



Financial Reporting Guidelines

Fiscal Year 2018

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PART I – NFFS GUIDING PRINCIPLES AND POLICY

1 The CSG Program and Financial Reporting to CPB

The Corporation for Public Broadcasting (CPB) was created by [the Public Broadcasting Act of 1967](#). For purposes of these Financial Reporting Guidelines (Guidelines) this governing document will be referred to as “The Act”. To carry out the purposes for which it was created, The Act established a fund known as the Public Broadcasting Fund or simply the “Fund” into which CPB’s Congressional appropriation is deposited annually and becomes available to CPB on the first day of its fiscal year (i.e. October 1). The Fund is the means by which CPB makes grants for production of public television or radio programs by independent producers and production entities and public telecommunications entities, producers of national children’s educational programming, and producers of programs addressing the needs and interests of minorities, and for acquisition of such programs by public telecommunications entities.

Station and programming grants represent approximately 89% of CPB’s appropriation. Of this allocation approximately 80% is distributed in the form of Community Service Grants (CSGs), the means by which CPB funds the operations of public broadcasting television and radio stations.

To maintain CSG Program eligibility, grantees must file certain forms with CPB annually including the CSG Certificate of Eligibility, the CSG Agreement, the Station Activity Survey (SAS), the Station Activities Benchmarking Survey (SABS: TV only), and, as required by the Act, an audit report as well as such other information regarding finances, including an annual financial report (AFR).

The AFR and in some instances the Annual Financial Summary Report (FSR) are used to collect a CSG grantee’s revenue and expense information in a standardized format for one fiscal year. Grantees are required to report ALL revenue and expense information and reconcile those values with their audited financial statements. The ultimate objective of the AFR/FSR is to identify which revenues reported in the annual audit qualify as non-Federal financial support (NFFS). In order to qualify as NFFS, revenue must satisfy specific criteria outlined in the Act, as well as additional policy restrictions implemented by action of CPB’s Board of Directors.

Generally, CSGs are calculated formulaically using a base level grant. With the exception of Radio Level A and B stations, in addition to their base grant, grantees receive a CSG incentive grant based on NFFS¹. Timeliness and accuracy in submitting the AFR/FSR and reporting NFFS is essential for CPB to provide grantees with CSG funding in an efficient and equitable manner.

There is a time lag between the year in which a grantee earns NFFS and when CPB calculates and awards a CSG based on that NFFS. For example, NFFS earned in a grantee’s 2018 fiscal year will be used to calculate the CSG awarded in CPB’s fiscal year 2020, which begins October 1, 2019. CPB follows the Federal fiscal year of October 1 to September 30.

One requirement of the CSG Program is that both TV and Radio grantees earn a minimum NFFS amount annually. The minimum requirements may change from time to time but only by action of CPB’s Board of Directors. The minimum requirements in effect for the FY 2020 CSG are listed in the table below.

¹ For more information on the CSG calculations for both TV and Radio grantees, see the [Television General Provisions and Eligibility Criteria](#) and the [Radio General Provisions and Eligibility Criteria](#).

TV & Radio Minimum NFFS			
Grantee Type	Minimum NFFS	Financial Reporting Fiscal Year	CSG Fiscal Year
Television			
All TV Grantees	\$800,000	Average of 2016, 2017, 2018	2020
Radio			
Level A	No Minimum	2018	2020
Level B/C (MASS & RASS)*	\$100,000	2018	2020
Level B	\$300,000	2018	2020
Level C	\$300,000	2018	2020
Level D	\$500,000	2018	2020

* Stations that must have a minimum NFFS of \$100,000 include Minority Audience Service Stations (MASS) with a minority come composition of at least 75% and stations that meet the criteria for both Minority Audience Service Station (MASS) and Rural Audience Service Station (RASS).

Radio grantees must meet the minimum NFFS and NFFS direct revenue requirements set forth in the table below. NFFS direct revenue is total NFFS revenue less revenue for in-kind contributions and indirect administrative support. Minimum NFFS direct revenue is calculated by multiplying the NFFS minimum direct revenue rate by grantee's required minimum NFFS for the applicable year.

CSG Level	Minimum NFFS	Minimum NFFS Direct Revenue
Level A (Sole Service)	None	None
Level B or C (MASS & RASS)*	\$100,000	\$50,000
Level B	\$300,000	\$150,000
Level C	\$300,000	\$150,000
Level D	\$500,000	\$250,000

* Stations that must have a minimum NFFS of \$100,000 include Minority Audience Service Stations (MASS) with a minority come composition of at least 75% and stations that meet the criteria for both Minority Audience Service Station (MASS) and Rural Audience Service Station (RASS).

2 Non-Federal Financial Support

2.1 Introduction

The term “non-Federal financial support” (commonly referred to as NFFS) originated with and is defined in the Act (Subpart E--General Provisions, Sec. 397. [47 U.S.C. 397] Definitions). In its simplest terms NFFS is the total of direct revenue and the fair value of property and services received either as a contribution or a payment which meets specific criteria as to: recipient, form, source and purpose.

To apply the concept of NFFS correctly one must understand both the statutory definition of NFFS provided by the Act, as well the additional NFFS restrictions provided by policies adopted by CPB’s Board of Directors.

Through its discretion CPB’s Board of Directors may change the policy governing which types of revenues may be included as NFFS for CSG matching purposes. Generally, such changes are made following consultation with the public broadcasting system. CPB management and a consultation panel may recommend to the CPB Board of Directors changes to NFFS policy that are generally beneficial to the entire “system”. In other words, changes to NFFS policy cannot expand the legal definition of NFFS, but they may restrict from NFFS revenues from activities that otherwise satisfy the statutory definition of NFFS (e.g. see Section 2.4.2). This simply means that CPB will not provide a CSG incentive match for certain revenues.

As discussed in Section 1 the AFR or FSR are the means by which grantees report NFFS. An AFR or FSR must reflect the balances reported in a grantee’s audited financial statements, which are then subjected to the NFFS criteria to determine if they are eligible to be included as NFFS². Activities that are not reported as revenue in a grantee’s audited financial statements cannot be reported on the AFR/FSR and are not eligible as NFFS.

2.2 Contributions vs. Payments

NFFS begins with revenues reported in the financial statements, but not all revenue is NFFS. NFFS may be received as direct revenues in the form of gifts, grants, bequests or other contributions or as in-kind revenue—i.e. non-cash—donations of property, the use of property, or professional services, as well as indirect administrative support and occupancy support from an institutional station’s licensee. But in terms of the NFFS criteria, revenue is divided into two distinct categories: contributions and payments. With the exception of the recipient criteria (see Section 2.3), the criteria for contributions are not the same as the criteria for payments.

A **contribution** is an unconditional transfer of cash or other assets or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer from one entity to another. Other assets include securities, land, buildings, use of facilities or utilities, materials and supplies, intangible assets, services, and unconditional promises to give those items in the future. Public broadcasters receive contributions from a variety of sources and for a variety of purposes. The most notable types of contributions are membership dues, CPB grants, corporate and foundation grants and underwriting.

A **payment**, on the other hand, is a reciprocal transfer (i.e. an *exchange transaction*) of cash or other assets in which each party receives and sacrifices approximately equal value.

² Radio Level A and B grantees with less than \$300,000 in revenue for the reporting year are not required to submit audited financial statements with their FSR. They must provide unaudited financial statements, however, and apply the same GAAP standards and criteria to the balances it intends to report on the FSR. CPB reserves the right to disallow from NFFS any revenues which it believes do not meet GAAP standards for financial reporting.

2.3 NFFS Criteria

2.3.1 Statutory Definition – The Law

The Act (47 U.S.C. 397(9)) sets the recipient, form, source, and purpose criteria that contributions and payments must satisfy in order to be eligible as NFFS:

The term “non-Federal financial support” means the total value of cash and the fair market value of property and services (including, to the extent provided in the second sentence of this paragraph, the personal services of volunteers) received--

- (A) as gifts, grants, bequests, donations, or other contributions for the construction or operation of noncommercial educational broadcast stations, or for the production, acquisition, distribution, or dissemination of educational television or radio programs, and related activities, from any source other than (i) the United States or any agency or instrumentality of the United States; or (ii) any public broadcasting entity; or
- (B) as gifts, grants, donations, contributions, or payments from any State, or any educational institution, for the construction or operation of noncommercial educational broadcast stations or for the production, acquisition, distribution, or dissemination of educational television or radio programs, or payments in exchange for services or materials with respect to the provision of educational or instructional television or radio programs.

2.3.2 Interpretations

The NFFS criteria provided by the statutory definition are summarized in the following table.

NFFS Criteria

	<i>Contributions</i>	<i>Payments</i>
<i>Recipient</i>	A public broadcasting entity on behalf of a public broadcasting station	
<i>Form</i>	Gifts, grants, bequests, donations, appropriations	An appropriation or contract payment in exchange for specific materials or services related to public broadcasting (see <i>Purpose</i> below)
<i>Source</i>	Any source except the Federal Government or a Public Broadcasting Entity	Must be a state or local government or agency thereof, or an educational institution
<i>Purpose</i>	Must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio programs and related activities	Must be for services or materials with respect to the provision of educational or instructional television or radio programs

Recipient

The **recipient criterion** is the same for both contributions and payments: the recipient must be a public broadcasting entity on behalf of a public broadcasting station or stations. Generally, contributions or

payments received in part or in whole by third parties for the benefit of the public broadcaster but for which the public broadcaster does not take constructive receipt will neither meet financial statement revenue recognition criteria nor NFFS recognition criteria.

Examples of public broadcasting entities include (but not limited to):

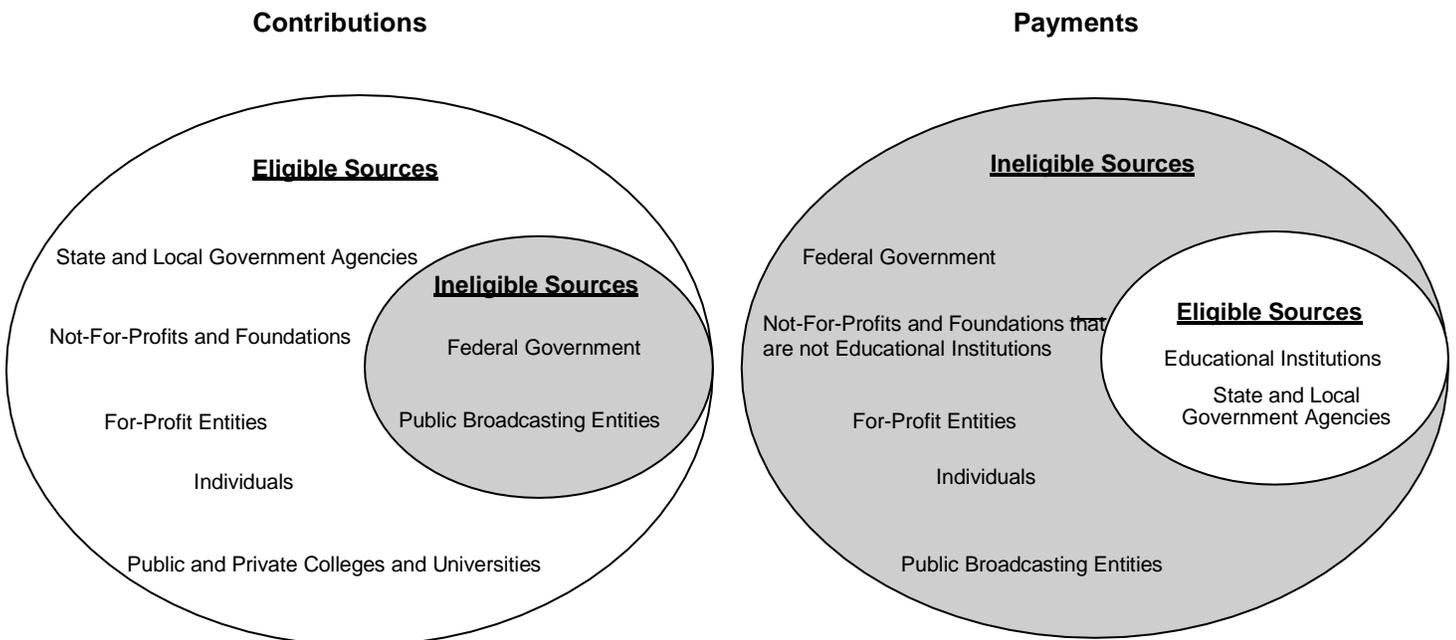
- CPB
- Any licensee or permittee of a public broadcasting station
- Any nonprofit institution engaged primarily in the production, acquisition, distribution or dissemination of educational and cultural television or radio programs. Includes, but not limited to:
 - American Public Television (APT)
 - National Public Radio (NPR)
 - Public Broadcasting Service (PBS)
 - Public Radio International (PRI)
 - American Public Media (APM)
 - National Educational Telecommunications Association (NETA)

Form

As described in Section 2.2, revenues eligible as NFFS take the form of either a contribution or a payment.

Source

The universe of eligible sources for contributions is relatively large: any source except the federal government or another public broadcasting entity), while the universe of eligible sources for payments in exchange transactions is relatively small: only eligible sources are state and local governments and educational institutions.



Exception to the NFFS Source Criterion for Institutional Stations

Some CSG grantees are institutional stations. An institutional station is a department, division, or unit of a licensee that is not devoted primarily to public broadcasting. Institutional licensees include state and

local governments, public and private colleges and universities, and the governments of United States territories. Institutional stations are permitted to include certain revenues from its own licensee as NFFS:

- Direct revenues, including appropriations from the licensee and expenses incurred or absorbed by the licensee specifically for the station
- Indirect administrative support

Indirect administrative support is the portion of a licensee's general and administrative costs (Institutional Support) and facilities costs (Operations and Maintenance of Plant) attributable to station operations, as well as occupancy for the use of buildings and tower facilities and donated land associated with tower facilities. See *Section 2.7 – Indirect Administrative Support*

Purpose

In terms of the **purpose criterion**, to be eligible as NFFS a **contribution** must be specifically intended for the construction or general operations of a public broadcasting station, which includes producing, acquiring and disseminating educational programming.

However, for a **payment** in an exchange transaction to be eligible as NFFS the payment must be in exchange for educational or instructional television or radio programs. In other words, a qualifying source must pay the grantee to provide a service directly related to producing, developing, or delivering educational or instructional programming. Payments for non-broadcast activities that are not paid by a qualifying source and not in exchange for services directly related to producing, developing, or delivering educational or instructional programming are not eligible as NFFS.

The following are examples of revenue producing activities that fail to meet at least one NFFS criterion and are thereby ineligible as NFFS.

- The value of premiums (other than those of inconsequential value) given in exchange for membership contributions -
- Gains on sale of assets and realized or unrealized gains or losses on investments
- A wholly owned or partially owned for-profit subsidiary regardless of the nature of its business
- A wholly owned or partially owned nonprofit subsidiary engaged in non-telecommunications work
- Sale of program guides
- Program guide advertising
- Refunds, rebates, reimbursements, and insurance proceeds
- Income classified as unrelated business income
- Presenting station fees/revenues

Spectrum Auction Revenues

2018 FCC Spectrum Auction revenues and related revenues do not qualify as NFFS, including but not limited to: interest and dividends on proceeds received from spectrum auction sales, payments from spectrum auction speculators, channel sharing revenues, spectrum lease revenues and spectrum repacking funds. Spectrum Auction revenues and related revenues should be reported on Schedule A, Line 21.

Presenting Station Fees for Introducing Programs into Public Broadcasting Distribution

A public broadcasting entity sometimes charges an independent program producer a fee for introducing a program into distribution among public broadcasters by acting, for example, as a “presenting station” in the PBS National Program Service. Regardless whether such a fee is charged directly to and paid directly by, the independent program producer, or is simply retained by the public broadcasting entity from assets that the public broadcaster may have solicited or received from third-party underwriters on the program producer's behalf, the fee that is received or retained for introducing the program into public broadcasting distribution represents an exchange transaction, and not a contribution. Therefore, the “Presenting Station” fee is ineligible for NFFS.

2.3.3 Federal Funds

By definition, the Act excludes all federal funds from being included as NFFS. Currently, with the exception of Ready-to-Learn grants, grants received from CPB are considered to be *non-Federal* in nature for purposes of compliance with Federal financial reporting and government audit requirements, including OMB Circular A-133 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). However, while funds from CPB are considered non-Federal they are not eligible to be counted as NFFS.

Funds are federal if they are provided by the federal government or any agency or instrumentality of the federal government to:

- The station directly,
- The licensee of a community station,
- The licensee of an institutional station and restricted for public broadcasting purposes, or
- A non-federal organization with the stipulation that they retain their federal identity when passed on to other parties.

In many cases, for NFFS purposes, federal funds do not lose their federal identity when passing through an intermediary organization to a grantee. Consequently, grantees who receive appropriations or grants from foundations, non-profit organizations, state or local governments, public or private colleges and universities, or their licensee, should confirm with the appropriator or grantor whether the funds in whole or part retain their federal character.

For example, a university that is a station licensee receives a grant from the U.S. Department of Education (USDOE) under the Title III, Part B (Title III) grant program, all funds of which are restricted by USDOE for specific purposes. Internally, the university apportions its Title III grant funds amongst its departments, including its public broadcasting station. But, the apportioning is necessarily done within the grant restrictions originally attached by Education. In other words, the university divides the funds amongst its departments to accomplish the overarching goal for which the grant was made. As a result, the university does not have the necessary discretion over the funds to warrant the funds losing their federal identity when they are transferred to the public broadcasting station. Instead, the funds remain federal and should be reported on AFR Schedule A line 1B or FSR Part 1, line 1, thereby excluded from NFFS.

In another example, a state arts organization presents a grant to a public broadcasting station. The grant is partially funded (80%) by the state arts organization, through state appropriations, and partially funded (20%) by the National Endowment for the Arts (NEA). One-hundred percent of the grant funds are paid to the public broadcaster by the state arts organization. Although the entire amount of the grant is paid to the public broadcaster by the state arts organization, the portion of the grant that is funded by the NEA remains federal and should be reported on Schedule A, line 1D or FSR Part 1, line 1.

Federal Work Study Programs

The Federal Work-Study (FWS) program is considered a campus-based program because it is administered directly by the financial aid office at each participating school (not all schools participate). How much aid students receive depends on individual financial need, on the amount of other aid students receive, and on the availability of funds at the students' college or career school. Campus-based programs provide a certain amount of funds for each participating school to administer each year. When the money for a program is gone, no more awards can be made from that program for that year. So, students must apply for federal student aid as early as possible because each school sets its own deadlines for campus-based funds, and those deadlines are usually earlier than the Department of Education's deadline for filing a FAFSA. The FWS program provides part-time jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. Student earnings cannot exceed their total FWS award.

Because each institution distributes FWS funds formulaically based on need and application the element of discretion is diminished. As a result, the institution does not have the necessary discretion over the funds to warrant the funds losing their federal identity when they are transferred to the public broadcasting station. Instead, the funds remain federal and should be reported on Schedule A, line 1B or FSR Part 1, line 1, which automatically excludes them from NFFS based on their Federal source.

American Recovery and Reinvestment Act Funds (ARRA)

All ARRA funds distributed by state governments (primary recipients) to CSG grantees (sub-recipients) are considered Federal and are thereby ineligible for inclusion as NFFS.

As indicated in the Federal Office of Management and Budget (OMB) memo on implementing guidance for the American Recovery and Reinvestment Act of 2009 (M-09-15 Section 5), all primary recipients and sub-recipients of ARRA awards are required to obtain an annual audit of those grant awards, as governed by the Federal award guidelines outlined in the Single Audit Act Amendments of 1996 and OMB Circular A-133 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

When reporting ARRA funds on an Annual Financial Report (AFR), these funds should be reported on Schedule A, Line 1F with the description "ARRA", or FSR Part 1, Line 1.

2.4 Revenues That Do Not Qualify as NFFS Due to Policy Restrictions

Revenues that do not satisfy the NFFS criteria or are not reported as revenue in a grantee's audited financial statements are not eligible as NFFS.

In addition, as mentioned in Section 2.1, periodically CPB management, in consultation with the public broadcasting system, may recommend to the CPB Board of Directors changes to NFFS policy that are generally beneficial to the entire "system". Changes to NFFS policy cannot expand the legal definition of NFFS but may restrict from the incentive grant calculation NFFS revenues from activities that otherwise satisfy the statutory definition of NFFS. This simply means that CPB will not provide a CSG incentive match for certain revenues.

