

**NORTHERN CALIFORNIA
EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Northern California Educational Television Association, Inc.
Redding, California**

Opinion

We have audited the accompanying financial statements of Northern California Educational Television Association, Inc. (Station), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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



GILBERT CPAs
Sacramento, California

November 2, 2023

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 446,045	\$ 702,620
Accounts receivable	22,341	23,407
Other assets	9,089	9,563
Total current assets	477,475	735,590
NON-CURRENT ASSETS:		
Right-of-use asset - operating leases	167,588	-
Property and equipment, net	1,045,064	1,065,451
Other assets	35,957	26,120
Leasehold interest in properties	121,245	154,666
TOTAL ASSETS	\$ 1,847,329	\$ 1,981,827
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,248	\$ 23,641
Accrued expenses and other liabilities	74,077	75,468
Deferred revenue	5,193	20,085
Note payable, current	-	6,610
Current portion of operating lease liabilities	21,567	-
Total current liabilities	120,085	125,804
OPERATING LEASE LIABILITIES, Net	147,777	-
NOTE PAYABLE, Net	-	219,529
Total liabilities	267,862	345,333
NET ASSETS:		
Without donor restrictions:		
Undesignated	405,606	416,377
Investment in property and equipment	1,045,064	1,065,451
Total without donor restrictions	1,450,670	1,481,828
With donor restrictions	128,797	154,666
Total net assets	1,579,467	1,636,494
TOTAL LIABILITIES AND NET ASSETS	\$ 1,847,329	\$ 1,981,827

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

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Community service grants	\$ 833,234	\$ 831,169
In-kind contributions	332,878	442,523
Membership contributions	278,082	305,010
Underwriting contributions	149,862	147,078
Special events	139,121	100,620
Contributions	121,218	22,875
Contract services	63,477	55,065
Other grants	21,700	80,851
Other revenues	9,903	2,396
Net assets released from restriction	33,421	85,293
Total revenues	1,982,896	2,072,880
EXPENSES:		
Program services:		
Programming and production	603,806	587,120
Broadcasting and engineering	537,448	514,375
Total program services	1,141,254	1,101,495
Supporting services:		
Fundraising, underwriting and membership	621,567	595,893
Management and general	385,659	350,690
Total expenses	2,148,480	2,048,078
INCOME (LOSS) FROM OPERATIONS	(165,584)	24,802
Loss on disposal of property and equipment	-	(7,855)
Employee Retention Tax Credit revenue	134,426	-
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(31,158)	16,947
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	7,620	-
Net assets released from restriction	(33,489)	(85,293)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(25,869)	(85,293)
DECREASE IN NET ASSETS	(57,027)	(68,346)
NET ASSETS, Beginning of Year	1,636,494	1,704,840
NET ASSETS, End of Year	\$ 1,579,467	\$ 1,636,494

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

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Programming and production</u>	<u>Broadcasting and engineering</u>	<u>Fundraising, underwriting and membership</u>	<u>Management and general</u>	
Personnel	\$ 172,081	\$ 191,803	\$ 268,904	\$ 266,027	\$ 898,815
Program acquisition	308,003	93,698	-	-	401,701
Donated services and materials	-	16,971	258,912	56,995	332,878
Depreciation	62,227	37,336	12,445	3,272	115,280
Utilities	21,213	58,648	4,243	4,243	88,347
Professional fees	-	7,120	5,476	37,523	50,119
Insurance	23,704	14,222	4,741	4,740	47,407
Rent and leases	-	39,902	-	-	39,902
Amortization of leasehold interest in properties	-	33,421	-	-	33,421
Travel and conferences	4,227	9,201	4,792	2,805	21,025
Computer expense	-	15,907	-	2,689	18,596
Bank charges	-	-	17,484	933	18,417
Telephone	3,151	9,152	630	630	13,563
Printing and supplies	447	154	8,734	1,461	10,796
Interest expense	5,272	3,163	1,054	1,055	10,544
Premiums	-	-	8,989	-	8,989
Postage and freight	-	1,819	5,887	-	7,706
Repairs and maintenance	-	4,265	-	-	4,265
Other expenses	3,481	666	19,276	3,286	26,709
Total	<u>\$ 603,806</u>	<u>\$ 537,448</u>	<u>\$ 621,567</u>	<u>\$ 385,659</u>	<u>\$ 2,148,480</u>

