Combined Financial Statements and Report of Independent Certified Public Accountants

Corporation for Public Broadcasting and Affiliate

September 30, 2022 and 2021

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 Corporation for Public Broadcasting and Affiliate (collectively, the "Corporation"), which comprise the combined statements of financial position as of September 30, 2022 and 2021, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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, 2022 and 2021, and the changes its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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.

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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 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

Arlington, Virginia
February 15, 2023

Corporation for Public Broadcasting and Affiliate

COMBINED STATEMENTS OF FINANCIAL POSITION

September 30,

	2022	2021
ASSETS		
Cash and cash equivalents	$ 20,225,608	$ 52,366,366
Short-term investments	173,040,734	141,458,329
Investments-other	35,000,000	25,000,000
Receivables, net	31,068,105	17,827,950
Prepaid expenses	695,618	395,355
Property and equipment, net	2,410,853	2,759,285
Total assets	$ 262,440,918	$ 239,807,285
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 9,037,149	$ 8,357,657
Appropriated grants and contracts payable, net	144,877,086	149,865,782
Lease incentive obligation	1,444,544	1,595,279
Total liabilities	155,358,779	159,818,718
Net assets without donor restrictions		
Designated	104,580,470	77,137,942
Investment in property and equipment, net	2,410,853	2,759,285
Literary Classics, Inc.	90,816	91,340
Total net assets without donor restrictions	107,082,139	79,988,567
Total liabilities and net assets	$ 262,440,918	$ 239,807,285

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,

	2022	2021
Revenue		
Federal appropriations		
General	$ 465,000,000	$ 445,000,000
Fiscal stabilization - American Rescue Plan Act	-	175,000,000
Public broadcasting interconnection	20,000,000	20,000,000
Investment income	1,630,995	918,814
Department of Education - Ready to Learn	20,841,552	21,806,455
Royalties and other income	1,279,476	857,693
Grant and contract refunds	2,165,745	14,986,956
Total revenue	510,917,768	678,569,918
Expenses		
Program services		
Television programming	75,495,054	76,147,555
Radio programming:		
Radio Program fund	7,145,925	7,913,744
National program production and acquisition grants	24,579,081	24,072,521
System support		
Television community service grants	232,867,915	226,071,563
Radio community service grants	72,446,561	69,808,972
Fiscal stabilization - American Rescue Plan Act	-	175,000,000
Public broadcasting interconnection	2,871,313	78,213,000
Department of Education - Ready to Learn	20,841,552	21,806,455
Other system support	26,393,157	31,125,748
Long-term contracts payable present value adjustment	(276,263)	(913,901)
	462,364,295	709,245,657
Corporate administration and other expenses	21,459,901	20,427,102
Total expenses	483,824,196	729,672,759
CHANGES IN NET ASSETS	27,093,572	(51,102,841)
Net assets, beginning of year	79,988,567	131,091,408
Net assets, end of year	$ 107,082,139	$ 79,988,567

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

Corporation for Public Broadcasting and Affiliate

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

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	Fiscal Stabilization Grants - American Rescue Plan Act	Public Broadcasting Interconnection	Department of Education - Ready to Learn	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

Year Ended September 30, 2021

	Program Services			System Support								
	Television Programming	Radio Program Fund	National Program Production and Acquisition Grants	Television Community Service Grants	Radio Community Service Grants	Fiscal Stabilization Grants - American Rescue Plan Act	Public Broadcasting Interconnection	Department of Education - Ready to Learn	Other System Support	Long-term Contracts Payable Present Value Adjustment	Corporate Administration and Other Expenses	Total
Grants and contracts	$ 76,147,555	$ 7,913,744	$ 24,072,521	$ 226,071,563	$ 69,808,972	$ 175,000,000	$ 78,213,000	$ 21,016,717	$ 30,876,165	$ (913,901)	$ -	$ 708,206,336
People costs	-	-	-	-	-	-	-	758,452	-	-	16,330,915	17,089,367
Occupancy	-	-	-	-	-	-	-	-	-	-	2,029,843	2,029,843
Office and IT expenses	-	-	-	-	-	-	-	2,567	19,986	-	579,329	601,882
Professional services	-	-	-	-	-	-	-	26,393	222,473	-	751,009	999,875
Travel	-	-	-	-	-	-	-	-	-	-	13,899	13,899
Meetings and conferences	-	-	-	-	-	-	-	693	7,124	-	42,145	49,962
Depreciation	-	-	-	-	-	-	-	-	-	-	377,060	377,060
Non-staff travel	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,633	-	-	302,902	304,535
	$ 76,147,555	$ 7,913,744	$ 24,072,521	$ 226,071,563	$ 69,808,972	$ 175,000,000	$ 78,213,000	$ 21,806,455	$ 31,125,748	$ (913,901)	$ 20,427,102	$ 729,672,759