For instance, in 1996 CPB's Board of Directors approved the implementation of a long-term project commonly referred to as NFFS Simplification. Amongst other things the Simplification Project resulted in the elimination of CSG matching funds for many in-kind services that were either difficult to value or posed burdensome documentation challenges, which proved to be disproportionate to both the NFFS and CSG benefit for most grantees. The objective therefore was to simplify the NFFS reporting processes and to establish equity in the distribution of grant funds for all station grantees. Some of the more notable exclusions were program production services for local and national productions, fundraising services, certain property (e.g. completed programs, pre-recorded program materials such as records, tapes, cassettes and film libraries), nonprofessional volunteer services, etc. *For instructions on valuing and documenting in-kind contributions see, Sections 2.6.3 and 2.6.4*

2.4.1 TV Grantees – Restriction on Contributions of Capital Assets

To eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investment in digital TV broadcasting, the CPB Board of Directors adopted the recommendation of the 1998 TV CSG Task Force to exclude from NFFS all capital contributions restricted for facilities and equipment improvements. This exclusion extends to ALL contributions (direct and in-kind) of, or for the purpose of acquiring new broadcast and operational equipment, as well as new facilities, new construction, and facilities upgrades and improvements. This includes gifts, grants, bequests, or any contribution restricted by the donor for capital purposes, including any direct revenues raised through a formal capital campaign program that are restricted for the purposes defined herein.

This restriction does not apply to capital contributions restricted for purposes other than those defined above. For instance, capital campaigns raise funds for a variety of purposes including, for example, funding of future national productions; repayment of indebtedness incurred to acquire a stations license;

capital to increase distribution of a station’s news and information service; and to engage in other programmatic projects.

CPB implemented this policy change beginning with the FY 2001 grant year (i.e., in the 1999 AFR reporting year).

2.4.2 All Grantees - In-kind Contributions Excluded from NFFS for Policy Reasons

What follows is a list of types of in-kind contributions specifically prohibited from inclusion as NFFS. In addition to these in-kind contribution exclusions, to be eligible as NFFS in-kind contributions must satisfy specific criteria that are in addition to the normal recipient, source, form, and purpose criteria. For more information on the criteria for in-kind contributions see Section 2.6 below.

Third party production payments – Payments of production expenses made by a third party on behalf of a grantee are not eligible as NFFS. Additionally, the expenses a grantee’s production partner incurs in the creation and or delivery of a production are not eligible as NFFS.

Contributions in quid pro quo transactions – If the station exchanges something of value other than underwriting for an in-kind contribution, then the fair value of what the station gives the contributor must be deducted from the fair value of the contribution received to determine the NFFS value of the transaction. There is only NFFS value in the transaction if the fair value of the contribution received by the station is greater than the fair value of any goods or services the station gives in return to the donor.

Non-professional donated services - Since 1996 CPB has disallowed all non-professional donated services from inclusion as NFFS. The term professional donated service is defined as a service that is the same or similar to one the donor provides to paying customers for a fee. This criterion is the end result of the application of the valuation criterion that applies to all in-kind contributions (see Section 2.6.3): “the donors’ usual and customary fees charged to a paying customer for equivalent goods or services must serve as the basis for determining fair value.”

In addition to meeting all other NFFS criteria for in-kind contributions as documented in Section 2.6 (valuation, documentation, inclusion in audited financial statements, not excluded due to policy restrictions), to be eligible as NFFS professional donated services contributed to the grantee must satisfy *Accounting Standards Codification (ASC) 958-605-25-2*. For more information on this, please see Sections 3.3.3-3.3.4 (FASB) or 4.5.3-4.5.4 (GASB) of CPB’s *Principles of Accounting*.

Example: If a professional financial counselor provided financial services at no cost to the station, the fair market value of her time can be reported as NFFS because she charges a fee to others for the same type of service. Consequently, time she donates to answer phones during an on-air pledge drive would not qualify as NFFS.

Checklist: To Be Eligible as NFFS, Donated Services Must	
Meet the source, form, purpose and recipient criteria in Part I, Section 2.3.2	✓
Meet valuation requirements in Part I, Section 2.6.3	✓
Meet documentation requirements in Part I, Section 2.6.4	✓
Be included in the station’s audited financial statements as a contribution pursuant to the requirements of the Accounting Standards Codification (ASC) 958-605-25-2.	✓

Prerecorded compact discs, records, tapes, cassettes and film libraries – The value of donated goods of these types is not eligible as NFFS.

Fundraising related activities – All in-kind contributions intended or used for fundraising related purposes are ineligible as NFFS. Examples of fundraising related in-kind contributions include donations of space for warehousing auction goods, refreshments or catering services for fundraising volunteers and donations by commercial stations to advertise or simulcast the station's fundraising event. This also includes the value for goods or services donated for **"Thank you" events**, such as receptions or dinners for major underwriters and contributors, which are understood to be an extension of a fundraising activity even though solicitations to contribute more are not made. It is implicit in such events that a "thank you for your support" also means "thank you for your continued support".

Promotional items – Donated promotional items such as tickets to performances, t-shirts, mugs, mouse pads, dinners or other events, given to listeners or the general public as incentives to listen longer or more often to the station or to increase station audience awareness are not eligible as NFFS.

Local productions – A local production is one that is produced locally by or for the station, regardless of whether or not the production is distributed nationally, or whether the production is aired at all. The category of local productions includes, but is not limited to, station exclusive airings and public performances. In-kind contributions in support of local productions may not be claimed as NFFS. This includes but is not limited to performers' fees (e.g. musicians/instrumentalists, actors and singers) and the on-air services of volunteer hosts as well as any off-air writing or research related to producing the program, equipment rentals, lodging, transportation, catering and related activities. *See also Section 7 – Instructions for Schedule C, Line 1.*

One example of a local production is a station exclusive. This is an event held in the station's studio or other space for the specific purpose of producing a television or radio program. A station exclusive will include studio recordings.

Another example is a public performance, also known as a "broadcast pickup". This is an event held in a public place with a general audience, where television or radio coverage is incidental. With or without that broadcast coverage the event would have taken place. The value for these performances might include step-up costs provided to defray the actual costs of the broadcast (e.g. remote lines, equipment rental, and technical services).

Programs that are nationally distributed – The value of donated nationally distributed programs is not eligible as NFFS.

Program supplements – Program supplements consist of syndicated information announcements not exclusively to or for public broadcasting. These supplements include, but are not limited to, traffic reports, weather reports, stock reports, ski reports, and agricultural reports. Contributions of this type are not eligible as NFFS.

ITV or educational radio outside the allowable scope of approved activities. *See Section 2.6.7*

Do not include as NFFS:

- Salaries or benefits of classroom teachers who use the instructional services.
- The cost of receiving or playback equipment located at educational or instructional facilities or
- Donated programs produced and delivered to the grantee by others, whether local productions or national programs, even when the donated programs are produced for instructional use and/or distributed as part of a grantee's instructional services.

2.5 Underwriting

2.5.1 Overview

The FCC and the Act prohibit public broadcasting stations from broadcasting advertisements. However, public broadcasting stations are permitted to broadcast underwriting credits. Underwriting is a contribution given to a grantee primarily to finance specific programming or activities. Underwriting contributions may be direct donations of cash or in-kind donations of goods or services. As discussed in Sections 3.3 and 4.5 of CPB's [Principles of Accounting](#), an underwriting credit is deemed to be of nominal or insignificant value to the underwriter. Consequently, because there is nothing of significant value flowing to the underwriter, the transaction is not considered to be in any part an exchange transaction; hence, underwriting is a contribution.

Underwriting credits are intended to acknowledge the support of station funders, not to promote a funder or its goods or services. Therefore, underwriting credits may not contain the following elements:

- A call to action
- Qualitative or descriptive language
- Comparative language
- Price or value information
- Inducements to buy, sell, rent, or lease
- Endorsements
- Demonstrations of consumer satisfaction

2.5.2 Advertising and Underwriting

The FCC's distinction between advertising and underwriting, and its prohibition against advertising, applies to over-the-air broadcasts. At the same time, the Act (47 U.S.C §399b(a)) defines advertising as:

...any message or other programming material which is broadcast or otherwise transmitted in exchange for any remuneration, and which is intended--

- to promote any service, facility, or product offered by any person who is engaged in such offering for profit;
- to express the views of any person with respect to any matter of public importance or interest; or
- to support or oppose any candidate for political office.

Therefore, "otherwise transmitted" includes those messages which are distributed via media other than over-the-air broadcasts, such as the Internet. The Act does not prohibit public broadcasting stations from transmitting advertisements via Internet or other non-over-the-air broadcast media. Instead, it makes clear that in certain instances, messages transmitted via the Web in exchange for remuneration may be considered advertising. Further, by definition, advertising is an exchange transaction which does not satisfy the NFFS purpose criteria for payments and is not eligible to be included as NFFS.

Therefore, in order to determine the NFFS eligibility of revenues derived from video and audio spots, Web banners or other activities that are transmitted via the Web the first step is to determine whether the item in question is an advertisement or an underwriting credit. Apply the same test for broadcast underwriting stated above (i.e. it was not an exchange transaction and contains no call to action, no comparative language, etc.). If the item in question does not pass the test for a broadcast underwriting credit, then it should be considered advertising. Revenues derived from advertising are not eligible as NFFS. If the item passes the test for a broadcast underwriting credit, it may be eligible as NFFS. Underwriting revenues are considered contributions and are eligible as NFFS to the extent that those revenues satisfy the source, form, purpose, and recipient criteria for contributions to be included as NFFS.

Underwriting revenues reported as NFFS must have been received directly by the grantee or constructively through a third party. Direct receipt refers to underwriting revenue provided/paid to the

grantee by the donor. Constructive receipt refers to the situation where there is a written agreement between the grantee and the third party which authorizes the third party to receive funds on the grantee's behalf. (See Part I, Section 2.3.2 for more on constructive receipt and NFFS recipient criterion.)

Direct Donation Example: Oil Company makes a donation of \$200,000 to Station X to underwrite a television program it broadcasts about British royalty. Station X may report \$200,000 as NFFS.

Constructive Receipt Example: Station X enters into a written contract with Sponsorship Placement Organization. Under the contract, the Organization agrees to secure and receive the underwriting on Station X's behalf. If Organization secures \$200,000 in underwriting revenues from Oil Company on Station X's behalf, Station X may report \$200,000 as NFFS. Station X does not have to reduce the donation by the amount of Organization's fee.

No Constructive Receipt Example: Oil Company enters into a written contract with Advertising Agency to place underwriting donations on its behalf. Under the contract, Oil Company will donate \$200,000 to underwrite a television program in a major market from which Advertising Agency will receive a fee of \$25,000. Advertising Agency secures underwriting on public television Station X. There is no agreement between Advertising Agency and Station X. Therefore, Station X may report \$175,000 as NFFS, even if the documentation provided by Advertising Agency or Oil Company identifies the donation as \$200,000.

2.6 In-kind Contributions

2.6.1 Overview

Many grantees receive in-kind—i.e. noncash—contributions of property, equipment, professional services, materials, supplies, and the use of assets. Institutional stations cannot claim in-kind contributions from their licensee. Instead, support from a grantee's licensee is limited to indirect administrative support and direct support (See Section 2.7).

2.6.2 Special Criteria for In-kind Contributions Included as NFFS

To be eligible as NFFS an in-kind contribution must not be excluded by CPB policy, see Part I, Section 2.4.2, and must meet the following requirements:

- CPB's source, form, purpose, and recipient criteria in Part I, Section 2.3.2;
- CPB's valuation requirements in Part I, Section 2.6.3;
- CPB's documentation requirements in Part I, Section 2.6.4; and
- Is included in the station's audited financial statement as a contribution pursuant to the requirements of Accounting Standards Codification (ASC) 958-605-25-2.

2.6.3 Valuation Criteria for In-kind Contributions

Generally accepted accounting principles (GAAP) require that grantees record all significant contributed support at fair value at the time of donation, provided there is a clearly measurable and objective basis for determining the value. In the case of in-kind contributions, the donor's usual and customary fees charged to a paying customer for equivalent goods or services must serve as the basis for determining fair value. If the donor is not actively engaged in selling the same or similar goods or services to entities other than the station a value may not be assigned to their contribution for NFFS purposes regardless if it was included in the financial statements.

2.6.4 Documentation Criteria for In-kind Contributions

GAAP also requires that documentation of contributed goods and services must support the determination of fair value. CPB requires that grantees retain sufficient evidence and documentation for all in-kind contributions claimed as NFFS. In the review of grantee financial reports, CPB may request copies of the documentation supporting in-kind contributions reported as NFFS. (Such documentation may also be requested by CPB's Office of Inspector General in conjunction with a review or audit of the

grantee.)

Trade underwriting agreements (See *Section 2.6.5*) or contracts do not satisfy CPB's documentation requirements for in-kind contributions claimed as NFFS. A trade underwriting agreement is a promise to give that confirms only the intent to trade an in-kind contribution; it does not demonstrate that an in-kind contribution was actually received by the station. Instead, grantees need to secure and retain documentation from the underwriter that is tantamount to a receipt for the goods or services it received and claimed as NFFS. In order to satisfy CPB's documentation requirement the documentation must originate from the donor and it must contain the following elements:

- Documentation must be on formal business stationery or an invoice that prominently displays the donors' name, address and other identifying characteristics (e.g. business logo, etc.).
- Documentation must contain:
 - A description of the goods or services donated
 - The date(s) of donation
 - The value of the donated goods or services and the method of valuation (e.g. lawyer's hourly rate x hours worked)
 - Explicit statement of the donor's intent to donate or trade the goods or services
 - Signature, name, and title of the donor or donor's representativeStations may obtain electronically signed donor certifications for in-kind contributions reported as NFFS.
- CPB provides a [template to certify in-kind donations](#) for optional use by stations.

2.6.5 Underwriting Trade and Sponsorship Agreements for In-kind Contributions

Many grantees participate in trade underwriting and/or sponsorship agreements or contracts with their underwriters and/or sponsorship partners. In these agreements the grantee provides the contributor underwriting credit in exchange for goods or services. As discussed in Sections 3.3 and 4.5 of CPB's [Principles of Accounting](#), and Section 2.5.1 of these Guidelines, underwriting credit is deemed to be of nominal or insignificant value to the underwriter/sponsor. Consequently, because there is nothing of significant value flowing to the underwriter/sponsor, the grantee must record the goods or services received as an in-kind contribution from the underwriter/sponsor, not an exchange transaction. To that end, for all in-kind contributions received through underwriting trade and/or sponsorship agreements, the grantee must record the value of the contribution according to CPB's valuation criteria (See *Section 2.6.3*), both in its financial statements and on the AFR/FSR. That is, the grantee records the fair value of the in-kind contribution received based on the donor's/sponsor's valuation, NOT based on a value assigned from a "rate card" to the underwriting spots acknowledging the donor's in-kind contribution. Additionally, as with all in-kind contributions the grantee must retain all proper documentation for the contribution (See *Section 2.6.4*); a trade underwriting and/or sponsorship agreement alone is insufficient documentation to support an in-kind contribution.

If the grantee provides underwriters/sponsors or donors with anything other than underwriting credits (e.g. production services or studio time, etc.), the transaction is considered an *exchange or partial exchange transaction*. In such instances, the grantee may only include the net contribution as NFFS assuming the grantee receives greater value than what it gives.

In cases where the grantee receives an in-kind donation of advertising for a production from a production underwriter, there is a concern that the contributed advertising and promotion have become of significant commercial value to the underwriter. This is especially the case when the underwriter's identity is featured prominently in the program promotion or when the program promotion is only a part of promotion for the underwriter's own business activities. This fact calls into question whether substantiated value to the public broadcaster represents a contribution, an exchange, or some combination of both. Grantees should not recognize as a contribution or NFFS the portion of the total value received that represents an exchange transaction with the underwriter.

2.6.6 In-kind Contributions for Instructional Television and Educational Radio

Some grantees provide Instructional Television (ITV) or Educational Radio services where the station develops and delivers educational content for in-classroom use. This content may be delivered via broadcast transmission, closed circuit transmission, the Web, or prerecorded materials (e.g. DVDs, VHS, etc.). Direct revenues of contributions or payments in exchange transactions for ITV or Educational Radio services that meet the appropriate recipient, form, source and purpose criteria are eligible as NFFS. However, with respect to the NFFS eligibility of in-kind contributions a grantee may receive for ITV or Educational Radio, there are limitations on the nature of the services provided and the value that may be recognized for NFFS purposes.

First, the grantee must be able to demonstrate that the ITV or Educational Radio service has a direct benefit to the station's mission as an educational broadcaster.

Second, the grantee must demonstrate that the ITV or Educational Radio service is under the station's direct management and operational control and, in the case of an institutional station, not a separate activity under the management and operational control of the licensee. The station must have control over distribution of the materials or services received.

If these criteria are met, the grantee may claim any of the following in-kind contributions as NFFS:

- Third party donations (not from the licensee) of study guides or teacher guides for the station to distribute as part of its instructional service.
- The prorated value of a utilization specialist hired by an educational system to which the station provides instructional programming. The purpose of the specialist would be to coordinate the use of educational television or radio in the system and serve as liaison with the station. A utilization specialist is not the same as the normal classroom teacher.
- The prorated value of a curriculum committee consisting of a fixed and reasonable number of people assigned by an educational system and given release time to preview series and recommend print materials. The committee's services must be such an integral part of the station's instructional service that if the committee did not provide them, the station would hire others to perform the service.
- The prorated value of professional services of faculty members who, on their own time, participate in the development of instructional television or radio programs. These people must offer the same or similar services to the public for a fee.
- The prorated share of the value of instructional programs or broadcast rights purchased by a state agency and used by the station's instructional service.
- The expenses incurred by an educational nonprofit entity to promote and advertise the courses offered by the station only if the promotion highlights the station's involvement.

Do not include any of the following in-kind contributions as NFFS (*same as stated in Section 2.4.2*):

- Salaries or benefits of classroom teachers who use the instructional services or
- The cost of receiving or playback equipment located at educational or instructional facilities.
- Donated programs produced and delivered to the grantee by others, whether local productions or national programs, even when the donated programs are produced for instructional use and/or distributed as part of a grantee's instructional services.

2.6.7 In-kind Contributions from State Public Broadcasting Agencies

State appropriations that are used exclusively by certain state public broadcasting agencies to provide in-kind support to public broadcasting stations may be claimed as NFFS. These agencies are:

- Alaska Public Broadcasting Commission (APBC)
- Florida Department of Education (FLDOE)
- Ohio Broadcast Educational Media Commission (BEMC)

These are the only agency allocations accepted as NFFS. However, in-kind contributions that these agencies provide to **TV grantees** for new or expanded facilities or equipment are not eligible as NFFS. See *Section 7 – Instructions for Schedule C, Line 3B*

2.7 Indirect Administrative Support

2.7.1 Overview

Some CSG grantees are institutional stations. An institutional station is a department, division, or unit of a licensee that is not devoted primarily to public broadcasting. Institutional licensees include state and local governments, public and private colleges and universities, and the governments of United States territories. Institutional stations are permitted to include certain revenues from its own licensee as NFFS:

- Direct revenues, including appropriations from the licensee and expenses incurred or absorbed by the licensee specifically for the station
- Indirect administrative support

Indirect administrative support is the portion of a licensee's general and administrative costs (Institutional Support) and facilities costs (Operations and Maintenance of Plant) attributable to station operations. Grantees may also be able to claim as NFFS an occupancy value for the use of licensee-owned buildings and tower facilities and donated land associated with tower facilities. See section 6, Schedule B Instructions Worksheet II: Basic Method, Line 2.c.3 for exclusions.

2.7.2 Types of Indirect Administrative Support that May be Claimed as NFFS

Facilities and administrative costs (F&A) are costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity and cannot be directly charged. F&A costs are also referred to as indirect costs.

Facilities costs (operations and maintenance of plant) are those that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; disaster preparedness; environmental safety; hazardous waste disposal; central receiving; property, liability and all other insurance relating to property; space and capital leasing; and facility planning and management.

General administration expenses are those that have been incurred for the general executive and administrative offices of educational institutions and other expenses of a general character which do not relate solely to any major function of the institution (e.g. instruction, research, other sponsored activities and other institutional activities). Examples include those expenses incurred by administrative offices that serve the entire university system of which the institution is a part; central offices such as the President's or Chancellor's office, the offices for institution-wide financial management, business services, budget and planning, personnel management, and safety and risk management; the office of the General Counsel; and the operations of the central administrative management information systems.

Occupancy support is the value of a station's pro-rata share of the annual depreciation of a licensee-

owned building or land associated with tower facilities that is fully or partially occupied by the station. Stations are required to deduct the value of any rents paid by the station as part of a lease or rental agreement, and any payments received from others for use of part or all of the property.

2.7.3 Calculating Indirect Administrative Support

Grantees may choose from one of four methods for calculating indirect administrative support:

1. Other Sponsored Activities (OSA) Rate – using a Modified Total Direct Cost (MTDC) Base;
2. OSA Facilities & Administrative (F&A) - using a Salaries & Wages Cost Base;
3. Basic Method; and
4. Grantee Developed Method (requires pre-approval from CPB)

OSA Rate Methods

The OSA rate methods (#1 and 2 above) use the licensee institution's federally approved OSA facilities and administrative rate (a percentage). Most grantees using the OSA rate method use the MTDC Base. The Salaries & Wages Base should only be used by grantees whose negotiated F&A rate specifies that the cost base is salaries and wages. Please note that if the station's direct expenses are not included in the cost base of the licensee's negotiated federal rate agreement, it may not use the OSA rate methods.