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

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Programming and production</u>	<u>Broadcasting and engineering</u>	<u>Fundraising, underwriting and membership</u>	<u>Management and general</u>	
Personnel	\$ 154,826	\$ 193,911	\$ 215,698	\$ 251,306	\$ 815,741
Program acquisition	318,793	93,698	-	-	412,491
Donated services and materials	-	16,581	294,183	37,384	348,148
Depreciation	57,713	34,628	11,543	11,542	115,426
Utilities	19,658	50,667	3,932	3,933	78,190
Professional fees	900	2,710	7,745	28,182	39,537
Insurance	21,828	13,097	4,366	4,365	43,656
Rent and leases	-	36,583	-	-	36,583
Amortization of leasehold interest in properties	-	34,023	-	-	34,023
Travel and conferences	504	4,099	1,398	2,933	8,934
Computer expense	-	10,295	-	3,087	13,382
Bank charges	-	-	16,123	760	16,883
Telephone	3,053	8,482	611	609	12,755
Printing and supplies	357	138	5,167	1,573	7,235
Interest expense	6,734	4,040	1,347	1,347	13,468
Premiums	-	-	16,277	-	16,277
Postage and freight	-	1,769	5,749	-	7,518
Repairs and maintenance	-	9,169	-	-	9,169
Other expenses	<u>2,754</u>	<u>485</u>	<u>11,754</u>	<u>3,669</u>	<u>18,662</u>
Total	<u>\$ 587,120</u>	<u>\$ 514,375</u>	<u>\$ 595,893</u>	<u>\$ 350,690</u>	<u>\$ 2,048,078</u>

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

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (57,027)	\$ (68,346)
Reconciliation to net cash provided by operating activities:		
Amortization of leasehold interest in properties	33,421	34,023
Depreciation	115,280	115,426
Reduction in operating lease, right-of-use assets	15,281	-
Receipt of donated property and equipment	-	(94,375)
Loss on disposal of property and equipment	-	7,855
Changes in:		
Accounts receivable	1,066	(7,243)
Other assets	(9,363)	(5,058)
Accounts payable	(4,393)	15,185
Accrued expenses and other liabilities	(1,391)	2,929
Operating lease liability	(13,525)	-
Deferred revenue	(14,892)	204
Net cash provided by operating activities	64,457	600
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property and equipment	-	3,500
Purchases of property and equipment	(94,893)	(148,905)
Net cash used by investing activities	(94,893)	(145,405)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(226,139)	(5,760)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(256,575)	(150,565)
CASH AND CASH EQUIVALENTS, Beginning of Year	702,620	853,185
CASH AND CASH EQUIVALENTS, End of Year	\$ 446,045	\$ 702,620
NON-CASH OPERATING ACTIVITIES:		
Right-of-use assets - operating lease upon adoption of ASC 842	\$ 182,869	\$ -
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 10,544	\$ 13,468
Operating cash flows for operating lease liabilities	\$ 18,393	\$ -

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

NORTHERN CALIFORNIA EDUCATIONAL TELEVISION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND PROGRAMS

Northern California Educational Television Association, Inc., (Station) is a nonprofit corporation which was incorporated in 1964 under the laws of the State of California. Its purpose is to provide educational television programming to the Northern California area. Following is a description of the Station's primary programs:

- **Programming and production** consists of the selection of programs to be aired by the Station and the production of video by the Station to be aired locally, nationally on other Public Broadcasting Service (PBS) stations, and internationally.
- **Broadcasting and engineering** is related to the transmission of the Station's content to viewers through various media, including over-the-air broadcasting, cable, satellite, and the Internet.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Station reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Revenue recognition – Contributions, including grants from corporations and private organizations, are recognized in full when received or unconditionally promised, in accordance with professional standards. Membership fees are considered contributions and are recognized when received by the Station. Conditional promises to give, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. Underwriting contributions relate to station sponsorships where the donor is recognized adjacent to programming on the Station. These revenues are recorded as conditional contributions, with revenue recognized over the life of the underwriting contract as conditions are met. Approximate outstanding conditional promises to give for the purposes of underwriting on television programs were \$5,193 and \$10,936 at June 30, 2023 and 2022, respectively, and will be recognized as revenue as the conditions are met.

Contributions of materials, equipment, and professional services are recorded as in-kind contributions and recognized at the estimated fair value as of the date of donation or service. The Station recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Station receives services from a large number of volunteers who give significant amounts of their time to the Station's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. All restricted contributions whose restrictions and conditions are met in the same reporting period are recognized as revenue within net assets without donor restrictions.

