, beginning of year	20,225,608	52,366,366
Cash and cash equivalents, end of year	$ 66,056,446	$ 20,225,608

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Corporation for Public Broadcasting (the "Corporation") is a District of Columbia not-for-profit corporation authorized to receive federal appropriations under Title II of the Public Broadcasting Act of 1967, as amended (the "Act"). The Corporation is recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on activities unrelated to its exempt purpose. The Corporation is not a private foundation as defined in Section 509(a) of the Code.

The primary source of funding to the Corporation is the federal government. Congress has approved advance annual appropriations to the Corporation through fiscal year 2025. The initial annual advance appropriations for fiscal years 2022 and 2023 were included in the "Further Consolidated Appropriations Act, 2020" ("Public Law 116-94"), and the "Consolidated Appropriations Act, 2021" ("Public Law 116-260"), respectively, and were $465,000,000 and $475,000,000, respectively. The initial annual advance appropriations for fiscal years 2024 and 2025 are $525,000,000 and $535,000,000, respectively.

Basis of Accounting

The combined financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Combination

The combined financial statements include the accounts of Literary Classics, Inc., a District of Columbia not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Code. Literary Classics, Inc. was created in fiscal year 2003 to act as the custodian for certain classic films valuable to the public broadcasting industry. Combined financial statements are presented because of the common control of the Corporation and Literary Classics, Inc. All intercompany balances and transactions have been eliminated in combination.

Basis of Presentation

Financial statement presentation follows the accounting standards requirements for not-for-profit organizations. Under these standards, an organization is required to report information regarding its financial position and activities according to two classes of net assets depending upon the existence and/or nature of any donor restrictions as follows: net assets without donor restrictions and net assets with donor restrictions.

All net assets of the Corporation at September 30, 2023 and 2022 are classified as without donor restrictions.

Use of Estimates

The preparation of the combined financial statements in conformity GAAP requires management to make estimates and assumptions that affect the amounts reported and related disclosures. Actual results could differ from those estimates.

Revenue and Expense Recognition

The general federal appropriation is an unconditional, nonreciprocal contribution of cash to the Corporation from Congress. The federal appropriation is recognized as revenue in the year received.

In the absence of restrictions imposed by a donor, or when restrictions on a donation are met in the same reporting period the donation is made, the Corporation recognizes donations it receives as without donor restrictions. Net assets released from restrictions (i.e., the donor-stipulated purpose has been met and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the combined statements of activities.

Royalties and other income, which primarily include royalty payments related to certain productions funded by the Corporation, are recognized as they are earned.

Unconditional grants and contracts awarded by the Corporation are recognized as expenses and payables when the applicable agreements are executed. The outstanding balances of unconditional grants that are expected to be paid more than one year from the date of the combined statement of financial position are discounted to their present values.

Contracts that are contingent upon specific fiscal year funding and whose scope of work differentiates fiscal year activity are recognized as expenses in the relevant fiscal year. Multi-year system royalty contracts are expensed over the term of the agreements.

Unexpended balances of grants and contracts awarded by the Corporation are required to be returned to the Corporation by grantees. If grant and contract refunds become known in the same period in which the grant or contract was expensed, the refunds are offset against grant and contract expenses. Otherwise, the grant and contract refunds are recorded as revenue when the amount of refund due to the Corporation becomes known, normally when a final accounting by the grantee is submitted.

Cash and Cash Equivalents

The Corporation considers all highly-liquid debt instruments with an original maturity of three months or less from the date of purchase to be cash equivalents. Cash equivalents may include United States Treasury bills, federal agency securities, commercial paper, certificates of deposit, money market deposits and repurchase agreements. The carrying amount approximates fair value because of the short maturity of the instruments. The Corporation requires repurchase agreements to be collateralized by United States Treasury securities.

Short-Term Investments

The Corporation carries short-term investments at fair value as per Financial Accounting Standards Board Accounting Standards Codification 820 (“ASC 820”), *Fair Value Measurement*. Short-term investments may include United States Treasury securities, federal agency securities and corporate bonds and commercial paper classified as investment grade.