Key steps to using the OSA rate include:

1. **Calculating Station's Base:** A station's base (MTDC or Salaries & Wages) must be calculated on a similar basis as the licensee's federal negotiated indirect cost rate agreement. This calculation requires stations to exclude from their base costs not allowed per their licensee's federal rate agreement and the applicable OMB circulars (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

For example, federal rates often exclude indirect costs such as general and administrative, fundraising, membership development, and grant solicitation costs. If excluded, these costs must be excluded from the station's base. Therefore, a station should consult its licensee and independent auditor to ensure it understands what the federal rate agreement and OMB circulars (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) exclude.

2. **Modifying the Licensee's OSA Rate:** The station must modify the rate by excluding any components for activities that do not provide an essential and continuous benefit to the station.

For example, often the excluded components include departmental administration, sponsored projects administration, library support, and other services that do not provide an essential and continuous benefit to the station.

3. **Computing Indirect Administrative Support:** Once these steps are completed, to determine the amount of indirect administrative the licensee provided to the station using either the MTDC Base method or the Salaries & Wages Base method, the modified OSA rate is multiplied by the station's base.

Basic Method

The Basic Method is a CPB-developed method in which the grantee calculates indirect administrative support by determining an institutional support component and a physical plant support component. When using the Basic Method, the grantee may also include occupancy support for the value of station occupied space of a licensee-owned building and or licensee-owned land associated with tower facilities.

The institutional support component of the indirect administrative support is calculated by first determining

an institutional support rate. The rate may be calculated by either 1) determining the station's net direct expenses (net of noncash support and capital outlays) as a percentage share of the licensee's net direct activities (total cost of instruction, research, and public service net of capital outlays) or; 2) determining the station's total salaries and wages as a percentage share of the licensee's total salaries and wages for direct activities. The institutional support rate is then multiplied by the licensee's total institutional support costs (e.g. budget analysis, financial operations, human resources, etc.) that benefit the station.

In addition to calculating an institutional support rate, in the Basic Method the grantee calculates a physical plant support rate by determining the net square footage occupied by the station as a percentage share of the licensee's total net assignable square footage. The rate is then multiplied by the licensee's physical plant support costs (e.g. building maintenance, refuse disposal, custodial services, etc.) that benefit station operations.

Grantee-Developed Method

In some cases, none of the predetermined methods are applicable to a grantee's operational set-up or arrangement with its licensee. In such cases, the grantee may submit a Grantee-Developed Method for calculating its indirect administrative support. A Grantee-Developed Method should follow the spirit of the predetermined methods. The first time a grantee elects to submit a Grantee-Developed Method it must submit the calculations to CPB for approval prior to submitting the AFR. The grantee must submit sufficient detail to demonstrate the quantitative calculation used in determining the self-developed indirect administrative support valuation.

2.8 NFFS Support from Financially Interrelated Organizations

Revenues attributable to interrelated organizations that are consolidated or combined with the grantee for financial statement reporting purposes are treated no differently than all other revenues in consolidation. In other words, to be included as NFFS all revenues must meet the same criteria throughout these Guidelines.

In addition to the actual cash transferred from a Friends group or foundation to the grantee, grantees may be entitled to claim as an in-kind contribution in their financial statements a portion of the revenues of a related nonprofit organization that **does not** qualify for preparation of consolidated audited financial statements. The related nonprofit organization must provide documentation to the grantee to substantiate any direct expenses incurred for grantee-specific projects. These include:

- Equipment purchased and legally transferred to the grantee (radio only).
- Programs purchased for and given to the grantee.
- Expenses incurred to print and distribute the grantee's program guide.
- Expenses incurred for grantee staff salaries and benefits.

Do not claim general operational costs or overhead of the related organization as NFFS. Moreover, for TV grantees, a Friends group's in-kind contributions of property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment is subject to the same NFFS restrictions as if it were received directly by the grantee station (*see Section 2.4.1*). This rule also applies to any cash transferred from the Friends group to the grantee that was received by the Friends group for this restricted purpose but transferred to the grantee rather than expended directly by the Friends group.

University foundations are unique among grantee interrelated organizations. As previously noted, they seldom qualify for financial statement consolidation because supporting the grantees' activities is such a small part of the foundations' overall activities. In fact, they only may be considered a related party for financial statement disclosure purposes. Nonetheless, grantee licensees often require the grantee to use the university foundation for a variety of services, including fundraising, investing, bill payment and full accounting and reporting services. Cash and investments held by the foundation in custody for the grantee are generally considered on-demand deposits. Grantees must confer with their auditors to determine the proper financial statement treatment of these activities, including GAAP reporting and

note disclosure requirements. If it is determined that only the cash actually transferred to the station should be included in the financial statements, the grantee may claim the same in-kind revenues as Friends groups that do not qualify for preparation of consolidated audited financial statements.

2.9 Allocating Large Gifts of NFFS for CSG Calculation Purposes

Radio Grantees that receive non-federal financial support in the form of capital assets, whether that property is received as a direct restricted gift or as in-kind support, may elect to allocate the gift for CSG calculation purposes. The purpose of this election, also referred to as a “capital asset allocation”, is to minimize distortions caused by receipt of large amounts of capital assets in the year of the gift and the effect the increased NFFS creates in CSG calculations. Grantees may elect to allocate this support over a period of up to five years for the purpose of determining its grants. This election must be made by using the *Capital Asset Allocation* form when logged online in the ISIS reporting system.

TV Grantees that receive non-federal financial support in the form of a large one-time gift of direct revenue may elect to allocate the gift over a period of up to three years. However, the gift must equal or exceed 10 percent or more of the station’s NFFS in the year in which it is reported on the AFR and audited financial statements. In addition, the three-year period must begin the year in which the gift is received. The purpose for making this election available is to minimize distortions in CSG calculations caused by the receipt in a single year of a large one-time gift. This election must be made using the *Large Gift Allocation* form when logged online in the ISIS reporting system.

For example, a TV grantee receives a major gift of \$1,000,000 and its NFFS that year (including the major gift) is \$10,000,000. Since the major gift is equal to or greater than 10% of the NFFS, the grantee may elect to allocate the \$1,000,000 for up to three years for the purpose of calculating its CSG.

If the gift in this example is \$300,000, the gift could not be allocated over three years because it is less than 10% of the station’s NFFS.

For both Radio and TV Grantees: The election to allocate support is for the purpose of Community Service Grant calculations only. The entire amount of support to be allocated must be reported on the AFR in the year in which it is recognized in the audited financial statements.

PART II – PREPARING FINANCIAL REPORTS FOR CPB

3 Financial Statements

3.1 Financial Statements Overview

As stated in the Act, all grantees are required to maintain their books, records and accounts in the manner determined by CPB.

The station's financial information cannot be combined with any non-station activities and must be shown separately either through its own audited financial statement or an audited supplemental schedule attached to its licensee's audited financial statement. For example, if the station is purchased by an entity that provides telecommunications services, the station's financial information must be presented separately from that of the telecommunication services.

All TV grantees and Radio grantees, except Radio Level A and B grantees with less than \$300,000 in total revenue for the reporting year, are required to file audited financial statements with their AFR/FSR. The financial statements requirement for Radio grantees is shown in the table below:

Radio Grantee's AFR/FSR Audited and Unaudited Financial Statements Requirement

CSG Level	Grantee Total Revenue During Reporting Year	Financial Form	Financial Statements Required
A and B	< \$300,000	FSR	Audited or unaudited
A and B	>= \$300,000	FSR	Audited
C and D	N/A	AFR	Audited

The financial statements serve as the basis for the revenue and expense information reported in the AFR/FSR. Revenues and financial activities that are not recognized in the financial statements cannot be reported as revenue in the corresponding AFR/FSR.

When completing an AFR/FSR, one of the final steps is to manually reconcile the revenue total reported in the AFR/FSR with the revenue total reported in the financial statements. Grantees that follow FASB GAAP are required to prepare the AFR/FSR based on the total revenue reported in the financial statements, including the unrestricted, temporarily restricted, and permanently restricted revenues.

In the reconciliation process, rounding differences are common but in virtually all other cases a discrepancy between the revenue totals reported in the AFR/FSR and the financial statements is invalid. CPB will not accept an AFR/FSR that contains an invalid discrepancy and the grantee will be required to revise the AFR/FSR.

The financial statements must cover exactly twelve months, except in cases where a change in the grantee's fiscal year results in a short or long fiscal period. In the case of a change in the grantee's fiscal year, the AFR/FSR will cover the same reporting period—longer or shorter than twelve months for the fiscal year in which the change occurred—as reflected in the financial statements. CPB will give due consideration to any grantee that falls below minimum NFFS qualification requirements because of a short fiscal year reporting period. CSG incentive grants (TV and Radio Level C and D grantees) will also be calculated based on the NFFS reported in the AFR/FSR. In other words, a short fiscal year may result in NFFS below the grantee's historical average. Consequently, all other things being equal, the CSG incentive grant based on that lower than normal NFFS will also be lower than the historical level. The converse is true too. Grantees that elect to change their fiscal year must notify CPB's Office of Grants Administration once the grantee's governing body has adopted a resolution approving the change.

Although comparative financial statements are encouraged but not required under FASB GAAP or GASB GAAP, CPB has long required them from public broadcasting entities unless prior approval is obtained for their omission. Grantees will be considered in non-compliance with CPB Guidelines if they do not obtain CPB's prior approval to not present 'comparative' financial statements.

3.1.1 Required Components of the Audited Financial Statements

The Grantee's audited financial statements must contain the following components:

FASB reporting model for grantees licensed to non-profit community organizations and private colleges and universities

- Independent Auditor's Report with Original Signature and printed on the Auditor's Letterhead
- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows
- Notes to Financial Statements
- Statement of Functional Expenses (optional but strongly encouraged)
Note: Effective for the fiscal years beginning after December 15, 2017, this will be required, per *Accounting Standards Update (ASU) 2016-14.*

GASB reporting model for grantees licensed to public colleges and universities

- Independent Auditor's Report with Original Signature and printed on the Auditor's Letterhead
- Management Discussion and Analysis
- Statement of Net Assets (or balance sheet)
- Statement of Revenues, Expenses, and Changes in Fund Net Assets
- Statement of Cash Flows
- Notes to Financial Statements
- Statement of Functional Expenses (optional but strongly encouraged)

GASB reporting model for grantees licensed to state and local governments

- Independent Auditor's Report with Original Signature and printed on the Auditor's Letterhead
- Management Discussion and Analysis (RSI)
- Government-Wide Financial Statements: Statement of Net Assets
- Government-Wide Financial Statements: Statement of Activities
- Fund Financial Statements (FFS): Balance Sheet (B.S.) – Governmental Fund (GF)
- FFS: Reconciliation of Governmental Fund B.S. to the Government Wide (GW) Statement of Activities
- FFS: Statement of Revenues, Expenditures and Changes in Fund Balances – GF
- FFS: Reconciliation of the GF Statement of Revenues, Expenses and Changes in Fund Balance to the GW Statement of Activities
- Notes to Financial Statements
- Statement of Functional Expenses (optional but strongly encouraged)

3.1.2 Audited Financial Statements for Joint Licensees

Each distinct CSG grantee is required to file an individual AFR or FSR that reflects the revenue and expense activity attributable to the operations of that station. As to the audited financial statements, however, joint licensees who hold the licenses for two or more CSG grantees are permitted to prepare

and submit audited financial statements that combine the financial information for all or some of their grantees into one statement (i.e., one balance sheet, one revenue and expense statement, etc.). Yet, the joint licensee is required to maintain separate accounts for each grantee that will allow the grantee to prepare its individual AFR or FSR, and to facilitate an effective audit of each distinct grantee's revenues and expenses, including an audit of each grantee's CPB CSG funds. Grantees must also include a supplemental schedule that shows the discrete information for each grantee that is consolidated in the audit.

3.1.3 Components of the Unaudited Financial Statements

The Grantee's unaudited financial statements must be comparative and include the following:

FASB model financial statements:

Statement of Financial Position;
Statement of Activities; and
Statement of Cash Flows.

The following documents are optional:

Notes to Financial Statements and
Statement of Functional Expenses.

GASB model financial statements:

Statement of Net Assets (and/or Balance Sheet);
Statement of Revenues, Expenses and Changes in (Fund) Net Assets; and
Statement of Cash Flows.

The following documents are optional:

Notes to Financial Statements;
Statement of Functional Expenses; and
Management's Discussion and Analysis (MD&A).

3.1.4 Consolidation with Financially Interrelated Organizations

To present meaningful financial statements that fully and fairly disclose financial position and results of operations, the financial statements of interrelated organizations generally are combined or consolidated with the financial statements of the grantee. The three most common types of organizations with which a grantee may be interrelated are: fundraising organizations, affiliated stations, and subsidiaries. Fundraising organizations typically include Friends groups and university foundations, although the latter seldom, if ever, qualifies for consolidation because supporting the grantee's activities may be such a small part of the foundations' overall activities.

Applicable guidance for financially interrelated not-for-profit organizations is found in *AICPA SOP 94-3, Reporting of Related Entities by Not-for-Profit Organizations (issued September 1994)* and GASBS No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment to GASB Statement No. 14 (issued May 2002)*. Follow these statements for appropriate guidance in consolidating the activities of fundraising organizations with those of the grantee.

3.2 Principles of Accounting

The latest edition of the [Principles of Accounting](#) was published in May 2005. The *Principles* serve as a resource guide for public broadcasters system-wide as well as their independent accountants. This document describes in detail and presents extensive examples of the basic financial statements that CPB station grantees must prepare for audit by independent accountants and subsequent submission to CPB as a condition of the receipt of funds from CPB regardless of how such entities are owned, operated, or affiliated with other public or private organizations.

Federal law requires CPB to develop these principles of accounting and financial reporting for all public telecommunications entities that receive funds from CPB considering organizational differences among

various categories of such entities. The 2005 edition of the *Principles* was published in consultation with the professional firm KPMG as well as the U.S. General Accounting Office (GAO) as the law also requires. Public broadcasting entities and their auditors are expected to apply GAAP treatment in situations where conflicts with the current CPB *Principles* arise because earlier references have been superseded by new accounting literature. If the Financial Accounting Standards Board (FASB) and/or the Governmental Accounting Standards Board (GASB) have required reporting entities to adopt new pronouncements by a specified date, the fact that as of that date CPB's *Principles* may not have been revised to take account of the new pronouncements does not relieve grantees of their obligation to adopt and follow authoritative guidance from the standards bodies. The *Principles* include an Index of Pronouncements and Issuance Dates as Appendix C. The *Principles* outline accounting and reporting requirements for public broadcasting entities under GAAP and CPB guidance. As noted above, CPB grant recipients are required to follow the financial accounting and reporting standards of recognized sources of established accounting principles under FASB and GASB. In addition, the *Principles* indicate CPB reporting and disclosure preferences in areas where flexibility exists under GAAP. CPB grantees fall into one of the following categories and generally follow the financial reporting model noted in parentheses:

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB)
- Grantees licensed to public colleges and universities (GASB)
- Grantees licensed to state and local governments (GASB)

Grantees must follow GAAP in preparing their financial statements.

3.3 The Independent Auditor

3.3.1 Auditor Responsibilities

Financial Audit

Grantees must secure the services of an independent auditor/independent accountant (IA) to conduct the examination of the grantee's financial statements in accordance with Generally Accepted Auditing Standards (GAAS) as approved by the AICPA. The primary objective of the auditor's examination is to determine whether the financial statements fairly present the entity's financial position and financial activity in accordance with GAAP, applied on a consistent basis with the preceding period. To determine this, the entity's accounting system and related internal control structure are reviewed to ensure that they are operating effectively and that adequate records are being maintained.

The scope of each audit will include an examination of the financial statements and tests of transactions, sufficient to enable the auditor to express an opinion on the financial statements taken as a whole.

The independent auditor's report may contain one of several possible audit opinions issued on the financial statements, depending upon the circumstances:

Unqualified opinion - An unqualified opinion states that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.

Explanatory language Added to the Auditor's Standard Report - Certain circumstances, while not affecting the auditor's unqualified opinion on the financial statements, may require that the auditor add an explanatory paragraph (or other explanatory language) to the report.

Qualified opinion - A qualified opinion states that, except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with GAAP.

Adverse opinion - An adverse opinion states that the financial statements do not present fairly the financial position, results of operations, or cash flows of the entity in conformity with generally accepted accounting principles.

Disclaimer of opinion - A disclaimer of opinion states that the auditor does not express an opinion on the financial statements.

NFFS Examination and Attestation

The Independent Accountant is also required to examine the AFR/FSR and to issue a written conclusion about the reliability of amounts reported in the AFR as non-Federal financial support (NFFS). In accordance with established requirements of the American Institute of Certified Public Accountants (AICPA), such an examination is an attest engagement. An attest engagement is one in which an independent accountant is engaged to issue a written conclusion about the reliability of a written assertion that is the responsibility of another party. CPB requires that grantee AFRs/FSRs be examined in accordance with attestation standards adopted by the AICPA.

The NFFS attestation is considered an integral part of the AFR/FSR. An Independent Accountant may submit the attestation by executing the AFR/FSR Signature Page. An Independent Accountant may also prepare a written, signed attestation of the NFFS on their business letterhead, but it must conform to the attestation language that appears on the AFR/FSR Signature Page. A PDF version of this attestation document must be uploaded directly to the Signature Page at the time the Independent Accountant executes the attestation.

The NFFS examination should include tests of:

- Support and revenue for qualification as NFFS under the source, form, purpose, and recipient criteria.
- Cash receipts, for proper line item classification.
- Allocation methods selected for calculating indirect administrative support. Does the method achieve the objective of distributing costs in proportions reasonably consistent with the nature and extent of the stations use of licensee resources?
- Indirect costs, for exclusion of licensee costs not directly benefiting station operations.
- The valuation and documentation of contributed goods and services. CPB auditors should closely examine this support to ensure fair market value reporting is consistent with industry standards.

Audited Financial Statement Submission

The Independent Accountant must submit the audited financial statements in the AFR/FSR and provide accurate answers to the questions listed on the “Audited Financial Statement” page in ISIS.

3.3.2 Auditor Independence

The auditor must, at all times during the period of the professional engagement and at the time of expressing an opinion, have been independent of the public broadcasting entity as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee (AICPA guidelines).

The public broadcasting entity shall not select any auditor to conduct an examination who is not in fact independent, as defined in the AICPA's Codification of Statements on Auditing Standards (CSAS) or as defined by the Communications Act. The CSAS states in part that to be recognized as independent, the auditor must be free from any obligation to or interest in the client, its management, or its owners.

For example, an auditor shall not be considered independent if he/she maintains the official accounting records being audited, reports to the person who maintains such records, or has either a direct or indirect

interest in the financial affairs of the entity being audited, or of any of the officers or directors of the entity. When an auditor expresses an opinion on financial statements, integrity, both in fact and appearance, is of particular importance. Auditors should avoid any situations that may lead outside parties to question their independence.

The AICPA's CSAS also states the following with regard to lack of independence: "When an accountant is not independent, any procedures s/he might perform would not be in accordance with GAAS, and s/he would be precluded from expressing an opinion on such statements. Accordingly, s/he should disclaim an opinion with respect to the financial statements and should state specifically that s/he is not independent."

3.3.3 Acceptable Auditors

Acceptable auditors can be either independent certified public accountants or independent licensed public accountants who are certified or licensed by a regulatory authority of a state. The following three groups of auditors satisfy the criteria specified by the Act and may be used as a guideline in the selection of independent auditors:

1. Independent Certified Public Accountant
 - A firm
 - A sole practitioner
 - An internal auditor who works for a different and separate university or organization.
 - An auditor who donates his or her services.
2. Independent Licensed Public Accountant
 - A firm
 - A sole practitioner
 - An internal auditor who works for a different and separate university or organization.
 - An auditor who donates his or her services.
3. Independent state audit agency directed by a person who is
 - Elected by the citizens of the state; or
 - Elected or appointed by and reporting to the state legislature or a committee thereof; or
 - Appointed by the governor and confirmed by and reporting to the state legislature; and who
 - Performs the audit in conformity with auditing standards adopted by CPB.

In addition, a person who is within the licensee's broad organization and independent of the public broadcasting entity's management may examine the entity's financial statements if ALL of the following restrictions apply:

1. The person is a certified public accountant or a licensed public accountant qualified to practice in a jurisdiction.
2. The person is not in any way responsible for the accounting operations of the station.
3. The person is not in any way responsible for, or connected with, establishment of the overhead rates or other factors that govern the amounts of indirect administrative support or non-cash contributions included in the entity's financial statements.