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,

	2022	2021
Cash flows from operating activities:		
Changes in net assets	$ 27,093,572	$ (51,102,841)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	348,432	377,060
(Increase) decrease in assets:		
Receivables, net	(13,240,155)	(2,137,092)
Prepaid expenses	(300,263)	195,079
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	679,492	158,889
Appropriated grants and contracts payable	(4,988,696)	40,242,643
Lease incentive obligation	(150,735)	(150,735)
Net cash provided by (used in) operating activities	9,441,647	(12,416,997)
Cash flows from investing activities:		
Purchase of property and equipment	-	(11,548)
Purchase of investments	(263,674,724)	(307,649,933)
Proceeds from investments	222,091,319	244,213,797
Net cash used in investing activities	(41,583,405)	(63,447,684)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,140,758)	(75,864,681)
Cash and cash equivalents, beginning of year	52,366,366	128,231,047
Cash and cash equivalents, end of year	$ 20,225,608	$ 52,366,366

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 2024. The initial annual advance appropriations for fiscal years 2021 and 2022 were included in the “Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019” (Public Law 115-245), and the “Further Consolidated Appropriations Act, 2020” (Public Law 116-94), respectively, and were $445,000,000 and $465,000,000, respectively. The initial annual advance appropriations for fiscal years 2023 and 2024 are $475,000,000 and $525,000,000, respectively.

Basis of Combination

The combined financial statements are presented on an accrual basis and 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 the 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 the net assets of the Corporation at September 30, 2022 and 2021 are classified as without donor restrictions.

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 its 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 bills, federal agency securities, corporate bonds and commercial paper.

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. The Corporation holds United States Treasury bills and corporate bonds and commercial paper issued by financially-strong corporations. By policy, these 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. 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.

Pending Accounting Pronouncements

Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, is effective for not-for-profit entities for annual periods beginning after December 15, 2021. For the Corporation, that is its fiscal year 2023. The core principle of Topic 842 is that a lessee should recognize assets and liabilities that arise from all leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The Corporation is currently in the process of evaluating the impact of this new accounting guidance on its 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 one 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 2023 and 2024 are $475,000,000 and $525,000,000, 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. Throughout the course of the cooperative agreement, 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 $4,740,249 and $4,505,261, as of September 30, 2022 and 2021, 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 receives general appropriation funds on the first day of each fiscal year.

NOTE C - SHORT-TERM INVESTMENTS

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

	2022	2021
Federal agency discount notes and debentures	$ 89,203,013	$ 57,465,067
Corporate bonds	58,525,536	34,825,024
Commercial paper	25,312,185	49,168,238
	$ 173,040,734	$ 141,458,329

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, 2022 and 2021:

	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

	2021			
	Level 1	Level 2	Level 3	Total
Federal agency discount notes and debentures	$ 57,465,067	$ -	$ -	$ 57,465,067
Corporate bonds	34,825,024	-	-	34,825,024
Commercial paper	49,168,238	-	-	49,168,238
	$ 141,458,329	$ -	$ -	$ 141,458,329

NOTE D - RECEIVABLES

Receivables consist of the following at September 30:

	2022	2021
Grants and grant refunds receivable	$ 432,033	$ 340,261
U.S. Department of Education receivable	29,991,895	17,274,028
Other	831,114	521,316
Receivables, gross	31,255,042	18,135,605
Less: allowance for doubtful accounts	(186,937)	(307,655)
Receivables, net	$ 31,068,105	$ 17,827,950

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at September 30:

	2022	2021
Furniture and equipment	$ 3,001,144	$ 3,001,144
Software	1,900,413	1,900,413
Leasehold improvements	2,848,730	2,848,730
	7,750,287	7,750,287
Less: accumulated depreciation and amortization	(5,339,434)	(4,991,002)
Total property and equipment, net	$ 2,410,853	$ 2,759,285

Depreciation and amortization expense was $348,432 and $377,060 for the years ended September 30, 2022 and 2021, respectively.

