Combined Financial Statements and Report of Independent Certified Public Accountants

Corporation for Public Broadcasting and Affiliate

September 30, 2021 and 2020

Contents

Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Corporation for Public Broadcasting and Affiliate:

We have audited the accompanying 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, 2021 and 2020, 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.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the combined 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 Corporation'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Corporation for Public Broadcasting and Affiliate as of September 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.

Grant Thornton LLP

Arlington, Virginia
February 16, 2022

Corporation for Public Broadcasting and Affiliate

COMBINED STATEMENTS OF FINANCIAL POSITION

September 30,

	2021	2020
ASSETS		
Cash and cash equivalents	$ 52,366,366	$ 128,231,047
Short-term investments	141,458,329	78,022,193
Investments-other	25,000,000	25,000,000
Receivables, net	17,827,950	15,690,858
Prepaid expenses	395,355	590,434
Property and equipment, net	2,759,285	3,124,797
Total assets	239,807,285	250,659,329
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	8,357,657	8,198,768
Appropriated grants and contracts payable, net	149,865,782	109,623,139
Lease incentive obligation	1,595,279	1,746,014
Total liabilities	159,818,718	119,567,921
Net Assets without Donor Restrictions		
Designated	77,137,942	127,875,291
Investment in property and equipment, net	2,759,285	3,124,797
Literary Classics, Inc.	91,340	91,320
Total net assets without donor restrictions	79,988,567	131,091,408
Total liabilities and net assets	$ 239,807,285	$ 250,659,329

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,

	2021	2020
Revenue		
Federal appropriations:		
General	$ 445,000,000	$ 445,000,000
Fiscal stabilization - American Rescue Plan Act	175,000,000	-
Fiscal stabilization - CARES Act	-	75,000,000
Public broadcasting interconnection	20,000,000	20,000,000
Investment income	918,814	5,560,224
Department of Education - Ready to Learn	21,806,455	19,987,323
Royalties and other income	857,693	2,744,383
Grant and contract refunds	14,986,956	2,253,811
Total revenue	678,569,918	570,545,741
Expenses		
Program services:		
Television programming	76,147,555	70,932,905
Radio programming:		
Radio Program fund	7,913,744	9,221,001
National program production and acquisition grants	24,072,521	23,721,381
System support:		
Television community service grants	226,071,563	221,589,265
Radio community service grants	69,808,972	69,859,426
Fiscal stabilization - American Rescue Plan Act	175,000,000	-
Fiscal stabilization grants - CARES Act	-	75,000,000
Public broadcasting interconnection	78,213,000	1,451,887
Department of Education - Ready to Learn	21,806,455	19,987,323
Other system support	31,125,748	27,424,071
Long-term contracts payable present value adjustment	(913,901)	1,062,720
	709,245,657	520,249,979
Corporate administration and other expenses	20,427,102	20,651,490
Total expenses	729,672,759	540,901,469
CHANGES IN NET ASSETS	(51,102,841)	29,644,272
Net assets, beginning of year	131,091,408	101,447,136
Net assets, end of year	$ 79,988,567	$ 131,091,408

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,

	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
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

	Year Ended September 30, 2020											
	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 - CARES 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	$ 70,932,905	$ 9,221,001	$ 23,721,381	$ 221,589,265	$ 69,859,426	$ 75,000,000	$ 1,451,887	$ 19,185,280	$ 27,062,290	$ 1,062,720	$ -	$ 519,086,155
People costs	-	-	-	-	-	-	-	697,343	-	-	16,259,906	16,957,249
Occupancy	-	-	-	-	-	-	-	-	-	-	2,130,308	2,130,308
Office and IT expenses	-	-	-	-	-	-	-	3,783	14,886	-	738,864	757,533
Professional services	-	-	-	-	-	-	-	31,232	52,010	-	649,449	732,691
Travel	-	-	-	-	-	-	-	16,550	-	-	108,543	125,093
Meetings and conferences	-	-	-	-	-	-	-	26,265	285,345	-	91,185	402,795
Depreciation	-	-	-	-	-	-	-	-	-	-	379,899	379,899
Other	-	-	-	-	-	-	-	26,870	9,540	-	293,336	329,746
	$ 70,932,905	$ 9,221,001	$ 23,721,381	$ 221,589,265	$ 69,859,426	$ 75,000,000	$ 1,451,887	$ 19,987,323	$ 27,424,071	$ 1,062,720	$ 20,651,490	$ 540,901,469