Independent accountants who are not representatives of an independent CPA firm, and who meet all three requirements, must complete an Accountant's Qualification Statement in order to express an opinion on a grantee's NFFS. This requirement is applicable to individuals employed by a state audit agency and internal auditors as described in the section Acceptable auditors.

3.3.4 Accountant's Qualification Statement

Independent accountants who are not representatives of an independent CPA firm but who meet the requirements noted in Section 3.3.3 above must complete an Accountants Qualification Statement in order to express an opinion on a grantee's NFFS. This requirement is applicable to individuals employed by a state

audit agency and internal auditors as described in Section 3.3.3. Independent Accountants who are a representative of an independent CPA firm **do not** file an Accountants Qualification Statement.

3.3.5 Disqualification of an auditor

If in its annual reviews of a grantee's AFR/FSR CPB finds persistent errors resulting in NFFS adjustments, these errors may serve as grounds for recommendation that an auditor be disqualified from the AFR/FSR review and attestation process.

3.4 Biennial Filing

In order to report NFFS, CSG grantees are required to file an AFR/FSR with CPB each year. However, the Act allows grantees to file audited financial statements on a biennial basis. The option to file audited financial statements on a biennial basis is only available in odd-numbered reporting fiscal years (e.g. the AFR/FSR for 2019, 2021, etc.).

If a grantee elects to file its audited financial statements on a biennial basis then it must still complete the AFR/FSR and accurately report NFFS to the best of its knowledge. The grantee will also complete the Election to File Audited Financial Statements Biennially with its AFR/FSR. Then, in the subsequent reporting year, the grantee must submit audited financial statements that cover the twenty-four months since the last audited financial statements were filed. Also, in the subsequent reporting year following the election to file audited financial statements biennially, CPB will compare the revenue reported in the audited financial statements to the revenue and NFFS reported in the prior year's AFR/FSR. If the comparison finds that the prior year's NFFS was overstated and, consequently, the grantee was overpaid in CSG funds, CPB will require the grantee to revise its prior year AFR/FSR and return the overpaid grant funds. But, in instances where the comparison finds that the grantee underreported its prior year NFFS, CPB has no obligation to adjust a grantee's CSG to an amount greater than was previously calculated.

To that end, CPB advises all grantees that it is in their best interests to file their audited financial statements annually.

For example, if a grantee elects to file its audited financial statements biennially for its fiscal year 2019 AFR, when the grantee files its fiscal year 2020 AFR it must include audited financial statements that cover fiscal years 2019 and 2020. CPB will then compare the audited fiscal year 2019 revenue to the fiscal year 2019 AFR that was submitted in the previous year. If comparison finds the 2019 NFFS was overstated, the grantee would be required to revise its 2020 AFR, allowing CPB to recover the prior year CSG overpayment.

4 Preparing the AFR/FSR

4.1 Overview

As required by the Act, all CSG grantees are required to file with CPB either an AFR or FSR. As mentioned above, the AFR and FSR collect a CSG grantee's revenue and expense information in a standardized format for one fiscal year. Grantees are required to report ALL revenue and expense information and reconcile those values with their financial statements. The ultimate objective of the AFR/FSR is to identify which revenues reported in the financial statements qualify as NFFS.

4.2 AFR/FSR Filing Deadline and Late-filing Penalties

The deadline to file an AFR/FSR is five months after the end of a grantee's fiscal year. For example, if a grantee's fiscal year ends June 30, the fiscal year 2018 AFR is due November 30, 2018. If a grantee's fiscal year ends December 31, the fiscal year 2018 AFR is due May 31, 2019.

Grantees may request a maximum of two extensions to their AFR/FSR deadline. The first extension is 45 days and, if requested properly, is granted automatically. The second extension is 30 days and in order for the request to be approved, it must include a detailed justification letter that is signed by the Head of Grantee and the Independent Accountant. The justification must be acceptable to CPB. CPB reserves the right to disapprove an extension request. **Important Note:** The first and second extension request links in the Integrated Station Information System will only be active for 80 days after the original due date.

Grantees that do not file their AFR/FSR by their deadline are subject to financial penalties. The objective of financial penalties for AFR/FSR late filers is not to impose financial hardship on grantees. Instead, the objective is to affect timely AFR/FSR reporting for efficient and timely CSG calculations and payments, as well as to ensure CPB maintains its reporting obligations to the federal government.

The CPB Board of Director's resolution on AFR/FSR late filing penalties was adopted May 21, 1981. It reads:

(1) The CSG for an eligible station which fails to file its certified financial report with CPB five months after its fiscal year ending date will be calculated on the basis of the late-filed report, less one three-hundred-sixty-fifth (1/365) of the eligible grant for each calendar day of delinquency after a station's certified financial report due date. However, if good cause is shown, CPB may waive the foregoing provisions in whole or in part; and

(2) If the report is not filed in sufficient time to enable CPB to certify the income as qualifying for federal matching, the eligible station shall not receive an incentive grant.

4.3 AFR/FSR Reporting Errors and Revisions

To verify the accuracy of data reported on grantee AFRs and FSRs, each year CPB conducts a desk review of all submitted AFRs and FSRs. In addition, CPB's Office of Inspector General may review a grantee's AFR or FSR as a part of an audit. If at any point errors are found on an AFR or FSR, even after prior approval of the form, CPB may require that the grantee revise its AFR or FSR to correct the errors. If AFR or FSR reporting errors resulted in overstated NFFS and overstated CSG, CPB may require that the grantee refund the excessive or overpaid CSG funds to CPB. Furthermore, under the [CSG Non-compliance Policy](#), grantees that submit an AFR or FSR containing incorrect NFFS may be subject to financial penalties.

If a grantee should find it necessary to file an amended AFR/FSR, it must submit to CPB a request to amend by May 15 and file its revised AFR/FSR by May 31 of the CPB fiscal year (October 1 to September 30) in which the AFR/FSR is due.

4.4 AFR vs. FSR

All TV grantees are required to file an AFR. Radio Level A and B grantees file an FSR; Radio Level C and D grantees file an AFR³. The AFR and the FSR capture the same information but at different levels of detail: a grantee's revenue and expense information for one fiscal year. The FSR, however, is a "shorter" form that captures the revenue information at higher levels of detail than the AFR. The Radio grantees which complete an FSR are generally radio stations with a smaller staff size and operating budget.

Radio Grantee Financial Form

CSG Level	Financial Form
A and B	FSR
C and D	AFR

4.5 Components of the AFR and FSR

The AFR and FSR are divided into different sections. On the AFR these sections are represented by different financial schedules. Each section captures a different type of information.

	AFR	FSR
Direct Revenue	Schedule A	Part 1
Indirect Administrative Support (if applicable)	Schedule B	Part 1
In-kind Contributions (if applicable)	Schedules C and D	Part 1
NFFS Exclusions	Schedules A, B, C and D	Part 3
Expenses	Schedule E	Part 2
Reconciliation with Audited Financial Statements	Schedules F	Part 4 (if applicable)

For AFR filers, Schedules A, E, and F are required. Schedules B, C, and D are completed only if the grantee received revenue of that type in the reporting year. For FSR Filers, Parts 1, 2, and 3 are required. Part 4 is required if an audited financial statement is submitted.

³ For more information on the criteria for the different Radio CSG Levels A, B, C and D, see the [Radio CSG General Provisions and Eligibility Criteria](#).

4.6 Signature Page of the AFR and FSR

In addition to completing the required and applicable optional financial components of the AFR/FSR, grantees must complete a Signature Page. On the Signature Page the Head of Grantee certifies that the NFFS values reported in the AFR/FSR are accurate and in compliance with the requirements set forth in these Financial Reporting Guidelines. In addition, the Independent Accountant must attest (i.e. issue a written conclusion about the reliability of the grantee's written assertion) to the NFFS values reported in the AFR/FSR (i.e. the NFFS values are accurate and in compliance with the requirements set forth in these Financial Reporting Guidelines⁴).

If an Independent Accountant (IA) prefers to issue the attestation using their own business letterhead they may do so. However, the attestation language must conform to the attestation language that appears on the AFR/FSR Signature Page. A PDF version of the IA's substitute attestation document must be uploaded directly to the Signature Page at the time the IA executes the attestation.

⁴ For Radio Grantees (Level A and B) with less than \$300,000 in total revenue that do not submit an audited financial statement, an Independent Accountant attestation is not required. The signature of the Head of Grantee is required.

PART III – AFR AND FSR LINE ITEM INSTRUCTIONS

5 Completing AFR Schedule A - Direct Revenue

Introduction

This schedule is used to report all direct revenue recognized in the audited financial statements for the reporting year. Direct revenue includes gifts, grants, contributions of cash, payments for services, dividends on investments, royalty payments, etc. For institutional stations, direct revenue may also consist of expenses incurred or absorbed by the licensee specifically for the operations of the station.

Do not report in-kind contributions of any type on Schedule A. All in-kind contributions, including those received through underwriting trade agreements, are to be reported on Schedules C and D only.

Unexpended funds returned to a grantor or other payor that were previously recognized as revenue and reported as NFFS in a prior financial reporting period should have been netted against current year financial statement revenues so that NFFS is properly reduced in the current reporting period. If returned funds were not netted against revenues in the financial statements it must be netted against the revenues reported on Schedule A and presented as a reconciling item on Schedule F, Lines 3 and 4.

Schedule A requires that you report your revenues in two broad categories - Source and Form. Revenues by source are reported on Lines 1 through 12. For Lines 3 through 9, grantees are required to breakdown the source categories by transaction type, paying particular attention to NFFS eligibility. Additional revenues by form (or type) are reported on Lines 13 through 21.

Line Item Instructions:

Line 1 - Amounts provided directly by federal government agencies

Federal funds are reported on this line and will be forwarded to Line 23 to be excluded from NFFS. It is the grantees responsibility to properly identify all federal funds it receives, both directly and indirectly, and to report them correctly on the AFR.

Specific Line Instructions:

A. Grants for Facilities and Other Capital Purposes

Use this line to enter grants received from federal agencies for facilities and other capital purposes.

B. Department of Education

Use this line to enter funds received that originate from the Department of Education.

C. Department of Health and Human Services

Use this line to enter funds received that originate from the Department of Health and Human Services.

D. National Endowment for the Arts and Humanities

Use this line to enter funds received that originate from the National Endowment for the Arts and Humanities

E. National Science Foundation

Use this line to enter funds received that originate from the National Science Foundation.

F. Other Federal Funds (specify)

Use this line to enter funds received that originate from federal sources other than those listed in Lines 1A - 1E.

Line 2 - Amounts provided by Public Broadcasting Entities

Public broadcasting funds are reported on this line and will be forwarded to Line 24 to be automatically excluded from NFFS.

Specific Line Instructions:

A. CPB - Community Service Grants

Use this line to report the TV and Radio CSG funds received.

B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)

Use this line to report all non-CSG funds received from CPB, including digital grants, and production grants.

C. PBS - All payments except copyright royalties and other pass-through payments Use this line to report all PBS revenues except copyright royalties and other pass-through payments. Payments that represent copyright royalties should be reported on Line 15C, rather than 2C. These are considered pass-through funds generated from copyright user fees, and they may be included as NFFS.

Revenue distributions from PBS National Datacast, Inc. are not received from a public broadcasting entity and should not be reported on Line 2. They should be reported on Schedule A, Line 9 – Business and Industry and excluded from NFFS because they do not meet the source criteria for payments.

Distributions from PBS National Satellite Service are revenues from a public broadcasting entity and should be reported on Line 2C.

D. NPR - All payments except pass-through payments

Use this line to report all NPR revenues except pass-through payments. Payments that represent copyright royalties should be reported on Line 15C, rather than 2D. These are considered pass-through funds generated from copyright user fees, and they may be included as NFFS.

Interest rebates from NPR for early payment of dues should also be reported on Line 2D.

E. Public broadcasting stations - All payments

Use this line to report all funds received that originate from public broadcasting stations.

F. Other PBE funds (specify)

Use this line to report all funds received that originate from public broadcasting sources other than those listed on Lines 2A – 2E.

Use Line 2F to report funds from the National Center for Media Engagement. NCME supports public media organizations nationwide in engaging their communities by providing resources for stations and producers to engage citizens across multiple platforms, build sustainable community relationships, and stimulate citizen participation. NCME is funded by CPB and affiliated with the University of Wisconsin-Extension.

Line 3 - Local boards and departments of education or other local government or agency sources

Use Lines 3.1 and 3.2 to report all contributions, grants, payments, appropriations, and other revenues received from local governmental agencies, including city, county, and tribal governmental support.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 3.2A to 3.2E.

Specific Line Instructions:

3.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Institutional stations: Use this line to report direct appropriations, transfers, and payments from the licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 3.1D and 3.2D based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Do not report as NFFS the Net Pension Liability adjustment from year to year as required by GASB 68. Instead, report net pension liability adjustment on Line 3.2E.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Radio grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for a facilities and equipment purposes.

F. Other income eligible as NFFS (specify)

Use this line to report all other direct revenue received from local government or agency sources that is eligible as NFFS but is not appropriate for Lines 3.1A to 3.1E.

3.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all of the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

TV grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS (specify)

Use this line to report all other direct revenue received from local government or agency sources that does not meet all the NFFS criteria but is not appropriate for Lines 3.2A to 3.2D.

Line 4 - State boards and departments of education or other state government or agency sources

Use Lines 4.1 and 4.2 to report all contributions, grants, payments, appropriations, and other revenues received from state agencies and governmental sources, including state public broadcasting agencies or networks.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using lines 4.2A to 4.2E.

Specific Line Instructions:

4.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Institutional stations: Use this line to report direct appropriations, transfers, and payments from the licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 4.1D and 4.2D based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Do not report as NFFS the Net Pension Liability adjustment from year to year as required by GASB 68. Instead, report net pension liability adjustment on Line 4.2E.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Radio grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for a facilities and equipment purposes.

F. Other income eligible as NFFS (specify)

Use this line to report all other direct revenue received from state government or agency sources that is eligible as NFFS but is not appropriate for Lines 4.1A to 4.1E.

4.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

TV grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS (specify)

Use this line to report all other direct revenue received from state government or agency sources that does not meet all of the NFFS criteria but is not appropriate for Lines 4.2A to 4.2D.

Line 5 - State colleges and universities

Use Lines 5.1 and 5.2 to report all contributions, grants, payments, appropriations and other revenues received from state colleges and universities. Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 5.2A to 5.2E.

Specific Line Instructions:

5.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Institutional stations: Use this line to report direct appropriations, transfers, and payments from the licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 5.1D and 5.2D based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Do not report as NFFS the Net Pension Liability adjustment from year to year as required by GASB 68. Instead, report net pension liability adjustment on Line 5.2E.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Radio grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for a facilities and equipment purposes.

F. Other income eligible as NFFS (specify)

Use this line to report all other direct revenue received from state college and university sources

that is eligible as NFFS but is not appropriate for Lines 5.1A to 5.1E.

5.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

TV grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS (specify)

Use this line to report all other direct revenue received from state college and university sources that does not meet all the NFFS criteria but is not appropriate for Lines 5.2A to 5.2D.

Line 6 - Other state-supported colleges and universities

Use Lines 6.1 and 6.2 to report all contributions, grants, payments, appropriations and other revenue from other tax-supported colleges and universities, including community colleges.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 6.2A to 6.2E.

Specific Line Instructions:

6.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Institutional stations: Use this line to report direct appropriations, transfers, and payments from the licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 6.1D and 6.2D based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Do not report as NFFS the Net Pension Liability adjustment from year to year as required by GASB 68. Instead, report net pension liability adjustment on Line 6.2E.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Radio grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for a facilities and equipment purposes.

F. Other income eligible as NFFS (specify)

Use this line to report all other direct revenue received from other state-supported college and university sources that is eligible as NFFS but is not appropriate for Lines 6.1A to 6.1E.

6.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all of the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all of the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

TV grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS (specify)

Use this line to report all other direct revenue received from other state-supported college and university sources that does not meet all of the NFFS criteria but is not appropriate for Lines 6.2A to 6.2D.

Line 7 - Private colleges and universities

Use Lines 7.1 and 7.2 to report all contributions, grants, payments, appropriations and other revenues received from private colleges and universities or private educational institutions.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 7.2A to 7.2E.

Specific Line Instructions:

7.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Institutional stations: Use this line to report direct appropriations, transfers, and payments from the licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 7.1D and 7.2D based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Do not report as NFFS the Net Pension Liability adjustment from year to year as required by GASB 68. Instead, report net pension liability adjustment on Line 7.2E.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Radio grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for a facilities and equipment purposes.

F. Other income eligible as NFFS (specify)

Use this line to report all other direct revenue received from private college and university sources that is eligible as NFFS but is not appropriate for Lines 7.1A to 7.1E.

7.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all of the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all of the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

TV grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS (specify)

Use this line to report all other direct revenue received from other state-supported college and university sources that does not meet all of the NFFS criteria but is not appropriate for Lines 7.2A to 7.2D.

Line 8 - Foundations and nonprofit associations

Use Lines 8.1 and 8.2 to report all contributions, grants, payments and other revenues received from national, regional, or local foundations or nonprofit associations. Include underwriting revenue and payments for products and services. The term nonprofit is used to describe any not-for-profit corporation, foundation, or association that is not a public telecommunications entity, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions

are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 8.2A to 8.2E.

Specific Line Instructions:

8.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Radio grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

D. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for a facilities and equipment purposes.

E. Other income eligible as NFFS (specify)

Use this line to report all other direct revenue received from nonprofit and foundation sources that is eligible as NFFS but is not appropriate for Lines 8.1A to 8.1E.

8.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

TV grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS (specify)

Use this line to report all other direct revenue received from nonprofit and foundation sources that does not meet all the NFFS criteria but is not appropriate for Lines 8.2A to 8.2D.

Line 9 - Business and Industry

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

Use this line to report all contributions, grants, payments, and other direct revenues received from all for-profit sources, including commercial stations, networks, and cable companies. Include underwriting revenue and payments for products and services.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 9.2A to 9.2E. In particular, note that in order to be eligible as NFFS, payments for services must be received from: 1) a qualifying source, which would be a state or local government or educational institution and; 2) a qualifying purpose, which would be that the payment was in exchange for materials or services with respect to the provision of educational television or radio programs.

Specific Line Instructions:

9.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Radio grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

D. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for a facilities and equipment purposes.

E. Other income eligible as NFFS (specify)

Use this line to report all other direct revenue received from business and industry sources that is eligible as NFFS but is not appropriate for Lines 9.1A to 9.1E.

9.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

TV grantees only: Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS (specify)

Use this line to report all other direct revenue received from business and industry sources that does not meet all the NFFS criteria but is not appropriate for Lines 9.2A to 9.2D.

Line 10 - Memberships and subscriptions (net of write-offs)

Do not report contributions to fund the acquisition of capital assets regardless of whether they are received in response to a formal capital campaign program or not. Rather than this line use Line 18 to report all contributions intended for this purpose.

Use this line to report revenues from memberships and subscriptions that are, in aggregate, less than \$1,000 per individual donor for the reporting year. Individual membership contributions of \$1,000 or more are considered major donor gifts and are to be reported on Line 19.

Also use this line to report matching funds and challenge grant funds if the donor received the benefits of station membership.

Allocating Memberships for Joint Licensees

Grantees that have both radio and TV operations but for which the donor has not specified a beneficiary for their gift, must establish a methodology to allocate the unrestricted membership revenues among the different station grantees. The allocation method should have a reasonable basis and be consistently applied each year. At the same time, the allocation methodology should be analyzed periodically to evaluate its reasonableness and appropriateness considering the most recent membership data.

Illustrated below is an example of an allocation methodology that allocates revenues that are not designated by the donors either to radio or television on the basis of the approximate proportion of members who expressed an association with television, radio or both when making a contribution. In this illustration, a ratio of two-thirds TV to one-third radio memberships would be used to allocate the membership revenues from both the 25,000 members who expressed an association with both television and radio and the 30,000 members who did not specify their association. (Note: This table is for illustration purposes only and should not be construed as a CPB endorsed recommendation.)

	TV	Radio	Both	Unspecified	Total
All members	50,000	15,000	25,000	30,000	120,000
Members of both	25,000	25,000	n/a	n/a	n/a
Totals	75,000	40,000	n/a	n/a	n/a
Percentage	65.20%	34.80%			

Additional Specific Line Instructions:

10.1 NFFS Exclusion - Fair Market Value of high-end premiums that are not of insubstantial value.

Grantees frequently provide “thank you gifts” (a.k.a. “premiums”) in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods or services (i.e. premiums). Thank you gifts may be anything of value from low-end premiums (e.g. coffee mugs and tee shirts bearing the stations call letters, name and/or brand) to high-end premiums (e.g. boxed set CDs or DVDs, coffee-table books, travel & lodging, gourmet foods & wines, tickets to performances, dinners or other events).