Investments-Other

Investments-other include certificates of deposit from financial institutions that are held for investment, that are not debt securities and that have an original maturity greater than three months. Certificates of deposit are valued at amortized cost.

Concentration of Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk include cash and cash equivalents, short-term investments and investments-other. At times, the Corporation’s cash exceeds the current insured amounts under the Federal Deposit Insurance Corporation. By policy, investments are kept within limits designed to reduce risks caused by concentration.

Receivables

Receivables consist primarily of grant funds to be returned, accrued interest and receivables from the U.S. Department of Education and Federal Emergency Management Agency ("FEMA"). The Corporation records an allowance for doubtful accounts on its outstanding receivables based on specific identification of uncollectible accounts.

Property and Equipment

Property and equipment, which include furniture and fixtures, computer equipment, software and leasehold improvements, are stated at cost, less accumulated depreciation computed on the straight-line method. Individual items with an original cost of $1,500 or more are capitalized. Furniture and fixtures, computer equipment and software are depreciated over their estimated useful lives of three to seven years. Leasehold improvements are amortized over the remaining term of the lease or the useful lives of the improvements, whichever is shorter.

Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02*, Leases* (Topic 842), which requires a lessee to recognize for most leases a right-of-use asset and a lease liability in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. Additionally, the guidance expands the required quantitative and qualitative disclosures surrounding leases.

The Corporation adopted ASU 2016-02 as of October 1, 2022, using the optional transition method of a modified retrospective approach, which eliminates the requirement to restate the prior-period combined financial statements. The Corporation elected to apply practical expedients under the transition guidance that allow it not to reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of expired or existing leases or (iii) initial direct costs for any existing leases. The Corporation has also made the policy election under ASU 2016-02 not to recognize a right-of-use asset and lease liability for leases with a term of 12 months or shorter.

The adoption of ASU 2016-02 resulted in the recognition of an operating lease right-of-use asset of approximately $15.5 million and an operating lease liability of approximately $18.9 million on the combined statement of financial position as of October 1, 2022. There was no material impact to the combined statement of activities, combined statements of functional expenses or combined statements of cash flows. Refer to Note F for additional information pertaining to right-of-use assets, lease liabilities and lease expense.

Pending Accounting Pronouncements

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities, will be effective for the Corporation in its fiscal year 2024. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. For available for sale debt securities, Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. While the Corporation is currently evaluating this new accounting guidance, it is not expected to have a significant impact on the Corporation's combined financial statements.

NOTE B - LIQUIDITY RESOURCES

As mentioned earlier, the Corporation's primary revenue source is the federal government, which provides a two-year advance general appropriation. An advance appropriation is made to become available one year or more beyond the year for which the appropriations act is passed. Also stated earlier, the Corporation's initial annual advance appropriations for fiscal years 2024 and 2025 are $525,000,000 and $535,000,000, respectively. While these appropriations are already written into law, they could be modified during subsequent Congressional budgetary processes. The Corporation typically receives the funds from its general appropriation on the first business day of each fiscal year.

The Corporation also periodically receives from Congress additional, separate appropriations to help the public broadcasting system achieve specific objectives.

By statute, investment income earned on general appropriation funds may only be used to help fund future radio and television programming grants and investment income earned on funds from separate appropriations inure to the benefit of the projects funded by those appropriations.

Outside of direct Congressional appropriations, the Corporation is currently engaged in a cooperative agreement with the U.S. Department of Education, Ready To Learn and a grant with FEMA. Throughout the course of these agreements, the Corporation draws down reimbursement for its actual expenditures rather than receiving advance funding.

The Corporation does not produce programming, it does not own, operate or control any public broadcasting stations and it does not conduct fundraising. Any royalties earned by the Corporation on certain productions it funds must be used to help fund future programming grants.

The Corporation distributes the general appropriation among program and support services in accordance with a statutory budgetary formula outlined in the Act. It is only over administrative expenses that the Corporation may exercise discretion as to how the funds are spent. The Act's budgetary formula limits the amount of funds available for administrative expenses to five percent of the general appropriation for any given fiscal year and at the end of each fiscal year, unexpended administrative funds roll into system support. The consequence of this structure is that the Corporation is precluded from building operating reserves from appropriated funds.