NORTHERN CALIFORNIA EDUCATIONAL TELEVISION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Cash and cash equivalents – For financial statement purposes, the Station considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

The Station minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Station's deposits held with financial institutions in excess of federal depository insurance limits were \$48,425 and \$456,103 at June 30, 2023 and 2022, respectively. The Station has not experienced any losses in such accounts and management believes the Station is not exposed to any significant credit risk related to cash.

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. The Station capitalizes all expenditures for property and equipment in excess of \$500. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from three to forty years.

Equipment purchased with grant funds from the National Telecommunications and Information Administration may revert to that agency if the Station wishes to dispose of the equipment within ten years from the date of the grant. Such equipment is capitalized and included in property and equipment. Digital equipment was also purchased with funds from the United States Rural Utilities Service grant. The equipment is to revert to that agency if the Station decides to dispose of the equipment within ten years from the date of the grant, which varies for each piece of equipment depending upon when the grant was funded to purchase the equipment.

Leases – The Station applies ASC 842, *Leases*, in determining if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Station uses the rate implicit in the lease if it is determinable. When the implicit rate is not determinable in the lease, the Station has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. The Station does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on estimated usage include telephone services, insurance, interest expense, utilities, and depreciation expense. Certain personnel costs are allocated based on estimated time and effort. All other costs are allocated based on direct usage.

Income taxes – The Station is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to income taxes from activities unrelated to its tax-exempt purpose.

NORTHERN CALIFORNIA EDUCATIONAL TELEVISION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Leasehold interest in properties - The Station receives contributed use of property as part of two multi-year agreements. These contributions are considered an unconditional promise to give and are reported as temporarily restricted contributions and as leasehold interest in properties at the fair value of the contributed use of the properties in the period it is contributed. The leasehold interest is amortized and the restrictions are considered satisfied evenly over the term of the agreements.

Recent accounting pronouncements – The Station adopted Accounting Standards Codification (ASC) 842, Leases, using the modified retrospective approach with July 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, the Station applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, the Station applied the practical expedient to use hindsight for the purpose of determining the lease term.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of ROU asset and lease liability of \$182,869 as of July 1, 2022. There is no cumulative effect adjustment to net assets at the transition date.

Subsequent events have been reviewed through November 2, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Station's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 446,045	\$ 702,620
Accounts receivable	<u>22,341</u>	<u>23,407</u>
Total financial assets	468,386	726,027
Less amounts unavailable for general expenditures within one year, due to purpose restriction by donor:	<u>(4,500)</u>	<u>-</u>
Total financial assets available for general expenditure within one year	<u>\$ 463,886</u>	<u>\$ 726,027</u>

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

The Station's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for subscriptions and a concentration of contributions received during the first six months of the fiscal year. To manage liquidity, the Station maintains a line of credit of \$175,000. The line calls for an interest rate of 4% and a term through June 15, 2024. There was no balance on this line of credit as of June 30, 2023 and 2022.

The management team has identified the need for a reserve for unbudgeted equipment purchases and has approved a policy to accomplish this purpose, which includes the establishment of a separate cash account to apply excess funds when possible. The policy allows for management and the board to utilize the funds as needed with board approval.

4. RECEIVABLES

Receivable are due to be received within one year and include the following at June 30:

	<u>2023</u>	<u>2022</u>
Underwriting receivable	\$ 15,591	\$ 22,407
Grant receivable	-	1,000
Contract services receivable	<u>6,750</u>	<u>-</u>
Total	<u>\$ 22,341</u>	<u>\$ 23,407</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 245,000	\$ 245,000
Building	635,405	630,451
Studio and broadcast equipment	3,721,805	3,619,116
Office furniture and equipment	252,814	248,203
Vehicles and related equipment	23,977	23,977
Construction in progress	<u>26,720</u>	<u>44,580</u>
Total	4,905,721	4,811,327
Less accumulated depreciation and amortization	<u>(3,860,657)</u>	<u>(3,745,876)</u>
Total	<u>\$ 1,045,064</u>	<u>\$ 1,065,451</u>

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

6. NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets as of June 30 are restricted as follows:

	2023	2022
Leasehold interest in properties	\$ 121,245	\$ 154,666
Community Arts Endowment	2,500	-
APT Create Booth	2,000	-
Total	\$ 125,745	\$ 154,666

Effective April 1, 2017, the Station entered into an agreement with California Broadcasting, Inc. which provides for contributed use of facilities for the Station's operations on Shasta Bally Mountain. The agreement with California Broadcasting, Inc. expires March 31, 2027. Effective March 1, 2018, the Station entered into an agreement with two individuals which provides for contributed use of facilities for the Station's operations on Tulelake Mountain. The agreement expired February 28, 2023. The leasehold interest in properties represents the fair value of the future use of contributed properties by the Station.