The IRS issues [guidance](#) on charitable contributions, including disclosure statements that must be provided to donors in instances where the premium is not of insubstantial value. The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium provided by the charitable organization.

For CPB's purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS. CPB expects that all grantees are compliant with IRS rules and regulations on these matters. However, CPB does not provide guidance beyond that provided by the IRS. Questions about compliance with these provisions should be addressed to your IPA or other tax practitioner or directly to the IRS. The method by which grantees track this information in order to be compliant is also the responsibility of each CSG grantee.

What do you need to do for AFR purposes? If the financial statements present membership revenues on a net basis (i.e. the contribution portion only), report the same amount on Line 10 (i.e. it is unnecessary to make any further adjustment). However, if the financial statements present membership revenues at their gross value (i.e. unadjusted for the non-contribution portion), you must enter the non-contribution amount on Line 10.1 NFFS Exclusion - Fair market value of premiums that are not of insubstantial value.

Although unusual, the fair market value of a premium may exceed the dollar amount of the contribution. If so, grantees must exclude an amount equal to the contribution. For example, if the contribution was for \$500 and the premium had a fair market value of \$600, the exclusion reported on Line 10.1 would be \$500.

10.2 NFFS Exclusion - Bad Debt

Grantees must deduct bad debt expenses from NFFS revenues, including but not limited to pledges, underwriting, and membership, unless netted in Schedule A.

10.3 Total number of contributors

This line must be completed if Line 10 is greater than \$0.

Use this line to report the number of unduplicated contributors providing the revenue reported on Line 10. The contributors need not donate the minimum required for full membership to be included in the count.

Line 11 - Revenue from Friends groups less any revenue included on Line 10

All revenue reported on this line must meet the appropriate source, form, purpose, and recipient criteria for inclusion as NFFS. If the revenue does not meet all of the NFFS criteria report it on Line 20, and properly exclude the amount from NFFS.

Friends groups are primarily formed for the purpose of obtaining contributions for and otherwise supporting the operations and related activities of a grantee. Financial statement presentation dictates what amounts should be claimed as NFFS by the grantee.

If the grantee files combined or consolidated financial statements with a friends group, revenues received by the friends group should be allocated to the other lines of the AFR the same as all other revenues received by the grantee. Line 11 should be used to report any direct transfers from friends groups.

If the grantee does not file combined or consolidated financial statements with a friends group, use Line 11 to report only the cash actually transferred to the grantee except for direct transfers of membership contributions, which should be reported on Line 10.

Additional Specific Line Instructions:

11.1 Total number of contributors

If the funds directly transferred from a friends group includes membership contributions, then use this line to report the number of unduplicated contributors providing the revenue reported on Line 11.

Line 12 - Subsidiaries and other activities unrelated to public broadcasting

Grantees that operate subsidiary enterprises or engage in activities unrelated to public broadcasting should report total revenues from these activities on Line 12. This will include revenue from wholly owned or partially owned subsidiary enterprises as well as other unrelated business income. CPB follows the

IRS definition of Unrelated Business Income. For most organizations (CPB grantees included) an activity is an unrelated business if it meets **three** requirements: (1) it is a trade or business; (2) it is regularly carried on; and (3) it is not substantially related to furthering the exempt purpose of the organization. Each of these terms is further defined by the [IRS](#).

Specific Line Instructions:

A. Nonprofit subsidiaries involved in telecommunications activities

Use this line to report revenues from nonprofit subsidiaries involved in telecommunication activities. The revenue reported on this line must meet all the NFFS criteria.

B. NFFS Ineligible - Nonprofit subsidiaries not involved in telecommunications activities

Use this line to report revenues from nonprofit subsidiaries that are not involved in telecommunications activities or do not meet all the NFFS criteria.

C. NFFS Ineligible - For-profit subsidiaries regardless of the nature of its activities

Use this line to report revenues from for-profit subsidiaries.

D. NFFS Ineligible - Other activities unrelated to public broadcasting.

Use this line to report other revenues from

Line 13 - Auction Revenue (net)

This line represents the net revenue earned from auctioning goods or services. It is determined automatically by subtracting line 13B from line 13A.

Only net auction revenues are eligible as NFFS. If direct auction expenses are greater than gross auction revenues, the loss will not affect NFFS.

When a donor of auction items stipulates that a portion of auction proceeds must be returned to the donor, the grantee should subtract that share from NFFS. For example, an artist is paid a fixed amount or a percentage of the auction price the grantee receives from auctioning contributed work. Subtract the portion returned to the donor from NFFS.

Do not include any value for donated overbid incentives, premiums, and bonuses for early pick-up of auction items. These items are considered a cost of fundraising and should be reported as an expense.

Specific Line Instructions:

A. Gross Auction Revenue

Use this line to report gross auction revenues. (Note: Do not report the fair market value of goods and services that were donated for the purpose of being auctioned to the bidder; rather, report the actual proceeds received from auctioning these donated items).

If, however, the total auction revenue is reported net of direct expenses in the audited financial statements, report the net auction revenue only on Line 13A. If you do this, the financial statements must be clear about this fact. For example, assume that gross revenue is \$11K and direct expenses are \$1K resulting in net revenue of \$10K. If the financial statements show \$10K as revenue, report \$10K on Line 13A and \$0 on Line 13B. In cases such as this the line item description in the financial statements should indicate that direct expenses have been netted against the revenues: Auction revenue, net of direct expenses of \$1,000 in 2017. The line item description could also refer to a Note in the financial statements that explains the accounting treatment of the direct auction expenses.

B. Direct Auction Expenses

Use this line to report the total direct auction expenses for producing the event. If, however, the total auction revenue is reported net of direct expenses in the audited financial statements, report \$0 on Line 13B.

Line 14 - Special fundraising activities (net)

This line represents the net revenue earned from special fundraising activities. It is determined automatically by subtracting Line 14B from Line 14A. Only net special fundraising revenues (the gross special fundraising revenues less all direct, third-party expenses for the event) are eligible as NFFS. If direct special fundraising expenses are greater than gross special fundraising revenues, the loss will not affect NFFS.

Special fundraising events should be considered those events which are hosted, presented, or conducted to raise funds for the grantee and are explicitly promoted to the public as a benefit for the grantee. This would be different from concerts or lectures or any other events where the grantee is not the primary beneficiary. For example, if there is a play running at a local theater and the grantee gives away tickets to performances, promotes it on air, or is a sponsor of the play, the play performances would not be considered special fundraising events. However, if the theater decides to hold a special performance as a benefit for the grantee, and advertises it to the public as such, the special performance would be considered a special fundraising event. The distinction is that performances and events that are neither promoted nor intended principally as a grantee benefit would not be considered special fundraising events regardless of a grantee's participation; whereas events held for publicly expressed purposes of financially benefiting the station would be considered special fundraising events. Typical special fundraising activities include: vehicle donation programs, gaming activities, performances, benefits, dances, lectures, dinners, art exhibits, workshops, film festivals, tournaments, wine tasting parties and travel tours, etc.

Once it is determined that an event is special fundraising in nature, all the revenues raised at the event should be included in the gross revenue total for the NFFS calculation. This would include tickets or entry fees to attend the event, as well as other ancillary revenues like food and drink sales. For NFFS purposes these transactions should be treated differently from exchange transactions because the event is being held for the explicit purpose of benefitting the station. Therefore, implicit in all transactions that occur at the event is that the station is going to benefit to some degree.

Specific Line Instructions:**A. Gross special fundraising revenues**

Use this line to report the gross special fundraising revenues. (Note: Do not report the FMV of goods and services that were contributed to support fundraising activities, including donated tickets, donated catering services, donated auction items and donated sweepstakes items. These are to be reported on Schedule C (Line 5.D) and not Schedule A.

If, however, the total special fundraising revenue is reported net of direct expenses in the audited financial statements, report the net special fundraising revenue only on Line 14A. If you do this, the financial statements must be clear about this fact. For example, assume that gross revenue is \$11K and direct expenses are \$1K resulting in net revenue of \$10K. If the financial statements show \$10K as revenue, report \$10K on Line 14A and \$0 on Line 14B. In cases such as this the line item description in the financial statements should indicate that direct expenses have been netted against the revenues: Special fundraising revenue, net of direct expenses of \$1,000 in 2017. The line item description could also refer to a Note in the financial statements that explains the accounting treatment of the direct special fundraising expenses.

B. Direct special fundraising expenses

Use this line to report the total direct special fundraising expenses for producing the event. If, however, the total special fundraising revenue is reported net of direct expenses in the audited financial statements, report \$0 on Line 14B. Direct expenses include but are not limited to third-party payments for entertainment, space rental, prizes (pay-outs) provided to participants from sweepstakes, gaming, pull-tabs and bingo, and other contractual expenses. Direct expenses also include costs associated with self-contained gaming operations (e.g. Casinos), including salaries and benefits of gaming staff as well as overhead costs incurred to operate and maintain gaming premises

Line 15 - Passive Income

Passive income derived from the use of property (e.g. from real estate and business investments in which the station is not actively involved, including limited partnerships). Do not include licensing fees from the sale of program rights. These fees should be reported by source on the appropriate line of Schedule A and excluded from NFFS.

Revenues received by stations resulting from the Spectrum Auction, including interest and dividends earned and/or received on auction revenues are not eligible as NFFS. This revenue should be reported on Schedule A, Line 21.

Payments from NPR earned for early payment of dues are not considered passive income. This revenue should be reported on Schedule A, Line 2D.

Specific Line Instructions:**A. Interest and Dividends**

Report interest and dividend income, except for earnings on endowment funds (see Line 17). Do not use this line to report realized and unrealized gains or losses on marketable securities (see instructions for Lines 16 and 17).

B. Royalties

Use this line to report royalty income, but not licensing fees. Report licensing fees by their revenue source and exclude them from NFFS.

C. PBS or NPR pass-through copyright royalties

Use this line to report amounts received as pass-through funds from NPR or PBS generated from copyright user fees.

Line 16 - Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)

Report gains from the sale or exchange of assets used in station operations, and realized and unrealized gains or losses on investments (other than investments held as endowment funds-see Line 17), including actuarial gains and losses on charitable trusts and gift annuities. Book gains or losses resulting from the retirement, obsolescence, or other adjustment unrelated to the actual sale or exchange of property and equipment should not be reported.

These revenues on Lines 16A to 16C will forward to Line 27 and will be automatically excluded from NFFS.

Specific Line Instructions:**A. Gains from sales of property and equipment**

Use this line to report gains from the sale or exchange of property and equipment used in station operations. Losses from these transactions are considered an operating expense and should not be reported on this line.

B. Realized gains/losses on investments (other than endowment funds)

Use this line to report gains or losses realized from marketable securities transactions.

C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trust and gift annuities (other than endowment funds)

Financial Accounting Standards No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations (FAS 124), establishes standards for accounting for certain investments held by not-for-profit organizations. It requires that investments in equity securities with readily determinable fair market values and all investments in debt securities be reported at fair market value in the statement of financial position with gains and losses included in the statement of activities. Use this line to report unrealized gains or losses resulting from recording such investments at fair market value. Also use this line to report actuarial changes in the fair market value of assets held in charitable trusts and gift annuities.

Line 17 - Endowment Revenue

Report all contributions to endowment fund principal regardless of the source or form of the amounts contributed. Also, report passive income (interest and dividends) derived from endowment funds and realized and unrealized gains or losses from investments held by endowment funds.

Specific Line Instructions:

A. Contributions to endowment principle

Use this line to report contributions to endowment principal.

B. Interest and dividends on endowment funds

Use this line to report interest and dividends earned on endowment funds.

C. Realized net investment gains and losses on endowment funds

Use this line to report realized net investment gains and losses on endowment funds. Use a hyphen when entering a negative value on 17C, e.g. "-1,765".

The revenue reported on Line 17C will forward to Line 27 and will be automatically excluded from NFFS.

D. Unrealized net investment gains and losses on endowment funds

Use this line to report unrealized net investment gains and losses on endowment funds. Use a hyphen when entering a negative value on 17D, e.g. "-1,765".

The revenue reported on Line 17D will forward to Line 27 and will be automatically excluded from NFFS.

Line 18 – Capital fund contributions from individuals

Use Line 18 to report capital campaign contributions from individuals. Also use this line to report gifts and contributions from individuals when the donor has restricted the gift or contribution for purposes of acquiring new equipment, or for upgrading existing or building new facilities.

For NFFS reporting purposes, a restriction may be either explicitly applied by the donor or it may be considered implicitly applied based on how the capital campaign funds were solicited. In other words, if the capital campaign materials provided to potential donors in order to solicit funds indicate that some campaign funds may be used for the purposes of new facilities (land and structures), expansion of existing facilities, and / or the acquisition of new equipment, a portion of the campaign funds that do not have an explicit donor restriction must be reported on Line 18A.

For those funds that do not have an explicit donor restriction the allocation between Lines 18A and 18B must be made on a reasonable basis and should be supported by documentation, such as, but not limited to, an internal budget, that describes how the grantee intends to divide the capital campaign funds between facilities/equipment projects and non-facilities/equipment projects. In the absence of such documentation the grantee will be required to divide the capital campaign funds evenly between the different projects listed in the campaign promotional materials and then allocate the divided funds between Lines 18A and 18B as appropriate.

TV Grantees

To eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investment in digital TV broadcasting, the CPB Board of Directors adopted the recommendation of the 1998 TV CSG Task Force to exclude from NFFS all capital contributions restricted for facilities and equipment improvements. This exclusion extends to ALL contributions (direct and in-kind) of, or for the purpose of acquiring new broadcast and operational equipment, as well as new facilities, new construction, and facilities upgrades and improvements. This includes gifts, grants, bequests or any contribution restricted by the donor for capital purposes, including any direct revenues raised through a formal capital campaign program that are restricted for the purposes defined herein.

CPB implemented this policy change beginning with the FY 2001 grant year (i.e., in the 1999 AFR reporting year).

Specific Line Instructions:

A. Facilities and Equipment

Use this line to report funds restricted for the construction of new facilities (land and structures), expansion of existing facilities, and acquisition of new equipment.

TV Grantees: Revenue designated or restricted for this purpose does not qualify for NFFS matching purposes. Therefore, for TV grantees only, the total amount reported on Line 18A will forward to Line 25, and will be automatically excluded from NFFS.

This restriction does not apply to capital contributions restricted for purposes other than those defined above. See Line 18B instructions for exceptions.

B. Other

Report funds contributed for purposes other than those reported on Line 18A. For instance, capital campaigns raise funds for a variety of purposes including, for example, funding of future national productions; repayment of indebtedness incurred to acquire a stations license; capital to increase distribution of a stations news and information service; and to engage in other programmatic projects.

Line 19 - Gifts and Bequests from Major Individual Donors

Use this line to report gifts and bequests from major individual donors, including estates, trusts, etc. For eligible gifts and bequests, use this line rather than Lines 10, 11, or 17 but use Line 18 rather than this line when the gift meets the definition of Line 18.

Major individual donors are herein defined as any individual donor who contributes an amount, in aggregate, equal to or greater than \$1,000 for the reporting year. For example, donor Jane Doe gives two \$500 gifts in the same fiscal year; Jane Doe has contributed \$1,000 for the reporting year and is a major donor.

Additional Specific Line Instructions:

19.1 - Total number of major individual donors

This line must be completed if Line 19 is greater than \$0.

Use this line to report the number of unduplicated major individual donors providing the revenue reported on Line 19.

Line 20 – Other

Line 20 is intended to capture revenue from sources or activities not previously listed.

Please note that "Other" and "Miscellaneous" are not acceptable descriptions for revenue that is intended to be included as NFFS. If the revenue is intended to be included as NFFS, use a description that sufficiently identifies the NFFS eligibility of the revenue.

To qualify as NFFS, revenue, whether a contribution or a payment, must meet the appropriate recipient, form, source and purpose criteria as outlined in Sections 2.3 and 2.4. If revenue item reported on Line

20 is ineligible for NFFS, exclude it by clicking the “NFFS X” link.

Examples of revenue and activities that should be reported on Line 20 and not eligible as NFFS:

- Tower leases (radio) - Use line 21 for TV tower leases.
- Sale of products and services to individuals
- Individual ticket sales/admission fees to live performances (except for the portion that may be a contribution)
- Sales of premiums
- Revenue from the use of an affinity card
- Revenue from long-distance phone services
- Rebates, refunds, reimbursements and insurance proceeds

Line 21 - Proceeds from the FCC Spectrum Incentive Auction, interest and dividends earned on these funds, channel sharing revenues, and spectrum leases

Spectrum Auction revenues do not qualify as NFFS including the following:

- A. Proceeds from sale in spectrum auction
- B. Interest earned on proceeds from sale in spectrum auction
- C. Payments from spectrum auction speculators
- D. Channel sharing and spectrum leases revenues
- E. Spectrum repacking funds

If an institutional licensee’s appropriation to the station is comprised of spectrum auction revenues, report that amount on Line 21A.

Include revenues received for spectrum repacking on Line 21E.

Along with interest on Line 21B, report any dividends earned on auction proceeds.

Include VBI rental income on Line 21D.

Be sure to maintain discrete accounting to identify these funds, including interest and dividends, to properly exclude them from NFFS.

Line 22 - Total Direct Revenue

Line 22 will automatically total the revenues reported on Lines 1-21.

Determining NFFS on Schedule A

Lines 23-27 will deduct direct revenues ineligible as NFFS from the total revenue reported on Line 22.

Line 23 - Federal Funds

Federal funds reported on Line 1 will forward to Line 23.

Line 24 - Public Broadcasting Revenue

Public broadcasting revenues reported on Line 2 will forward to Line 24.

Line 25 - Capital Funds Exclusion (TV Only)

For TV grantees: Funds restricted for capital purposes reported on Lines 3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, and 18A will forward to Line 25.

Line 26 - Revenue on line 20 not meeting the source, form, purpose or recipient criteria

Line 26 will automatically total all NFFS exclusions executed using the “NFFS X” links on Schedule A, Line 20. A table of these NFFS exclusions can be viewed by clicking on the link “View all direct revenue not included as NFFS”.

Line 27 - Other automatic subtractions from total revenue

This line is used to capture other revenues and activities that are ineligible as NFFS:

- A. Auction expenses limited to the lesser of Lines 13a or 13b
- B. Special fundraising event expenses limited to the lesser of Lines 14a or 14b
- C. Gains from sales of property and equipment Line 16a
- D. Realized gains/losses on investments (other than endowment funds) Line 16b
- E. Unrealized investment and actuarial gains/losses (other than endowment funds) Line 16c
- F. Realized and unrealized net investment gains/losses on endowment funds - Line 17c, Line 17d
- G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)
- H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)
- I. Licensing fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)
- J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)
- K. FMV of high-end premiums (Line 10.1)
- L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)
- M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)
- N. Proceeds from spectrum auction and related revenues from line 21

Line 28 - Total Direct NFFS

This line will automatically subtract the values on Lines 23-27 from the total reported Line 22. The amount reported on Line 28 is the Total Direct Revenue NFFS for the grantee for the reporting fiscal year. This value will forward to Line 1 of the NFFS Summary table on the Financial Reporting Main page and the Signature Page.

6 Completing AFR Schedule B Indirect Administrative Support

Calculating Indirect Administrative Support

Schedule B Instructions

Note: Spectrum auction revenues cannot be claimed as NFFS. Spectrum auction-related expenses cannot be used to calculate indirect administrative support.

Worksheet I: OSA Rate (using an MTDC base)

Please note that if the station's direct expenses are not included in the cost base of the licensee's negotiated federal rate agreement, it may not use the OSA rate methods.

Grantees must complete Schedule E before completing Worksheet I. When using Schedule B to calculate the indirect administrative support (i.e. not calculating the support outside of ISIS), Line 1b.5 must be zero ("0") until the calculation is completed. Once the indirect administrative support has been calculated, add it to the total expenses reported on Schedule E. Then, because the total expenses reported on Schedule E forward to Schedule B, Line 1a, after Schedule E is updated, the exact amount of indirect administrative support that was calculated must be entered on Line 1b.5 to deduct it from the updated total station expenses in the Schedule B calculation. Otherwise, station net direct expenses (line 1c.) will be incorrect as will the final result shown on line 4.

Line 1 - Determine station net direct expenses

Line 1a - Total station operating expenses and capital outlays (Schedule E, Line 10)

The total expenses and investments in capital assets reported on Schedule E, Line 10 will forward to this line.

Line 1b.1 - Capital outlays (from Schedule E, Line 9, total)

The total investments in capital assets reported on Schedule E, Line 9 will forward to this line.

Line 1b.2 - Depreciation

Enter the total amount of depreciation for the reporting year.

Line 1b.3 - Amortization

Enter the total amount of any amortization for the reporting year.