NOTE F - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2022	2021
Trade accounts payable	$ 92,944	$ 259,482
Accrued personnel and related costs	6,577,811	6,067,055
Deferred rent liability	1,972,358	1,934,378
Other accrued expenses	394,036	96,742
Total accounts payable and accrued expenses	$ 9,037,149	$ 8,357,657

NOTE G - APPROPRIATED GRANTS AND CONTRACTS PAYABLE

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

	2022	2021
Amount payable:		
Within one year	$ 88,183,987	$ 80,062,160
In one to five years	57,977,284	70,811,614
Total appropriated grants and contracts payable	146,161,271	150,873,774
Less: Unamortized discount	(1,284,185)	(1,007,992)
Appropriated grants and contracts payable, net	$ 144,877,086	$ 149,865,782

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 0.09% to 4.22% for 2022 and 0.09% to 1.56% for 2021.

NOTE H - 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:

	2022	2021
Project funding commitments:		
Television support	$ 35,476,172	$ 30,864,797
Radio support	4,629,194	4,223,130
Public broadcasting interconnection	41,343,771	23,739,260
Other system support and corporate administration	21,847,148	17,302,833
Long-term contracts payable discount	1,284,185	1,007,922
Total designated net assets	$ 104,580,470	$ 77,137,942

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 I - 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.

- *Fiscal stabilization grants - American Rescue Plan Act* refers to the American Rescue Plan Act 2021, passed on March 11, 2021 (Public Law 117-2), with which the Corporation was appropriated $175 million "to prevent, prepare for, and respond to coronavirus, including for fiscal stabilization grants to public telecommunications entities...to maintain programming and services and preserve small and rural stations threatened by declines in non-Federal revenues." The Corporation received the funds from the U.S. Treasury in early April 2021 and distributed them to qualified public television and radio stations in the form of unrestricted general operating grants.

- *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* includes two five-year cooperative agreements funded by the U.S. Department of Education that support the development of educational television and digital media targeted at preschool and early elementary school children and their families. Ready To Learn: Content, Community and Collaboration, had an original performance period of October 1, 2015, through September 30, 2020; however, in fiscal year 2020, the Corporation received from the U.S. Department of Education a no-cost extension through May 31, 2021. Ready To Learn: Learn Together - Connecting Children’s Media and Learning Environments to Build Key Skills for Success has a performance period of October 1, 2020 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 4.6% for both fiscal years 2022 and 2021.

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 J - 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 2022 and 2021, the Corporation expensed plan contributions of $2,250,372 and $2,111,137, respectively.

NOTE K - COMMITMENTS

Lease Commitments

During fiscal year 2019, the Corporation renegotiated and extended the operating lease for its headquarters facilities in Washington, D.C. The revised lease term is thirteen years beginning May 2019 through April 2032. In addition to base rent, the Corporation is required to pay its pro rata share of real estate taxes and operating expenses in excess of the base year, defined by the lease as calendar year 2019.

Total rent expense of $2,027,572 and $2,014,934 for fiscal years 2022 and 2021, respectively, is reflected in corporate administration and other expenses on the accompanying combined statements of activities. The future minimum rental payments per fiscal year under this non-cancelable operating lease are as follows:

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

Incentives received at the inception of operating leases are recognized as a lease incentive obligation in the accompanying combined statements of financial position and amortized on a straight-line basis over the life of the lease.

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, 2025. Music royalty expense of $9,280,849 and $9,082,279 for fiscal years 2022 and 2021, 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 contracts are as follows:

	Non-Cancelable
2023	$ 820,206
2024	800,000
2025	800,000
	$ 2,420,206

NOTE L - 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 M - SUBSEQUENT EVENTS

The Corporation evaluated its September 30, 2022 combined financial statements for subsequent events through February 15, 2023, 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.