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,

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ (51,102,841)	$ 29,644,272
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	377,060	379,899
(Increase) decrease in assets:		
Receivables, net	(2,137,092)	5,001,722
Prepaid expenses	195,079	(75,064)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	158,889	(21,060)
Appropriated grants and contracts payable	40,242,643	(14,262,487)
Lease incentive obligation	(150,735)	(154,885)
Net cash (used in) provided by operating activities	(12,416,997)	20,512,397
Cash flows from investing activities:		
Purchase of property and equipment	(11,548)	(172,246)
Purchase of investments	(307,649,933)	(238,565,772)
Proceeds from investments	244,213,797	255,476,475
Net cash (used in) provided by investing activities	(63,447,684)	16,738,457
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(75,864,681)	37,250,854
Cash and cash equivalents, beginning of year	128,231,047	90,980,193
Cash and cash equivalents, end of year	$ 52,366,366	$ 128,231,047

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 2023. The initial annual advance appropriations for fiscal years 2020 and 2021 were included in the Consolidated Appropriations Act, 2018 (Public Law 115-141), and the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019 (Public Law 115-245), respectively, and were $445,000,000 in each year. The initial annual advance appropriations for fiscal years 2022 and 2023 are $465,000,000 and $475,000,000, 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, 2021 and 2020 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 (FASB) 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 (FDIC). 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.

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 2022 and 2023 are $465,000,000 and $475,000,000, 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 $4,505,261 and $4,459,954, as of September 30, 2021 and 2020, 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:

	2021	2020
Federal agency discount notes and debentures	$ 57,465,067	$ 14,986,689
Corporate bonds	34,825,024	26,079,745
Commercial paper	49,168,238	36,955,759
	$141,458,329	$ 78,022,193

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, 2021 and 2020:

	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

	2020			
	Level 1	Level 2	Level 3	Total
Federal agency discount notes and debentures	$ 14,986,689	$ -	$ -	$ 14,986,689
Corporate bonds	26,079,745	-	-	26,079,745
Commercial paper	36,955,759	-	-	36,955,759
	$ 78,022,193	$ -	$ -	$ 78,022,193

NOTE D - RECEIVABLES

Receivables consist of the following at September 30:

	2021	2020
Grants and grant refunds receivable	$ 340,261	$ 640,177
U.S. Department of Education receivable	17,274,028	14,541,171
Other	521,316	817,165
Receivables, gross	18,135,605	15,998,513
Less: allowance for doubtful accounts	(307,655)	(307,655)
Receivables, net	$ 17,827,950	$ 15,690,858

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at September 30:

	2021	2020
Furniture and equipment	$ 3,001,144	$ 2,987,758
Software	1,900,413	1,900,413
Leasehold improvements	2,848,730	2,850,568
	7,750,287	7,738,739
Less: accumulated depreciation and amortization	(4,991,002)	(4,613,942)
Total property and equipment, net	$ 2,759,285	$ 3,124,797

Depreciation and amortization expense was $377,060 and $379,899 for the years ended September 30, 2021 and 2020, respectively.

NOTE F - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2021	2020
Trade accounts payable	$ 259,482	$ 158,280
Accrued personnel and related costs	6,067,055	6,078,620
Deferred rent liability	1,934,378	1,864,840
Other accrued expenses	96,742	97,028
Total accounts payable and accrued expenses	$ 8,357,657	$ 8,198,768

NOTE G - APPROPRIATED GRANTS AND CONTRACTS PAYABLE

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

	2021	2020
Amount payable:		
Within one year	$ 80,062,160	$ 98,242,288
In one to five years	70,811,614	11,474,872
Total appropriated grants and contracts payable	150,873,774	109,717160
Less: Unamortized discount	(1,007,992)	(94,021)
Appropriated grants and contracts payable, net	$149,865,782	$109,623,139

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 1.56% for 2021 and 0.12% to 2.59% for 2020.

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:

	2021	2020
Project funding commitments:		
Television support	$ 30,864,797	$ 33,369,156
Radio support	4,223,130	5,654,684
Public broadcasting interconnection	23,739,260	70,120,299
Other system support and corporate administration	17,302,833	18,637,131
Long-term contracts payable discount	1,007,922	94,021
Total designated net assets	$ 77,137,942	$127,875,291

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.

- *Fiscal stabilization grants - CARES Act* refers to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed on March 27, 2020 (Public Law 116-136), with which the Corporation was appropriated $75 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 late April 2020 and immediately 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 2021 and 2020.

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 2021 and 2020, the Corporation expensed plan contributions of $2,111,137 and $2,082,291, 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 $2,014,934 and $2,036,889 for fiscal years 2021 and 2020, 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:

2022	$ 2,135,827
2023	2,167,865
2024	2,207,216
2025	2,256,878
2026	2,307,658
Thereafter	13,864,995
	$ 24,940,439

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, 2022. Music royalty expense of $9,082,279 and $9,047,484 for fiscal years 2021 and 2020, 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
2022	$ 820,206	$ 8,315,800
2023	820,206	-
2024	800,000	-
2025	800,000	-
	$ 3,240,412	$ 8,315,800

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, 2020 combined financial statements for subsequent events through February 16, 2022, 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.