Line 1b.4 - In-kind contributions (services and other assets)

Enter the total amount of all in-kind expenses for the reporting year except for donated property and equipment that should be entered on line 1b.6.

Line 1b.5 - Indirect administrative support

Enter the exact amount of indirect administrative support only after it has added to the total station expenses reported on Schedule E.

Line 1b.6 - Donated property and equipment (if not included on Line 1b.1)

Enter the value of any donated property and equipment recorded as an expense but not included on Line 1b.1.

Line 1b.7 - Report costs here that are not part of the base per the licensee's federal negotiated indirect cost rate agreement. (Commonly excluded: general and administrative, fundraising, membership development, and grant solicitation costs.)

Also, enter the following costs:

- The value of any other non-direct expenses reported in the grantee's financial statements for the reporting year. Do not deduct the expenses paid by CPB funds. These expenses are direct expenses and should be included in the station's total net direct expenses.
- Adjustments to pension expenses relating to changes in Net Pension Liability as a result of implementing GASB No. 68-Accounting and Financial Reporting for Pensions.
- Spectrum auction-related costs recorded as expenses (if included on Line 1a).

Line 1b.8 - Total deductions

This line will automatically total the values reported on lines 1b.1-1b.7.

Line 1c - Station net direct expenses

This line will deduct the total on Line 1b.8 from Line 1a. The result is the grantee's total net direct expenses, which will forward to Line 3a.

Line 2 Modify licensee negotiated cost rate

Grantees must modify their licensee's federally negotiated cost rate to remove the portions of the rate that represent activities that do not provide a direct benefit to station operations. To be included, the station must demonstrate that the benefits provided include services that are an essential part of station operations; services are continuous and ongoing in support of the station; and the station uses the services or is required to use the services provided. Generally, the excluded cost components are departmental administration, sponsored projects administration and library support.

This information should be available from the college or university's department of other sponsored programs that is custodian for all federally approved indirect cost rate documentation.

Line 2a - Licensee's negotiated indirect cost rate

Enter the licensee's federally negotiated other sponsored activities (OSA) indirect cost percentage rate, to two decimal places.

Line 2b.1 - Departmental administration

Enter the portion of the licensee's OSA rate that reflects departmental administration, to two decimal places.

Line 2b.2 - Sponsored projects administration

Enter the portion of the licensee's OSA rate that reflects sponsored projects administration, to two decimal places.

Line 2b.3 - Library support

Enter the portion of the licensee's OSA rate that reflects library support, to two decimal places.

Line 2b.4 - Other

Enter the portion of the licensee's OSA rate that reflects other licensee activities that do not directly benefit station operations. Use the "Add" button to enter each rate portion with an appropriate description.

Line 2b.5 - Total deductions (sum of 2b.1 through 2b.4)

This line will automatically total the OSA rate adjustments reported on Lines 2b.1-2b.4.

Line 2c - Modified cost rate

This line will automatically deduct the total reported on Line 2b.5 from Line 2a. The result is the modified OSA cost rate which represents licensee activities that directly benefit station operations. This figure will forward to Line 3b.

Line 3 - Apply modified rate to station net direct expenses

Line 3a - Station net direct expenses from Line 1c

The total reported on Line 1c will automatically forward to this line

Line 3b - Modified cost rate from Line 2c

The modified OSA rate reported on Line 2c will automatically forward to this line.

Line 4 - Total indirect support (forwards to line 1 of Schedule B Tab 3)

This line will multiply the station net direct expenses on Line 3a by the modified OSA rate on Line 3b to calculate the total indirect administrative support the licensee provided to the station for the reporting year.

Worksheet IA: OSA F&A Rate (using a salaries and wages cost base)

Please note that if the station's direct expenses are not included in the cost base of the licensee's negotiated federal rate agreement, it may not use the OSA rate methods.

In the Salaries & Wages Base method, the modified OSA rate is multiplied by the station's total salaries and wages to determine the dollar value of indirect administrative support provided to the station by the licensee. Typically, this method is completed by grantees licensed to smaller institutions whose negotiated F&A rate specifies that the cost base is salaries and wages.

Line 1 - Salaries and wages for activities per the licensee's federal negotiated indirect cost rate agreement

Enter the total salaries and wages for station staff as reported in the audited financial statements for the reporting year. Exclude spectrum auction-related costs recorded as salaries.

This total will forward to Line 3a.

Line 2 Modify licensee negotiated cost rate

Grantees must modify their licensee's federally negotiated cost rate to remove the portions of the rate that represent activities that do not direct benefit to station operations. To be included, the station must demonstrate that the benefits provided include services that are an essential part of station operations; services are continuous and ongoing in support of the station; and the station uses the services or is required to use the services provided. Generally, the excluded cost components are departmental administration, sponsored projects administration and library support.

This information should be available from the college or university's department of other sponsored programs that is custodian for all federally approved indirect cost rate documentation.

Line 2a - Licensee's negotiated indirect cost rate

Enter the licensee's federally negotiated other sponsored activities (OSA) indirect cost percentage rate, to two decimal places.

Line 2b.1 - Departmental administration

Enter the portion of the licensee's OSA rate that reflects departmental administration, to two decimal places.

Line 2b.2 - Sponsored projects administration

Enter the portion of the licensee's OSA rate that reflects sponsored projects administration, to two decimal places.

Line 2b.3 - Library support

Enter the portion of the licensee's OSA rate that reflects library support, to two decimal places.

Line 2b.4 - Other

Enter the portion of the licensee's OSA rate that reflects licensee activities that do not directly

benefit station operations. Use the "Add" button to enter each rate portion with an appropriate description.

Line 2b.5 - Total deductions (sum of 2b.1 through 2b.4) This line will automatically total the OSA rate adjustments reported on Lines 2b.1-2b.4.

Line 2c - Modified cost rate

This line will automatically deduct the total reported on Line 2b.5 from Line 2a. The result is the modified OSA cost rate which represents licensee activities that directly benefit station operations. This figure will forward to Line 3b.

Line 3 - Apply modified cost rate to station salaries and wages for activities per the licensee's federal negotiated indirect cost rate agreement.

Line 3a - Station salaries and wages for activities per the licensee's federal negotiated indirect cost rate agreement (from section 1).

The total reported on Line 1 will automatically forward to this line.

Line 3b - Modified cost rate from Line 2c

The modified OSA rate reported on Line 2c will automatically forward to this line.

Line 4 - Total indirect support (forwards to line 1 of Schedule B Tab 3)

This line will multiply the station salaries and wages on Line 3a by the modified OSA rate on Line 3b to calculate the total indirect administrative support the licensee provided to the station for the reporting year.

Schedule B Instructions

Worksheet II: Basic Method

Grantees must complete Schedule E before completing Worksheet II. When using Schedule B to calculate the indirect administrative support (i.e. not calculating the support outside of ISIS) and completing the net direct expense method (Line 2a), Line 1b.5 must be zero ("0") until the calculation is completed. Once the indirect administrative support has been calculated, add it to the total expenses reported on Schedule E. Then, because the total expenses reported on Schedule E forward to Schedule B, Line 1a, after Schedule E is updated, the exact amount of indirect administrative support that was calculated must be entered on Line 1b.5 to deduct it from the updated total station expenses in the Schedule B calculation. Otherwise, station net direct expenses (line 1c.) will be incorrect as will all subsequent calculations including the final result shown on line 4.

Line 1 - Determine station net direct expenses

Line 1a - Total station operating expenses and capital outlays (Schedule E, Line 10)

The total expenses and investments in capital assets reported on Schedule E, Line 10 will forward to this line.

Line 1b.1 - Capital outlays (from Schedule E, Line 9, total)

The total investments in capital assets reported on Schedule E, Line 9 will forward to this line.

Line 1b.2 - Depreciation

Enter the total amount of depreciation for the reporting year.

Line 1b.3 - Amortization

Enter the total amount of any amortization for the reporting year.

Line 1b.4 - In-kind contributions (services and other assets)

Enter the total amount of all in-kind expenses for the reporting year except for donated property and equipment that should be entered on line 1b.6.

Line 1b.5 - Indirect administrative support

Use only if completing Line 2a: Enter the exact amount of indirect administrative support only after it has added to the total station expenses reported on Schedule E.

Line 1b.6 - Donated property and equipment (if not included on Line 1b.1)

Enter the value of any donated property and equipment recorded as an expense but not included on Line 1b.1.

Line 1b.7 - Other

Enter other costs such as the following:

- The value of any other non-direct expenses reported in the grantee's financial statements for the reporting year. Do not deduct the expenses paid by CPB funds. These expenses are direct expenses and should be included in the station's total net direct expenses.
- Adjustments to pension expenses relating to changes in Net Pension Liability as a result of implementing GASB No. 68-Accounting and Financial Reporting for Pensions.
- Spectrum auction-related costs recorded as expenses (if included on Line 1a).

Line 1b.8 - Total deductions

This line will automatically total the values reported on lines 1b.1-1b.7.

Line 1c - Station net direct expenses

This line will deduct the total on Line 1b.8 from Line 1a. The result is the grantee's total net direct expenses, which will forward to Line 2a.1.

Line 2 - Institutional support rate calculation

The institutional support component is calculated by either 1) determining the station's net direct expenses (net of noncash support and capital outlays) as a percentage share of the licensee's net direct expenses or; 2) determining the station's total salaries and wages as a percentage share of the licensee's total salaries and wages for direct activities. Complete only one option: Line 2a or Line 2b.

Line 2a - Net direct expense method**Line 2a.1 - Station net direct expenses (forwards from Line 1c)**

The station net direct expense total on Line 1c will automatically forward to this line.

Line 2a.2 - Licensee net direct activities

Enter the licensee's net direct activities. These include the total cost of instruction, research, and public service, net of capital outlays. These are the institution's mission costs. They should not be confused with the licensee's support activities—Institutional Support (line 2c) and Physical Plant Support (line 3). In addition, exclude from licensee net direct activities adjustments to pension expenses relating to changes in Net Pension Liability as a result of implementing GASB No. 68-Accounting and Financial Reporting for Pensions.

Line 2a.3 - Percentage of allocation (2a.1 divided by 2a.2) (forward to Line 2c.5 below)

This line will automatically divide the station's net direct expense by the licensee's net direct activities. The result is the institutional support rate, which will forward to Line 2c.5.

Line 2b - Salaries and wages method**Line 2b.1 - Station salaries and wages**

Enter the total station salaries and wages as reported in the audited financial statements for the reporting year.

Line 2b.2 - Licensee salaries and wages for direct activities

Enter the total licensee salaries and wages for direct activities. These include the total cost of instruction, research, and public service.

Line 2b.3 - Percentage of allocation (2b.1 divided by 2b.2) (forwards to Line 2c.5 below)

This line will automatically divide the station's salaries and wages by the licensee's salaries and wages for direct activities. The result is the institutional support rate, which will forward to Line 2c.5

Line 2c - Institutional support calculation

Line 2c.1 - Choose applicable cost groups that benefit the station

Select all the cost groups that provide an essential and continuous benefit to station operations. The station must demonstrate that the benefits provided (1) include services that are an essential part of station operations; (2) services are continuous and ongoing in support of the station; and (3) the station uses the services or is required to use the services provided. If there are cost groups that benefit the station but are not included in the predetermined list, then check the "Other" box.

Line 2c.2 - Costs per licensee financial statements

Enter the licensee's current year total costs for institutional support (instruction, research, public research). Include the licensee's unrestricted general fund expenses and exclude designated funds and restricted funds. If the licensee provides Indirect Administrative Support (IAS) to the station and includes pension costs as part of its IAS pool, only include in the IAS pool the actual contribution to the plan made in any given fiscal year. Any Net Pension Liability adjustment to pension expense included is not NFFS eligible and should be either (1) excluded from indirect administrative support calculation or (2) included on both Line 2.c.2 and Line 2.c.3 below. Only the actual contribution to the pension plan is allowable as NFFS. If licensee does not provide an appropriation or IAS but the station's employees are in the licensee's pension plan, the station records only a pension expense and related liability. (There is no NFFS to report from these transactions).

Line 2c.3 - LESS: Cost groups that do not benefit the operations of the public broadcasting station

Enter the value of cost groups that do not benefit station operations. For instance, no services are provided to the station; services provided are not an essential part of station operations; and the station or station employees are required to pay for the services provided. Cost groups that do not benefit the operations of the station generally include the alumni office, commencement, contract administration, development office, faculty recruitment, medical careers improvement, office of the registrar, publications services, purchasing, bad debts, capital outlays, contingencies, and prior period expenses and/or adjustments, etc. In addition, if any pension liability adjustment to pension expense is included on Line 2c.2 above, it must also be reported on Line 2.c.3. Pension expenses recorded due to restatements and revisions of FY2014 Audited Financial Statements due to GASB 68 are not allowed to be included in the IAS pool.

Line 2c.4 - Cost benefiting station operations

This line will automatically deduct the total on Line 2c.3 from Line 2c.2. The result is the total institutional costs benefiting station operations.

Line 2c.5 - Percentage of allocation (from line 2a.3 or 2b.3)

This institutional support rate calculated on Line 2a.3 or Line 2b.3 will automatically forward to this line.

Line 2c.6 - Total institutional costs benefiting station operations

This line will automatically multiply the institutional support rate on Line 2c.5 by the licensee's total institutional costs benefitting station operations reported on Line 2c.4. The result is the institutional support provided by the licensee to the grantee for the reporting year.

Line 3 - Physical plant support rate calculation

The physical plant support rate calculation is determined by comparing the station's net assignable square footage to the licensee's total net assignable square footage. This information must be provided

by the licensee's facilities planning and management office.

Line 3a - Net square footage occupied by station

Enter the total net assignable square footage occupied by the station.

Line 3b - Licensee's net assignable square footage

Enter the licensee's total net assignable square footage

Line 3c - Percentage of allocation (3a divided by 3b) (forwards to Line 3d.5 below)

This line will automatically divide the station's net square footage on Line 3a by the licensee's net assignable square footage on Line 3b. The result is the percentage rate of allocation for calculating the physical plant support. This value will forward to Line 3d.5.

Line 3d.1 - Choose applicable cost groups that benefit the station

Select all the cost groups that provide an essential and continuous benefit to station operations. The station must demonstrate that the benefits provided (1) include services that are an essential part of station operations; (2) services are continuous and ongoing in support of the station; and (3) the station uses the services or is required to use the services provided. If there are cost groups that benefit the station but are not included in the predetermined list then check the "Other" box.

Line 3d.2 - Costs per licensee financial statements

Enter the licensee's current year total costs for physical plant support.

Line 3d.3 - LESS: Cost groups that do not benefit the operations of the public broadcast station

Enter the value of cost groups that do not benefit station operation. For instance, no services are provided to the station; services provided are not an essential part of station operations; and the station or station employees are required to pay for the services provided. Cost groups that do not benefit station operations generally include space and capital leasing, capital outlays, including new building construction and major building renovations, etc.

Line 3d.4 - Costs benefiting station operations

This line will automatically deduct the licensee cost groups not benefiting station operations on Line 3d.3 from the licensee's total physical plant support costs on Line 3d.2.

Line 3d.5 - Percentage of allocation (from line 3c)

The percentage allocation calculated on Line 3c will automatically forward to this line.

Line 3d.6 - Total physical plant support costs benefiting station operations

This line will automatically multiply the percentage allocation on Line 3d.5 by the licensee's total physical plant support costs on Line 3d.2. The result is the total physical plant support provided by the licensee to the station.

Line 4 - Total costs benefiting station operations (forwards to Line 1 on Tab 3)

This line will total the institutional support on Line 2c.6 and the physical plant support on Line 3d.6. This is the station's indirect administrative support before occupancy support and other adjustments. This amount will forward to Line 1 of Tab 3.

Occupancy Support Instructions

Land Associated with Tower Facilities

Location

Enter the address of the land used by the station tower facilities.

Line 1 - Land Area (in acres)

Enter the total number of acres (to two decimal places) of the licensee-owned land utilized by the station tower facilities. The land area is restricted to FCC requirements for the facility, unless local zoning requires additional land, in which case, the larger area may be used.

Line 2 - Unit Value per acre

Enter the per acre value of the licensee-owned land utilized by the station tower facilities as found in the appraisal documentation.

Line 3 - Land value

This line will automatically multiply the land area on Line 1 by the unit value per acre on Line 2. The result is the full land value.

Line 4 - Rate of return on the land

Enter the land rate of return (percentage, two decimal places), which is found in the appraisal documentation.

Line 5 - Annual value before deductions

This line will automatically multiply the land value on Line 3 by the rate of return on Line 4. The Result is the annual value of the land before any necessary deductions.

Line 6 - Payments made to landowner as part of a lease or rental agreement

Enter the total of annual lease or rental payments made to the landowner, i.e. the licensee, for the reporting year.

Line 7 - Payments received from others as part of a sublease or rental agreement

Enter the total of annual lease or rental payments received from a third party for a sublease or rental agreement for the reporting year.

Line 8 - Annual value for NFFS purposes

This line will deduct the amounts on Lines 6 and 7 from Line 5. The result is the NFFS value of the licensee-owned land utilized by the station tower transmission facilities for the reporting year. The amount will forward to Tab 3, Line 2.

Appraiser Information

Grantees must enter the name of the appraiser that completed the last appraisal, the appraiser's certification, and the date of the appraisal. Grantees should obtain a new appraisal periodically, especially if market conditions suggest that the value of the land may have increased or decreased significantly since the last appraisal.

Building/Improvement Occupancy

Location

Enter the address of the licensee-owned building being occupied by the station.

Line 1 Record building at original cost or at fair market value at the time the station took possession

Enter the value at its original cost or at fair market value at the time the station took possession. Use the fair market value only if the original cost of the building is unknown.

Line 2 Total original cost of major improvements

Enter the total cost of major improvements. Use additional Building/Improvement forms to show only the cost of major improvements when improvements have been made over time.

Line 3 Subtract federal and CPB funds used in construction or improvements

Enter the value of any federal (such as PTFP) and/or CPB grants used in constructing or improving the building.

Line 4 Total non-Federal value of buildings/improvements

This line will automatically add the original cost or fair market value on Line 1 with the total cost of major improvements on Line 2. The amount of federal and/or CPB funds reported Line 3 will then be subtracted from the total of Lines 1 and 2.

Line 5 Enter year constructed or acquired

Enter the year the building was constructed or acquired.

Line 6 Estimate useful life of building/improvements from date of acquisition or construction

Enter the estimated useful life of the buildings and improvements from the date of acquisition or construction. Forty years is the most common useful life for this asset. Improvements are generally depreciated over the remaining useful life of a building.

Line 7 Remaining useful life of building (includes current reporting year)

This line will automatically determine the remaining useful life of the building in years based on the date of construction and acquisition on Line 5 and the estimated useful life on Line 6.

Line 8 Annual value

This line represents the annual depreciation value eligible as NFFS. This value is automatically calculated by dividing line 4 by line 6.

Line 9 Station's prorata use of building

Enter the percentage value (to two decimal places) of the amount of the building space occupied by the station.

Line 10 Annual prorated value

This line will automatically multiply the annual value of the building on Line 8 by the station's prorata share of the building on Line 9.

Line 11 Payments made to building owner as a part of a lease or rental agreement

Enter the annual amount of any lease or rental payments paid to the building owner, the licensee, during the reporting year.

Line 12 Payments received from others as part of a sublease or rental agreement

Enter the annual amount of any lease or rental payments received from a third-party for a sublease or rental agreement on the building for the reporting year.

Line 13 Annual value for NFFS purposes

This line will deduct the amounts on Lines 11 and 12 from Line 10. The result is the NFFS value of the space in the licensee-owned building occupied by the station for the reporting year. The amount will forward to Tab 3, Line 2.

Schedule B Summary (Tab 3):

Line 1 Total support activity benefiting station

This line will automatically display the total indirect support reported in Schedule B Tab 1 "Determine Indirect Administrative Support".

Line 2 Occupancy value

This line will automatically display the occupancy values reported in Schedule B Tab 2 "Determine Occupancy Values".

Line 3 Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.

Enter any fees paid to the licensee for overhead recovery, assessment, use fees or management fees etc.

Line 4 Deductions: Support shown on lines 1 and 2 in excess of revenue reported in

financial statements

Any excess of the values reported on lines 1 and 2 above that are greater than the values recognized as indirect administrative support revenues in the audited financial statements. Grantees cannot claim more NFFS than that is recognized as indirect administrative support revenues in the audited financial statements. If the indirect administrative support revenue per the audited financial statements is greater than the sum of lines 1 and 2 above, this may cause a reconciling item for Schedule F.

Line 5 Total indirect administrative support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)

This line reports the value that will be claimed as NFFS from indirect administrative support. This line will automatically calculate the total indirect administrative support as the sum of values reported on lines 1 and 2 above, less amounts reported on lines 3 and 4 above. This line is also forwarded to Line 2 of the Summary of Nonfederal Financial Support.