Therefore, as of the dates of the combined statements of financial position, financial assets available to meet general expenditures within one year are limited to the balance of unappropriated funds. These include cumulative monies received from unsolicited donations and bequests from private donors, the balance of which was $6,080,342 and $4,740,249, as of September 30, 2023 and 2022, respectively, and are a component of the cash and investments balances on the combined statements of financial position.

Anticipated operating expenses for the upcoming fiscal year far exceed the balance of financial assets available to meet general expenditures within one year. However, subsequent year appropriations fund subsequent year operating costs and, as stated above, the Corporation has a two-year advance general appropriation and typically receives general appropriation funds on the first business day of each fiscal year.

NOTE C - SHORT-TERM INVESTMENTS

Short-term investments consist of the following at September 30:

	2023	2022
Federal agency discount notes and debentures	$ 59,635,593	$ 89,203,013
Corporate bonds	58,588,643	58,525,536
Commercial paper	58,952,024	25,312,185
	$ 177,176,260	$ 173,040,734

Fair Value Measurements

ASC 820 provides the framework for measuring fair value. That framework includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to value fair value. The guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Based upon the transparency of inputs, the three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Fair value is based on pricing inputs other than quoted prices in active markets and which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently than securities traded on what are deemed active markets.

Level 3 - Pricing of securities are unobservable as of the report date. The inputs to the determination of fair value are not observable and require significant judgment or estimation. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Corporation's perceived risk of that instrument.

The following tables set forth, by investment category and level within the fair value hierarchy, the Corporation's short-term investments as of September 30, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Federal agency discount notes and debentures	$ 59,635,593	$ -	$ -	$ 59,635,593
Corporate bonds	58,588,643	-	-	58,588,643
Commercial paper	58,952,024	-	-	58,952,024
	$ 177,176,260	$ -	$ -	$ 177,176,260

	2022			
	Level 1	Level 2	Level 3	Total
Federal agency discount notes and debentures	$ 89,203,013	$ -	$ -	$ 89,203,013
Corporate bonds	58,525,536	-	-	58,525,536
Commercial paper	25,312,185	-	-	25,312,185
	$ 173,040,734	$ -	$ -	$ 173,040,734

NOTE D - RECEIVABLES

Receivables consist of the following at September 30:

	2023	2022
Grants and grant refunds receivable	$ 1,301,470	$ 432,033
U.S. Department of Education receivable	26,883,060	29,991,895
FEMA Next Generation Warning System receivable	96,865	-
Other	2,126,761	831,114
Receivables, gross	30,408,156	31,255,042
Less: allowance for doubtful accounts	(186,937)	(186,937)
Receivables, net	$ 30,221,219	$ 31,068,105

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at September 30:

	2023	2022
Furniture and equipment	$ 3,111,563	$ 3,001,144
Software	1,900,413	1,900,413
Leasehold improvements	2,848,729	2,848,730
	7,860,705	7,750,287
Less: accumulated depreciation and amortization	(5,682,052)	(5,339,434)
Total property and equipment, net	$ 2,178,653	$ 2,410,853

Depreciation and amortization expense was $342,618 and $348,432 for the years ended September 30, 2023 and 2022, respectively.

NOTE F - OPERATING LEASE RIGHT-OF-USE ASSETS AND OPERATING LEASE LIABILITIES

The Corporation determines if an agreement is or contains a lease at its inception by assessing if the agreement conveys the right to control identified assets over a period of time.

Included on the combined statements of financial position are operating lease right-of-use assets and operating lease liabilities. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from a lease, measured on a discounted basis. For the discount rate, the Corporation uses a risk-free Treasury rate commensurate with the term of the lease.

Lease cost is recognized in the combined statements of activities on a straight-line basis over the lease term. Options to extend lease terms are reflected in operating lease right-of-use assets and operating lease liabilities when it is reasonably certain the Corporation will exercise those options. Variable lease payments for items such as property taxes and operating expenses attributable to leased properties are recognized in the period in which they occur.