7. OPERATING LEASES

The Station leases equipment and use of property under two non-cancelable operating leases. The leases expire in 2027, and includes option to extend to 2029. The option to extend is recognized as a part of the Station's right-of-use (ROU) assets and lease liabilities. These leases are included in the June 30, 2023 balance sheet as ROU assets and an operating lease liability of \$167,588 and 169,344, respectively. For the year ended June 30, 2023 total operating lease expenses were \$23,261.

The ROU assets and operating lease liability were calculated using the risk-free discount rate on the date of the inception of the lease. The weighted-average risk-free discount rate for all operating leases is 4.18%. As of June 30, 2023, the weighted-average remaining lease term for all operating leases is 6.34 years.

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

The following is a schedule of future minimum lease payments required under the above operating leases as of June 30, 2023:

2024		\$	28,132
2025			28,993
2026			29,875
2027			30,780
2028			31,711
Thereafter			43,663
Total lease payments			193,154
Less: Interest			(23,810)
Present value of lease liability		\$	169,344
Current operating lease liability		\$	21,567
Noncurrent operating lease liability			147,777
Total lease liability		\$	169,344

Prior to the implementation of ASC 842, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was \$21,601 for 2022.

8. IN-KIND CONTRIBUTIONS

The Station received the following in-kind contributions for the years ended June 30:

	2023		2022
Professional services	\$ 332,222	\$	347,636
Equipment	656		512
Total expense	332,878		348,148
Capitalized studio and broadcast equipment	-		94,375
Total in-kind contributions	\$ 332,878	\$	442,523

Professional services represent, advertising, professional education, repairs and maintenance services, provided to the Station at no cost. Donated professional services are valued at current market rates for such services. Equipment represents donated broadcasting and studio equipment. Donated equipment is valued at the estimated fair market value at the date of donation. The Station capitalizes all donated equipment in excess of \$500.

The Station's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All gifts-in-kind received by the Station for the years ended June 30, 2023 and 2022 were considered without donor restrictions and were able to be used by the Station as determined by the Board of Directors and management.

NORTHERN CALIFORNIA EDUCATIONAL TELEVISION ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

9. RENTAL INCOME

The Station has one non-cancelable agreement with a communications company to provide capacity on certain channels not used by the Station expiring in 2040. Rental income totaled \$12,091 in 2023 and 2022. There are no physical underlying assets related to operating leases.

The following is an analysis of the maturity of the undiscounted operating lease payments to be received on non-cancelable leases:

<u>Year ending June 30:</u>	
2024	\$ 10,811
2025	11,136
2026	11,470
2027	11,814
2028	12,168
Thereafter	<u>176,934</u>
Total	<u>\$ 234,333</u>

10. COMMUNITY SERVICE GRANT

The Corporation for Public Broadcasting (CPB) is a private, nonprofit and grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations in order to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted operating revenue; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

For the years ended June 30, 2023 and 2022, the CSGs represent 40% and 42%, respectively, of the Station's revenues.

**NORTHERN CALIFORNIA EDUCATIONAL TELEVISION
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

11. RETIREMENT PLAN

The Station has a defined contribution plan. All employees who desire to participate are eligible to contribute. The Station employees can contribute up to the maximum amount allowed under Internal Revenue Code Section 403(b). The Station does not offer matching to employee contributions.

12. EMPLOYEE RETENTION TAX CREDIT

The Station filed amended quarterly 941-X federal tax returns for the quarters ended December 31, 2020 and September 31, 2021 to receive Employee Retention Tax Credits provided for under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Station recognized revenue totaling \$134,426 related to the Employee Retention Tax Credits during the year ended June 30, 2023.

Laws and regulations concerning government programs, including the Employee Retention Tax Credit established by the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Station's claim to the Employee Retention Tax Credit, and it is not possible to determine the impact (if any) this would have upon the Station.