Line 6 Please enter an institutional type code for your licensee.

Select appropriate licensee donor code from the dropdown menu or list and finally save Schedule B as completed.

7 Completing AFR Schedule C

In-Kind Contributions of Services and Other Assets

Introduction

Use Schedule C to report in-kind—i.e. non-cash—contributions of professional services, materials, supplies and the contributed use of assets (e.g. utilities and use of facilities and property to which the donor retains legal ownership). Use Schedule C to also report contributions of intangible assets such as a station grantee's broadcast license received from donors other than the licensee.

Institutional stations: Support from the grantee's licensee is limited to indirect administrative support (Schedule B) and direct support (Schedule A).

Schedule C Instructions

After entering a value on Lines 1, 2, 3 and 5 you must select the donor code which represents the source of the in-kind contributions entered on that line. If a value represents more than one source, please enter the donor code which represents the majority of the value.

Donor Codes

BS-business

FD-foundation

FG-federal government

G-local government

OT-other

PB-public broadcasting entity

PU-private university

SG-state government

SU-state university

Line Item Instructions

Line 1 - Professional Services (eligible as NFFS)

Professional Services provided as an in-kind contribution should be reported on Line 1 (

Line 1A – Legal

Use this line to report in-kind contributions of legal services that meet the NFFS eligibility criteria for professional volunteer services.

Line 1B – Accounting and/or auditing

Use this line to report in-kind contributions of accounting and/or auditing services that meet the NFFS eligibility criteria for professional volunteer services.

Line 1C – Engineering

Use this line to report in-kind contributions of engineering services that meet the NFFS eligibility criteria for professional volunteer services.

Line 1D – Other professionals (see specific line item instructions in Guidelines before completing)

Use this line to report in-kind contributions of services that meet the NFFS eligibility criteria for professional volunteer services and that do not fit into categories 1A-1C. Be specific when reporting the principal trades or professions for other professional services. The donor code, person's name or company name is never an acceptable description. Identify the professional service or discipline that the person is engaged in. Examples of acceptable descriptions for

“Other Professionals” include: Web design and maintenance; Web domain host; grant writer; computer technician; digital editor; graphic arts/design consultant; IT consultant; marketing consultant; public relations/media consultant; corporate benefits consultant; illustrator; proofreader; photographer; appraiser; caterer (if not related to fund raising activities).

Line 2 - General Operational Services (eligible as NFFS)

Line 2A - Annual rental value of space (studio, offices, or tower facilities)

Use this line to report donations of the use of studio, office, or tower facility space. In keeping with the NFFS eligibility criteria for all in-kind contributions, donations of space must be valued by the donor at fair market value. This is determined by comparing the quality and quantity of the station's space to comparable space for which the donor charges a fee. If the donor does not rent comparable space, an independent appraisal must be done by a qualified appraiser (e.g. M.A.I., S.R.P.A., S.R.E.A. or A.S.A.).

Line 2B - Annual value of land used for locating a station-owned transmission tower

Use this line to report donations for the use of land used to locate a station-owned transmission tower. In keeping with the NFFS eligibility criteria for all in-kind contributions, donations of land use must be valued by the donor at fair market value. This is determined by comparing the quality and quantity of the station's space to comparable space for which the donor charges a fee. If the donor does not rent comparable space, an independent appraisal must be done by a qualified appraiser (e.g. M.A.I., S.R.P.A., S.R.E.A. or A.S.A.).

Line 2C - Station operating expenses

Use this line to report in-kind contributions of station operating expenses. This category includes the use of electrical, telephone and other utilities paid by a third party. It may also include consumable materials such as office supplies.

Line 2D - Other

Use this line to report in-kind contributions of other general operational services that do not fit into categories 2A-2C. Be specific—use a description that sufficiently identifies the NFFS eligibility of the services reported on this line.

Line 3 - Other Services (eligible as NFFS)

Line 3A - Instructional television and educational radio

Use this line to report in-kind contributions of ITV and/or educational radio services that are eligible as NFFS.

Line 3.B - State public broadcasting agencies

Use this line to report in-kind contributions from eligible state public broadcasting agencies. These are the only agency allocations accepted as NFFS:

- Alaska Public Broadcasting Commission (APBC)
- Florida Department of Education (FLDOE)
- Ohio Broadcast Educational Media Commission (BEMC)

TV grantees: In-kind contributions for new or expanded facilities or equipment are not eligible as NFFS and must be reported on Schedule D.

Lines 3C - Local advertising

Use this line to report in-kind contributions of advertisements in local newspapers and magazines, on commercial television or radio, or over the internet. The advertising must be related to program or station promotion and not consist of merely printing or airing the station's programming schedule.

In cases where the grantee receives an in-kind donation of advertising for a production from a

production underwriter, there is a concern that the contributed advertising and promotion have become of significant commercial value to the underwriter. This is especially the case when the underwriter's identity is featured prominently in the program promotion or when the program promotion is only a part of promotion for the underwriter's own business activities. This fact calls into question whether even substantiated value to the public broadcaster represents a contribution, an exchange, or some combination of both. Grantees should not recognize as a contribution or NFFS the portion of total value received that represents an exchange transaction with the underwriter.

Line 3D - National advertising

Use this line to report in-kind contributions of advertisements in national newspapers and magazines, on commercial television or radio, or over the internet. The advertising must be related to program or station promotion and not consist of merely printing or airing the station's programming schedule.

In cases where the grantee receives an in-kind donation of advertising for a production from a production underwriter, there is a concern that the contributed advertising and promotion have become of significant commercial value to the underwriter. This is especially the case when the underwriter's identity is featured prominently in the program promotion or when the program promotion is only a part of promotion for the underwriter's own business activities. This fact calls into question whether even substantiated value to the public broadcaster represents a contribution, an exchange, or some combination of both. Grantees should not recognize as a contribution or NFFS the portion of total value received that represents an exchange transaction with the underwriter.

Line 4 - Total in-kind contributions - services and other assets eligible as NFFS

This line will total lines 1 through 3, which will forward to the Summary of Nonfederal Financial Support.

Line 5 - In-kind Contributions Ineligible as NFFS

Use this line to report in-kind contributions of services or the use of assets that are ineligible as NFFS.

Line 5A - Pre-recorded compact discs, records, tapes, cassettes and film libraries (including all historical broadcasting collections and intellectual property rights)

Line 5B - Exchange transactions

Line 5C - Federal or public broadcasting sources

Line 5D - Fundraising related activities

Line 5E - ITV or educational radio outside the allowable scope of approved activities

Line 5F - Local productions

Line 5G - Program supplements

Line 5H - Programs that are nationally distributed

Line 5I - Promotional items

Line 5J - Regional organization allocations of program services

Line 5K - State PB agency allocations other than those allowed on Line 3B

Line 5L - Services that would not need to be purchased if not donated

Line 5M - Other

Line 6 – Total in-kind contributions - services and other assets

This line totals the in-kind contributions eligible as NFFS reported on Line 4 with the in-kind contributions ineligible as NFFS reported on Line 5.

8 Completing AFR Schedule D

In-Kind Contributions: Property and Equipment

Introduction

Use Schedule D to report in-kind contributions of capitalized property and equipment from donors other than the licensee. Contributed property must be for continued use by the grantee. Do not count assets held for investment purposes. The contributions reported on Schedule D must meet the grantee's threshold for capitalization. That is, all property and equipment reported on Schedule D must be included as assets on the grantee's balance sheet. This includes donations of land used as a building or tower site, land improvements, buildings and building improvements, broadcast equipment, furniture and office equipment, vehicles etc. Use Schedule C to report in-kind contributions of the use of assets that the station is not taking ownership of, or for contributions of intangible assets. This is equally true for contributions that do not meet the station grantee's capitalization threshold.

Institutional stations: Support from the grantee's licensee is limited to indirect administrative support (Schedule B) and direct support (Schedule A).

Schedule D Instructions

After entering a value on Lines 1-5 and 7, you must select the donor code which represents the source of the in-kind contributions entered on that line. If a value represents more than one source, please enter the donor code which represents the majority of the value.

Donor Codes

BS-business

FD-foundation

FG-federal government

G-local government

OT-other

PB-public broadcasting entity

PU-private university

SG-state government

SU-state university

Line Item Instructions

Line 1 - Land

Use this line to report the appraised value of land donated to the station for its continued use. The station must take legal ownership of the land. The appraiser should use community zoning laws or local codes and base the land appraisal on vacant lot value.

Line 2 - Buildings

Use this line to report the appraised value of buildings donated to the station for its continued use. The station must take legal ownership of the building. The appraiser should use community zoning laws or local codes and base building appraisal on a vacant building without the cost of utilities.

Line 3 - Equipment

Use this line to report the fair market value of equipment and other depreciable assets donated to the station grantee for its continued use. The station must take legal ownership of the equipment.

Line 4 - Vehicle(s)

Use this line to report the fair market value of vehicles donated to the station for its continued use. The station must take legal ownership of the vehicle.

Line 5 - Other

Use this line to report the fair market value of in-kind contributions of other capitalized assets that do not fit into categories on Lines 1-5.

Line 6 - Total in-kind contributions – property and equipment eligible as NFFS

This line will total lines 1 through 5, which will forward to the Summary of Nonfederal Financial Support.

Line 7 - In-kind Contributions Ineligible as NFFS

Use this line to report in-kind contributions of capitalized assets that are ineligible as NFFS.

Line 7a - Exchange transactions

Line 7b - Federal or public broadcasting sources

Line 7c - TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment

Line 7d - Other

Line 8 - Total in-kind contributions – property and equipment

This line totals the in-kind contributions of capitalized assets eligible as NFFS reported on Line 6 with the in-kind contributions of capitalized ineligible as NFFS reported on Line 7.

9 Completing AFR Schedule E

Expenses

Introduction

Grantees are required to report all expenses and investments in capital assets on Schedule E. The total expenses reported on Schedule E should match the total expenses (operating and non-operating) reported in the grantee's audited financial statements for the reporting year. Grantees are required to present this information by function, such as major programs or services and major classes of supporting services. Functional expense classifications may be communicated either in the statement of activities, notes to the financial statements or as a supplemental schedule.

Expenses may consist of those directly incurred by the station; or they may be represented by the use of donated goods and services; or they may be in the form of indirect administrative support provided by an institutional station's licensee; or they may also be direct expenses incurred by a licensee on behalf or for the benefit of the station.

There are two types of functional expenses: Program Services and Support Services. The main difference between the two is that program services directly relate to the station's mission, such as delivering programs to listening or viewing audiences.

Support services, on the other hand, do not directly relate to the station's mission. Support services include management and general, fund raising and membership development, underwriting and grant solicitation and other activities that are indispensable to providing program services. As a general rule, in order to identify a service as a program cost, the following criteria should be applied:

- The service contributes directly to the achievement of the broadcasting entity's objectives, goals, or missions.
- The service requires a significant amount of the entity's resources.

Schedule E is designed to capture expenses by functional category only. When distributing and allocating costs it is not always possible to relate costs directly to one functional category. For example, an employee may work in both programming and broadcasting areas; also, equipment may be used for production and for broadcasting. In such cases, distribute or allocate costs among the various functions for which they are incurred.

Costs should be distributed when it is possible to identify the specific portions that relate to each function supported. For example, the total cost of an employee involved in several functions can be distributed if the time spent on each function is known. When the portion of total cost spent on each function cannot be specifically identified, allocate costs among functions based on measures that most closely match the way resources were used. Occupancy costs, for example, can be combined and allocated among functions based on area occupied or direct personnel costs of each function.

Costs that support more than one station should be allocated equitably among the stations. For example, staff that is resident at one of the stations may perform accounting services for several stations. The cost of the services could be summarized into a cost pool and then allocated among the stations. Allocation can be based on total costs of each station excluding the allocated services or based on direct personnel costs. The purpose of cost distribution and allocation is to provide a reasonable approximation of the total costs of each operating function. Allocation and distribution methods should be only as complex as necessary to provide approximations, but should be consistent from year to year.

Allocations and distributions need not and cannot be exact; therefore, very costly or time-consuming methods need not be used. For more information on reporting expenses by functional (and natural) classification visit CPB's *Principles of Accounting*.

Biennial Filers of Audited Financial Statements

Grantees that elect to file audited financial statements biennially should complete Schedule E.

Line Item Instructions

Reporting Expenses by Functional Classification

Report expenses exactly as they are reported in the audited financial statements. Do not adjust expenses for any reason even if direct expenses for auctions and special fundraising activities are netted against revenues on Schedule A, lines 13 and 14 but reported gross in the financial statements. Enter zero ("0") if no expenses were reported for a specific category (the default value for each line of is zero). Biennial filers of audited financial statements should refer to the section below addressing their special circumstances.

Use the following functional classifications for reporting expenses on Schedule E:

PROGRAM SERVICES

Line 1 - Programming and production

Line 2 - Broadcasting and engineering

Line 3 - Program information and promotion

SUPPORT SERVICES

Line 4 - Management and general

Line 5 - Fund raising and membership development

Line 6 - Underwriting and grant solicitation

Line 7 - Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)

Line 8 – Total Expenses (sum of lines 1 to 7) must agree with audited financial statements

Reporting CPB Grant Expenditures

For each functional expense category on Lines 1 through 7, grantees must indicate the CPB and non-CPB funds used under the following categories.

For Radio Grantees:

- A. Restricted Radio CSG**
- B. Unrestricted Radio CSG**
- C. Other CPB Funds**
- D. All non-CPB Funds**

For TV Grantees:

- A. TV CSG**
- B. TV Interconnection**
- C. Other CPB Funds**
- D. All non-CPB Funds**

Investment in Capital Assets

Grantees must report direct and indirect investments in capital assets on Lines 9a through 9c.

Line 9 - Total capital assets purchased or donated

Line 9a – Land and buildings

Line 9b – Equipment

Line 9c – All other

Line 10 – Total expenses and investment in capital assets

This line will total the value of all expenses reported on Line 8 and all investments in capital assets reported on Line 9.

ADDITIONAL INFORMATION

Line 11 – Total expenses (direct only)

Use this line to report the total direct expenses—i.e. exclusive of donated goods and services and indirect administrative support—included on line 8. The total of Lines 11 and 12 must equal Line 8.

Line 12 – Total expenses (indirect and in-kind)

Use this line to report the total indirect and in-kind expenses—i.e. that represents donated goods and services and indirect administrative support—included on line 8. The total of Lines 11 and 12 must equal Line 8.

Line 13 – Investment in capital assets (direct only)

Use this line to report the total direct investments in capital assets—i.e. direct purchases, exclusive of donated capital assets—included on Line 9. The total of Lines 13 and 14 must equal Line 9.

Line 14 – Investment in capital assets (indirect and in-kind)

Use this line to report the total indirect and in-kind investments in capital assets—i.e. that represents donated capital assets—included on Line 9. The total of Lines 13 and 14 must equal Line 9.

10 Completing AFR Schedule F

Reconciliation of AFR with Audited Financial Statements

Introduction

A grantee's audited financial statements serves as the basis for the revenue and expense information reported in the AFR. Revenues and financial activities that are not recognized as revenue in the audited financial statements cannot be reported as revenue in the corresponding AFR. Therefore, grantees are required to reconcile the total revenue reported in the AFR with the total revenue reported in their audited financial statements.

Joint Licensees

Grantees that file consolidated financial statements for the reporting grantee and one or more other jointly licensed grantees may reconcile each grantee separately if the financial statements provide discrete information for each grantee. This may be accomplished by showing each grantee's financial data either in columnar format or in a supplemental schedule. Otherwise, follow the instructions below in the section labeled "IMPORTANT INSTRUCTIONS FOR: Jointly licensed grantees with CONSOLIDATED Audited Financial Statements".

Instructions for Reconciling One Grantee with Audited Financial Statements

Line 1

This line will automatically pull the revenue reported on Schedules A, B, C and D. The total revenue reported on Line 1e must match the total revenue reported in the audited financial statements.

Choose a Reporting Model

Grantees follow one of three accounting "Reporting models":

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB)
- Grantees licensed to public colleges and universities that follow proprietary enterprise-fund financial statements with business type activities (GASB)
- Grantees licensed to state and local governments that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities (GASB)

Select the radio-button for the financial statement Reporting Model that accurately reflects the grantee's audited financial statement presentation basis, then click the "Choose" button. The corresponding line item information will display:

FASB

Line 2a - Total support and revenue - unrestricted revenue
Line 2b - Total support and revenue - temporarily restricted revenue
Line 2c - Total support and revenue - permanently restricted revenue
Line 2d - Total from audited financial statements Lines 2a-2c

GASB Model A

Line 2a - Operating revenues
Line 2b - Non-operating revenues
Line 2c - Other revenue
Line 2d - Capital grants, gifts, and appropriations (if not included above)

Line 2e - Total from audited financial statements Lines 2a-2d

GASB Model B

Line 2a - Charges for services

Line 2b - Operating grants and contributions

Line 2c - Capital grants and contributions

Line 2d - Other revenues

Line 2e - Total from audited financial statements Lines 2a-2d

The chosen Reporting Model should match the format of the revenue page of the grantee's audited financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the "Choose" button.

Line 2

After selecting the appropriate reporting model, on each part of Line 2 enter the value for the category as found on the revenue page of the audited financial statements. The final part of Line 2 (2d for FASB; 2e for GASB Models A and B) will total the values entered on the other parts of Line 2. The total on Line 2 should match the total on Line 1e exactly. If not, proceed to Line 3.

Biennial Filers

Grantees that elect to submit their audited financial statements on a biennial basis must enter zero ("0") on each part of Line 2. This will result in a reconciling item equal to the full value of Line 1e on Line 3. On Line 4 In indicate the election not to file audited financial statements for the current year. You must also complete a form "Election to File Audited Financial Statements Biennially".

Line 3

If the total entered on Line 2 does not match the total on Line 1e, the difference will forward to Line 3. If the difference is relatively small (less than about \$100) the difference is likely due to a rounding error. Such a small difference is immaterial to NFFS and need not be corrected in the AFR. Instead, use Line 4 to identify the rounding error.

If however, the reconciling item is larger than \$100 then a data entry error(s) has occurred either on the AFR, or on Line 2 of Schedule. Verify that the values entered on Schedule F, Line 2 match the audited financial statements exactly. If so, then you must go back into the AFR, find and correct the error(s).

Other than a small rounding error, an example of a valid reconciling item would be for GASB reporting institutional stations that were not able to include their indirect administrative support in the revenue statement of their audited financial statements (the indirect administrative support must still be reported in a footnote to the audited financial statements). In such a case the value of the indirect administrative support will show up as a reconciling item on Line 3. It must be properly identified on Line 4.

Line 4

In the case of a valid reconciling item(s), use Line 4 to identify the reconciling item(s). Each reconciling item must be detailed and in the aggregate, must sum to the amount shown as the difference on line 3, and the sign of that number matters. If a negative difference is calculated, the reconciling items must sum to the same negative number.

When all reconciling items have been entered and the values for lines 3 and 4 equal, select the "Yes" radio button following the question "Have you completed Schedule F?" then click the "Save" button. A pop-up window will appear with the message *"This grantee has now completed all Schedules. Please return to the Financial Forms Main screen to follow instructions to route and submit the AFR package."*

Instructions for Joint Licensees Reconciling Two or More Grantees with Consolidated Audited Financial Statements

Each grantee must file a separate AFR, but jointly licensed grantees are permitted to file audited financial statements that reflect the consolidated financial activities and position of more than one grantee.

When a group of two or more grantees do so, Grants Administrators for all the involved grantees involved must coordinate their filings very carefully, so that reconciliations between the single set of audited financial statements and each of the AFRs are handled correctly.

You may change from one jointly licensed grantee to another without logging out from the system. This feature is accessible from both the main Summary Page and the Financial Reporting Main page.

First, for each of the grantees represented in a single set of consolidated financial statements, complete and save all data in the AFR, Schedules A through E, for each grantee sequentially, i.e. one grantee at a time. Access to Schedule F for each grantee is dependent upon completing the required AFR Schedules. Once you have done this, the Schedule F status on the Financial Reporting Main page will change from "Not Available" to "Available".

Second, a Grants Administrators for all the grantees involved must choose one of the grantees to be treated as the "parent" grantee. The remaining grantee(s) will be treated as "children". This distinction is purely technical, so choosing a parent grantee can be arbitrary. It has no substantive meaning and no impact on the distribution of grant funds. From a procedural standpoint, however, it is very important to be consistent throughout the process, and to take certain actions only for the designated parent grantee, which will act on behalf of all grantees included in the consolidation process.

From Schedule F of the parent grantee:

1. Check the box for each grantee that will be included in the reconciliation (see illustration).
2. Click on the yellow "Consolidate" button.
3. Click on the "Save" button at the bottom of Schedule F.

If the consolidation process has been completed correctly, Line 1 will automatically update with the revenue information for all the consolidated grantees.