The Corporation has a non-cancelable operating lease for office space at its headquarters in Washington, D.C. which expires in April 2032. This is the only lease for which the Corporation was a lessee in either fiscal year 2023 or 2022. The lease includes an option for the Corporation to extend the term for an additional five years past its current expiration date. The Corporation is not reasonably certain it would exercise that option and therefore the renewal term is not reflected in the values of the operating lease right-of-use assets or operating lease liabilities.

Operating and variable lease cost for year ended September 30, 2023, which are included in occupancy in the combined statement of functional expenses, were as follows:

Operating lease cost	$ 2,023,066
Variable lease cost	12,200
Total lease cost	$ 2,035,266

Total rent expense for operating leases was $2,027,572 for the year ended September 30, 2022.

Supplemental cash flow information related to leases is as follows for the year ended September 30, 2023:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows - payments on operating leases	$ 2,167,865
Right-of-use-assets obtained in exchange for new lease obligations:	
Operating leases	$ 15,523,956

Aggregate remaining maturities per fiscal year of operating lease liabilities as of September 30, 2023, are as follows:

2024	$ 2,207,216
2025	2,256,878
2026	2,307,658
2027	2,359,580
2028	2,412,671
Thereafter	9,092,744
Total operating lease payments	20,636,747
Less: imputed interest (discount rate: 3.87%)	(3,163,765)
Total operating lease liabilities	$ 17,472,982

Prior to the adoption of the new lease guidance on October 1, 2022, right-of-use assets and lease liabilities were not recognized on the combined statement of financial position. The following table depicts the future minimum rental payments per fiscal year under operating leases in effect as of September 30, 2022:

2023	$ 2,167,865
2024	2,207,216
2025	2,256,878
2026	2,307,658
2027	2,359,580
Thereafter	11,505,415
	$ 22,804,612

NOTE G - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at September 30:

	2023	2022
Trade accounts payable	$ 164,502	$ 92,944
Accrued personnel and related costs	6,990,360	6,577,811
Deferred rent liability	-	1,972,358
Other accrued expenses	43,260	394,036
Total accounts payable and accrued expenses	$ 7,198,122	$ 9,037,149

NOTE H - APPROPRIATED GRANTS AND CONTRACTS PAYABLE

At September 30, the amounts due for appropriated grants and contracts payable were as follows:

	2023	2022
Amount payable:		
Within one year	$ 118,574,487	$ 88,183,987
In one to five years	18,156,585	57,977,284
Total appropriated grants and contracts payable	136,731,072	146,161,271
Less: unamortized discount	(1,212,726)	(1,284,185)
Appropriated grants and contracts payable, net	$ 135,518,346	$ 144,877,086

All grants are stated at present value. Discount rates for contracts payable are based upon one- to three-year Treasury yield curve rates on September 30, depending on the estimated maturity of each contract. The discount rates ranged from and from 0.28% to 5.46% for 2023 and 0.09% to 4.22% for 2022.

NOTE I - NET ASSETS WITHOUT DONOR RESTRICTIONS

As of September 30, the portion of net assets without donor restrictions that has been designated by statute for specific purposes, is summarized as follows:

	2023	2022
Project funding commitments:		
Television support	$ 43,257,221	$ 35,476,172
Radio support	7,952,276	4,629,194
Public broadcasting interconnection	88,893,801	41,343,771
Other system support and corporate administration	26,799,205	21,847,148
Long-term contracts payable discount	1,212,726	1,284,185
Total designated net assets	$ 168,115,229	$ 104,580,470

Also included in net assets without donor restrictions on the combined statements of financial position are the Corporation’s investment in property and equipment, net of accumulated depreciation, and the net assets of Literary Classics, Inc.

NOTE J - PROGRAM SERVICES, SYSTEM SUPPORT AND ADMINISTRATION

Descriptions of programs and supporting services conducted by the Corporation are as follows:

- *Television programming* represents expenses for development and support of high-quality national television programming and educational projects that might not otherwise be supported by the marketplace.

- *Radio Program Fund* represents expenses for the development and production of high-quality, new and innovative radio programs that might not otherwise be supported by the marketplace.

- *National program production and acquisition grants* are restricted grants made to qualified public radio stations that must be used for the production, acquisition, promotion or distribution of national radio programs that are of high quality, creative and reflect society's diversity.