After consolidating the grantees, you will then complete Schedule F for the parent grantee only. The child grantees will update automatically once Schedule F of the parent grantee has been completed.

Line 1

This line will automatically pull the revenue reported on Schedules A, B, C and D of all the consolidated grantees. The total revenue reported on Line 1e must match the total revenue reported in the combined audited financial statements.

Choose a Reporting Model

Grantees follow one of three accounting "Reporting models":

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB)
- Grantees licensed to public colleges and universities that follow proprietary enterprise-fund financial statements with business type activities (GASB)
- Grantees licensed to state and local governments that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities (GASB)

Select the radio-button for the financial statement Reporting Model that accurately reflects the Grantee's audited financial statement presentation basis, then click the "Choose" button. The corresponding line item information will display:

FASB

Line 2a - Total support and revenue - unrestricted revenue
Line 2b - Total support and revenue - temporarily restricted revenue
Line 2c - Total support and revenue - permanently restricted revenue
Line 2d - Total from audited financial statements Lines 2a-2c

GASB Model A

Line 2a - Operating revenues
Line 2b - Non-operating revenues
Line 2c - Other revenue
Line 2d - Capital grants, gifts, and appropriations (if not included above)
Line 2e - Total from audited financial statements Lines 2a-2d

GASB Model B

Line 2a - Charges for services
Line 2b - Operating grants and contributions
Line 2c - Capital grants and contributions
Line 2d - Other revenues
Line 2e - Total from audited financial statements Lines 2a-2d

The chosen Reporting Model should match the format of the revenue page of the grantee's audited financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the "Choose" button.

Line 2

After selecting the appropriate reporting model, on each part of Line 2 enter the value for the category as found on the revenue page of the audited financial statements. The final part of Line 2 (2d for FASB; 2e for GASB Models A and B) will total the values entered on the other parts of Line 2. The total on Line 2 should match the total on Line 1e exactly. If not, proceed to Line 3.

Biennial Filers

Grantees that elect to submit their audited financial statements on a biennial basis must enter zero ("0") on each part of Line 2. This will result in a reconciling item equal to the full value of Line 1e on Line 3. On Line 4 In indicate the election not to file audited financial statements for the current year. You must also complete a form "Election to File Audited Financial Statements Biennially".

Line 3

If the total entered on Line 2 does not match the total on Line 1e, the difference will forward to Line 3. If the total is relatively small (less than about \$100) the difference is likely due to a rounding error. Such a small difference is immaterial to NFFS and need not be corrected in the AFR. Instead, use Line 4 to identify the rounding error.

If, however, the reconciling item is larger than \$100 then a data entry error(s) has occurred either on the AFR, or on Line 2 of Schedule. Verify that the values entered on Schedule F, Line 2 match the audited financial statements exactly. If so, then you must go back into the AFR, find and correct the error(s).

Other than a small rounding error, an example of a valid reconciling item would be for GASB reporting institutional stations that were not able to include their indirect administrative support in

the revenue statement of their audited financial statements (the indirect administrative support must still be reported in a footnote to the audited financial statements). In such a case the value of the indirect administrative support will show up as a reconciling item on Line 3.

Line 4

In the case of a valid reconciling item(s), use Line 4 to identify the reconciling item(s). Each reconciling item must be detailed and, in the aggregate, must sum to the amount shown as the difference on line 3, and the sign of that number matters. If a negative difference is calculated, the reconciling items must sum to the same negative number.

When all reconciling items have been entered and the values for lines 3 and 4 equal, select the "Yes" radio button following the question "Have you completed Schedule F?" then click the "Save" button. A pop-up window will appear with the message *"This grantee has now completed all Schedules. Please return to the Financial Forms Main screen to follow instructions to route and submit the AFR package."*

11 Annual Financial Summary Report (FSR) Line Item Instructions

Introduction

The FSR is a short-form version of the Annual Financial Report (AFR). It is specifically intended for use only by Radio Level A and B grantees to report their station's financial activity. The reporting period for the FSR must be consistent with the grantees fiscal reporting period covered by its financial statements.

All revenue and support reported on the FSR must also be recognized as revenue in the grantee's financial records and reflected in its financial statements. Stations that had total revenue of \$300,000 or more in their reporting year must also file audited financial statements. Stations that had total revenue of less than \$300,000 may submit either audited or unaudited financial statements. For institutional stations, the audited financial statements must be for the grantee's operations, not those of its licensee.

Whether a grantee is required to file audited financial statements with its FSR, CPB reserves the right to audit all financial and other information reported on the FSR.

Before completing the FSR you must determine the NFFS eligibility of the revenue you are about to report.

Line Item Instructions

Part 1 – Revenue

Use Part 1 to report all revenue received and recognized as revenue in the grantee's financial statements the reporting fiscal year.

Line 1 - Federal Government Agencies

Use this line to report all direct revenues received from federal government agencies or sources, such as the National Endowment for the Arts, the Department of Education, etc. These funds will forward to Line 13 and be automatically excluded from NFFS.

Line 2 - Corporation for Public Broadcasting (CPB)

Use this line to report all funds received from CPB, including Community Service Grants, DDF Grants, programming and production grants, etc. The funds will forward to Line 13 and be automatically excluded from NFFS.

Line 3 - All other public broadcasting entities

Use this line to report all direct revenues received from public broadcasting entities other than CPB, such as NPR, PBS, other public broadcasting stations, etc. These funds will forward to Line 13 and be automatically excluded from NFFS.

Line 4 - State and local boards and departments of education of other state and local government or agency sources

Use this line to report all contributions, grants, payments, appropriations, and other revenues received from state agencies, including state public broadcasting agencies or networks. Unspent funds returned to a granting agency must be excluded from NFFS using the Part 3 of the FSR.

Line 4.1 - Amount on Line 4 that represents appropriations and other direct support from the licensee

State and local government institutional stations: Use Line 4.1 to indicate how much of the total on Line 4 represents the amount of direct support from the licensee. This includes appropriations of cash and other direct transfers to the station, as well as any direct costs incurred or absorbed by the licensee specifically for the station. Do not include indirect administrative support on here; instead, report indirect administrative support on Line 16C.

Line 5 - Colleges and Universities

Use this line to report all contributions, grants, payments, appropriations and other revenues received from state and other tax supported colleges and universities, including community colleges, and private colleges and universities or private educational institutions. Unspent funds returned to a granting agency must be excluded from NFFS using Part 3 of the FSR.

Institutional stations: report any direct costs incurred or absorbed by the licensee specifically for the station.

Line 6 - Foundations and Nonprofit Associations

Use this line to report all contributions, grants, payments and other revenues received from national, regional, or local foundations or nonprofit associations. Include underwriting revenue and payments for products and services. The term nonprofit is used to describe any not-for-profit corporation, foundation, or association that is not a public telecommunications entity, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

NFFS Exclusions

Payments (not contributions) entered on this line that represent exchange transactions that do not satisfy the recipient, form, source or purpose criteria for NFFS must be excluded from NFFS by entering the value in Part 3 "NFFS Exclusion Worksheet", line W 12.

Line 7 - Business and Industry

Use this line to report all contributions, grants, payments, and other direct revenues received from all for-profit sources, including commercial stations, networks, and cable companies. Include underwriting revenue and payments for products and services.

NFFS Exclusions

All payments (not contributions) entered on this line in exchange for goods or services are ineligible as NFFS and must be excluded from NFFS by entering the value on the appropriate line of Part 3 "NFFS Exclusion Worksheet".

Line 8 - Membership and Subscriptions

Use this line to report revenues from memberships and subscriptions received in the reporting year.

Also use this line to report matching funds and challenge grant funds if the donor received the benefits of station membership.

NFFS Exclusion – Bad Debt

Grantees must deduct bad debt expense from NFFS revenues, including but not limited to pledges, underwriting and membership, unless it is netted against revenue in the financial statements or elsewhere in FSR. If the bad debt expense is not netted against revenues, you must report it in Part 3, line W.18.

Quid Pro Quo Contributions

Grantees frequently provide "thank you gifts" (a.k.a. "premiums") in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods or services (i.e. premiums). Thank you gifts may be anything of value from low-end premiums (e.g. coffee mugs and tee shirts bearing the stations call letters, name and/or brand) to high-end premiums (e.g.

boxed set CDs or DVDs, coffee-table books, travel & lodging, gourmet foods & wines, tickets to performances, dinners or other events).

The IRS issues [guidance](#) on the required disclosure statement that must be provided to donors in instances where the premium is not of insubstantial value. The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium(s) provided by the charitable organization.

For CPB's purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS. CPB expects that all grantees are compliant with IRS rules and regulations on these matters. However, CPB does not provide guidance beyond that provided by the IRS. Questions about compliance with these provisions should be addressed to your IPA or other tax practitioner or directly to the IRS. The method by which grantees track this information in order to be compliant is also the responsibility of each CSG grantee.

What do you need to do for FSR purposes? If the financial statements present membership revenues on a net basis (i.e. the contribution portion only), report the same amount on line 8 (i.e. it is unnecessary to make any further adjustment). However, if the financial statements present membership revenues at their gross value (i.e. unadjusted for the non-contribution portion), you must use Part 3, line W.18 of the FSR to enter the non-contribution amount.

Although unusual, the fair market value of a premium may exceed the dollar amount of the contribution. If so, grantees must exclude an amount equal to the contribution. For example, if the contribution was for \$500 and the premium had a fair market value of \$600, the exclusion reported on Line 10.1 would be \$500.

Line 9 - Net Revenue from Auctions and Other Special Fund-Raising Activities

Use this line to report direct revenue from auctions and other special fundraising activities herein defined as: vehicle donation programs, gaming activities, performances, benefits, dances, lectures, dinners, art exhibits, workshops, film festivals, tournaments, wine tasting parties and travel tours, etc. All in-kind contributions of goods and services associated with auctions and other fundraising activities, including donated tickets, donated catering services, donated auction items and donated sweepstakes items, are ineligible as NFFS and are to be reported on Line 16b.

Only net auction and other special fundraising revenues (net of direct special fundraising expenses) are eligible as NFFS. Direct costs include but are not limited to payments to third parties for entertainment, rental of space, other contractual expenses, and prizes (pay-outs) provided to participants from sweepstakes, gaming, pull-tabs and bingo. Direct expenses also include all costs associated with self-contained gaming operations, including salaries and benefits of gaming staff and overhead costs incurred to operate and maintain gaming premises. In the event that direct auction expenses are greater than gross auction revenues, resulting in a loss for the auction, enter zero on this line so that the loss will not affect NFFS.

Line 10 - Passive Income

Passive income is derived solely from the use of property, and the station must not exert any effort to earn passive income. Report income received from interest, dividends and royalties on this line. Also include amounts received as pass through funds from NPR generated from copyright user fees. Payments from NPR earned for early payment of dues are not considered passive income and should not be reported here but rather on line 3. Also, realized and unrealized gains or losses on investments are not considered passive income and should not be reported here but rather on line 11.

Line 11 - Other / Miscellaneous

Report revenue from sources not previously listed. Click on the "Add" button to open a table in which you will itemize values to be reported on this line. Make as many entries as necessary. Revenues and activities that are ineligible as NFFS must be excluded using Part 3 of the FSR.

Examples include:

- Gains or (losses) on sale of assets
- Realized and unrealized gains or (losses) from investments (including endowment funds)
- Endowment revenue (contributions only)
- Capital Campaigns
- Contributions and appropriations designated for capital use
- Gifts and bequests from major individual donors
- Sales of goods and services to individuals (see note below)
- Sales of premiums
- Revenue from the use of an affinity card
- Revenue from long-distance phone services
- Rebates, refunds, reimbursements and insurance proceeds

Note: Sales of goods and services to any entity other than individuals should be reported by the appropriate source on lines 4 through 7.

Line 12 - Total Direct Revenue

This will automatically total Lines 1-11.

Line 13 - Federal and Public Broadcasting Exclusions to NFFS

The values reported on Lines 1-3 will automatically forward to this line. These funds will automatically be excluded from NFFS.

Line 14 - Other Revenue Not Meeting NFFS Criteria

The total of NFFS ineligible revenues reported on W 19 of Part 3 (see instructions for Part 3 below) will forward to this line (see below) to be excluded from NFFS.

Line 15 - Total Direct NFFS

This line will automatically display the result from subtracting Lines 13 and 14 from Line 12; this is the total direct NFFS of the FSR.

Line 16 - In-Kind Contributions and Indirect Administrative Support

Use this line to report both in-kind contributions—i.e. noncash contributions—received, as well as the value on indirect administrative support provided by the licensee. Remember, you should only enter in-kind contributions and indirect administrative support that qualify for revenue recognition in your financial statements.

Line 16a - In-kind contributions allowable as NFFS

Line 16b - In-kind contributions unallowable as NFFS

Line 16c - Indirect administrative support

Line 17 - Total Revenue

This line will total the values reported on Lines 12, 16a-16c.

Part 2: Expenses

Grantees are required to report all expenses and investments in capital assets on Part 2 of the FSR. The total expenses reported on Part 2 should match the total expenses (operating and non-operating) reported in the grantee's financial statements for the reporting year. Grantees are required to present this information by function, such as major programs or services and major classes of supporting services. Functional expense classifications may be communicated either in the statement of activities, notes to the financial statements or as a supplemental schedule.

Expenses may consist of those directly incurred by the station; or they may be represented by the use of donated goods and services; or they may be in the form of indirect administrative support provided by an institutional stations' licensee; or they may also be direct expenses incurred by a licensee on behalf or for the benefit of the station.

There are two types of functional expenses: Program Services and Support Services. The main difference between the two is that program services directly relate to the station's mission, such as delivering programs to listening or viewing audiences.

Support services, on the other hand, do not directly relate to the station's mission. Support services include management and general, fund raising and membership development, underwriting and grant solicitation and other activities that are indispensable to providing program services. As a general rule, in order to identify a service as a program cost, the following criteria should be applied:

- The service contributes directly to the achievement of the broadcasting entity's objectives, goals, or missions.
- The service requires a significant amount of the entity's resources.

Part 2 is designed to capture expenses by functional category only. When distributing and allocating costs it is not always possible to relate costs directly to one functional category. For example, an employee may work in both programming and broadcasting areas; also, equipment may be used for production and for broadcasting. In such cases, distribute or allocate costs among the various functions for which they are incurred.

Costs should be distributed when it is possible to identify the specific portions that relate to each function supported. For example, the total cost of an employee involved in several functions can be distributed if the time spent on each function is known. When the portion of total cost spent on each function cannot be specifically identified, allocate costs among functions based on measures that most closely match the way resources were used. Occupancy costs, for example, can be combined and allocated among functions based on area occupied or direct personnel costs of each function.

Costs that support more than one station should be allocated equitably among the stations. For example, staff that is resident at one of the stations may perform accounting services for several stations. The cost of the services could be summarized into a cost pool and then allocated among the stations. Allocation can be based on total costs of each station excluding the allocated services or based on direct personnel costs. The purpose of cost distribution and allocation is to provide a reasonable approximation of the total costs of each operating function. Allocation and distribution methods should be only as complex as necessary to provide approximations but should be consistent from year to year.

Allocations and distributions need not and cannot be exact; therefore, very costly or time-consuming methods need not be used. For more information on reporting expenses by functional (and natural) classification visit CPB's *Principles of Accounting*.

Biennial Filers of Audited Financial Statements

Grantees that elect to file audited financial statements biennially should complete Part 2.

Specific Line Item Instructions

Use the following functional classifications for reporting expenses on the FSR.

PROGRAM SERVICES

Line 18 - Programming and Production
Line 19 - Broadcasting and Engineering
Line 20 - Program Information and Promotion

SUPPORT SERVICES

Line 21 - Management and General
Line 22 - Fund Raising and Membership Development
Line 23 - Underwriting and Grant Solicitation
Line 24 - Depreciation and Amortization (if not allocated to other line items)

Line 25 - Total Expenses

This line will automatically total lines 18 through 24 automatically. This line must agree with the financial statements. It is important that the total for Lines 25A, 25B and 25C do not exceed the total CPB revenues reported on Line 2.

Reporting CPB Grant Expenditures

For each functional expense category on Lines 18 through 24, grantees must indicate the CPB and non-CPB funds used under the following categories:

- A. Restricted Radio CSG**
- B. Unrestricted Radio CSG**
- C. Other CPB Funds**
- D. All non-CPB Funds**

Line 26 - Cost of Capital Assets Purchased or Donated

Line 26a - Land and buildings

Use this line to report the value of purchased or donated land and buildings that were both capitalized and received in the reporting year.

Line 26b - Equipment

Use this line to report the value of purchased or donated equipment that were both capitalized and received in the reporting year.

Line 26c - All other

Use this line to report the value of all other purchased or donated capitalized assets that were both capitalized and received in the reporting year.

Part 3: NFFS Exclusion Worksheet

Revenues and activities that do not satisfy the criteria to be included as NFFS must be excluded from NFFS using this worksheet.

Line Items Instructions

Report revenues that do not qualify as NFFS.

Line W1 - Producing, taping, or other broadcast related activities

Line W2 - Telecasting production / teleconferencing

Line W3 - Foreign rights

Line W4 - Rentals of membership lists

Line W5 - Rentals of studio space, equipment, tower, parking space

Line W6 - Leasing of SCA, VBI, ITFS channels

Line W7 - Sale of programs or program rights for public performance

Line W8 - Sale of rental of program transcripts or recording for other than performance, including private use

Line W9 - Gains or losses on sale of assets and securities transactions (realized or unrealized)

Line W10 - Sale of premiums

Line W11 - Royalty income from licensing fees

Line W12 - Other revenue not listed above and excluded by definition

Line W13 - A wholly owned or partially owned for-profit subsidiary regardless of the nature of the business

Line W14 - A wholly owned or partially owned nonprofit subsidiary

Line W15 - Sale of program guides

Line W16 - Program guide advertising attributable to that percent of total copies distributed that have been sold through normal retail outlets and/or by magazine subscription

Line W17 - Refunds, rebates, reimbursements, and insurance proceeds

Line W18 - Other

Use this line to report revenues that do not qualify as NFFS but do not fit into the categories listed on W1-W17.

Line W19 - Total revenue not meeting criteria for inclusion as NFFS (sum lines W1-W18)

This line will total the NFFS exclusions listed on Lines W1-W18. These funds will then forward to Part 1, Line 14 to be excluded from NFFS.

Part 4: Reconciliation of FSR with Audited Financial Statements

Grantees who submit audited financial statements with their FSRs are required to complete Part 4. Revenues and financial activities that are not recognized as revenue in the audited financial statements cannot be reported as revenue in the corresponding FSR.

Choose a Reporting Model

Grantees follow one of three accounting "Reporting models":

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB)
- Grantees licensed to public colleges and universities that follow proprietary enterprise-fund financial statements with business type activities (GASB)
- Grantees licensed to state and local governments that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities (GASB)

Select the radio-button for the financial statement Reporting Model that accurately reflects the grantee's

audited financial statement presentation basis, then click the “Choose” button. The corresponding line item information will display:

FASB

Line R1 - Total support and revenue - unrestricted revenue

Line R2 - Total support and revenue - temporarily restricted revenue

Line R3 - Total support and revenue - permanently restricted revenue

Line R4 - Total from audited financial statements Lines 2a-2c

GASB Model A

Line R1 - Operating revenues

Line R2 - Non-operating revenues

Line R3 - Other revenue

Line R4 - Capital grants, gifts, and appropriations (if not included above)

Line R5 - Total from audited financial statements Lines 2a-2d

GASB Model B

Line R1 - Charges for services

Line R2 - Operating grants and contributions

Line R3 - Capital grants and contributions

Line R4 - Other revenues

Line R4 - Total from audited financial statements Lines 2a-2d

The chosen Reporting Model should match the format of the revenue page of the grantee’s audited financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the “Choose” button.

After selecting the appropriate reporting model, on each part of Line R enter the value for the category as found on the revenue page of the audited financial statements. The final part of Line R (R4 for FASB; R5 for GASB Models A and B) will total the values entered on the other parts of Line R. The total on Line R should match the total on Part 1, Line 17 exactly. If not, the difference must be explained.

If the difference is relatively small (less than about \$100) the difference is likely due to a rounding error. Such a small difference is immaterial to NFFS and need not be corrected in the FSR. Instead, use “Add” button to identify the rounding error.

If, however, the reconciling item is larger than \$100 then a data entry error(s) has occurred either on Part 1 of the FSR, or on Line R of Part 4. Verify that the values entered on Line R match the audited financial statements exactly. If so, then you must go back into the FSR, find and correct the error(s).

Other than a small rounding error, an example of a valid reconciling item would be for GASB reporting institutional stations that were not able to include their indirect administrative support in the revenue statement of their audited financial statements (the indirect administrative support must still be reported in a footnote to the audited financial statements). In such a case the value of the indirect administrative support will show up as a reconciling item. It must be properly identified by using the “Add” button.