- *Community service grants* are unrestricted general operating grants made to qualified public television and radio stations.

- *Public broadcasting interconnection system* funding began in fiscal year 2016 and provides for the development and implementation of a new interconnection system to be used by both public television and radio stations to transmit and receive programming feeds. Congress provides these funds so that improved technology may enable public television and public radio stations to share certain elements of a new interconnection system, leading to greater efficiencies. In fiscal year 2018, Congress expanded the interconnection account to allow the Corporation to fund, in addition to interconnection, "other technologies and services that create infrastructure and efficiencies within the public media system."

- *Ready-to-Learn* is a five-year cooperative agreement funded by the U.S. Department of Education that supports the development of educational television and digital media targeted at preschool and early elementary school children and their families. The current agreement has a performance period of October 1, 2020, through September 30, 2025.

- *FEMA Next Generation Warning System* is a three-year $40 million grant program from the Federal Emergency Management Agency for public television and public radio stations to replace and upgrade infrastructure to expand alert, warning, and interoperable communications, creating a more resilient and secure public alerting system. The program funds equipment upgrades and training, including the ability to use ATSC 3.0 broadcast technology for television stations and comparable digital broadcast technology for radio stations. The program prioritizes public media stations serving underserved communities, primarily in rural and tribal areas. The current grant agreement has a period of performance of October 1, 2022, through September 30, 2025.

- *Other system support* represents expenses for the general support and development of the public broadcasting system. Funded activities include grants to qualified public television stations to help operate their interconnection systems, music royalty fees paid on behalf of the public broadcasting system and various other system-wide activities and functions.

- *Corporate administration* and other expenses include supporting service expenses for Corporation staff, consultants and professional services, travel, printing, publications, rent, communications and utilities, data processing and other administrative support. These expenses are limited by federal statute to 5.0% of the general federal appropriation. The proportion of corporate administrative and other expenses to the general federal appropriation was about 4.7% and 4.6% for fiscal years 2023 and 2022, respectively.

The Corporation does not allocate administrative or overhead costs to program services or system support. All the amounts presented in the combined statements of functional expenses are direct costs.

NOTE K - BENEFIT PLANS

The Corporation sponsors defined contribution plans covering substantially all its employees. The Corporation contributes to these plans on behalf of its employees pursuant to the provisions of the plans. Contributions are expensed as they are earned by eligible employees. In fiscal years 2023 and 2022, the Corporation expensed plan contributions of $2,524,825 and $2,250,372, respectively.

NOTE L - COMMITMENTS

Music Royalties

The Corporation is obligated to pay system-wide music royalties under several contractual agreements which expire on various dates from now until December 31, 2027. Music royalty expense of $9,604,018 and $9,280,849 for fiscal years 2023 and 2022, respectively, is reflected in other system support on the accompanying combined statements of activities. The future minimum music royalty payments per fiscal year under non-cancelable and cancelable contracts are as follows:

	Non-Cancelable	Cancelable
2024	$ 823,237	$ 8,600,000
2025	823,237	8,700,000
2026	23,237	8,700,000
2027	23,237	8,700,000
2028	23,237	-
	$ 1,716,185	$ 34,700,000

NOTE M - INCOME TAXES

Both the Corporation and Literary Classics, Inc. are exempt from federal income tax under Code Sections 501(c)(3) and 170(b)(1)(A)(vi), though are subject to tax on income unrelated to their respective exempt purpose, unless that income is otherwise excluded by the Code. Both the Corporation and Literary Classics, Inc. have processes presently in place to ensure the maintenance of their tax-exempt status; to identify and report unrelated income; to determine the relevant filing and tax obligations in jurisdictions for which they have nexus; and to identify and evaluate other matters that may be considered tax positions. The Corporation and Literary Classics, Inc. have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Corporation and Literary Classics, Inc. follow guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

NOTE N - SUBSEQUENT EVENTS

The Corporation evaluated its September 30, 2023 combined financial statements for subsequent events through February 13, 2024, the date the combined financial statements were available to be issued. The Corporation is not aware of any subsequent events which would require recognition or disclosure in the combined financial statements.