Financial Statements and Report of Independent Certified Public Accountants

KQED Inc.

September 30, 2019

Contents

GRANT THORNTON LLP
101 California St., Suite 2700
San Francisco, CA 94111-5830

D +1 415 986 3900
F +1 415 986 3916
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
KQED Inc.

We have audited the accompanying financial statements of KQED Inc. (the "Corporation"), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and changes in net assets, and cash flows for the year then ended and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

GrantThornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KQED Inc. as of September 30, 2019 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.

Other matter

Report on 2018 summarized comparative information

We have previously audited the Corporation's 2018 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

San Francisco, California
December 30, 2019

KQED Inc.

STATEMENT OF FINANCIAL POSITION

September 30, 2019 and 2018

ASSETS

	2019	2018
ASSETS		
Cash and cash equivalents	$ 17,383,229	$ 23,917,659
Restricted cash and cash equivalents	17,936,662	8,453,488
Receivables, net	18,965,842	9,563,085
Prepaid expense and other assets	2,854,545	1,806,581
Investments	172,834,499	164,385,498
Deferred compensation cash equivalents and investments	2,431,077	2,371,333
Charitable gift annuities and trusts	8,103,021	8,181,671
Intangible assets, net	2,000,207	2,086,002
Property and equipment, net	36,009,991	25,683,992
Total assets	$ 278,519,073	$ 246,449,309
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 6,719,237	$ 4,180,282
Accrued payroll and vacation	5,774,616	5,829,709
Accrued broadcast rights	1,527,995	1,447,379
Deferred production and underwriting revenues	426,684	337,627
Deferred rent liability	405,464	-
Deferred compensation obligations	2,431,077	2,371,333
Liabilities to beneficiaries of charitable gift annuities and trusts	4,087,407	4,222,690
Total liabilities	21,372,480	18,389,020
NET ASSETS		
Without donor restrictions	187,048,430	181,125,199
With donor restrictions	70,098,163	46,935,090
Total net assets	257,146,593	228,060,289
Total liabilities and net assets	$ 278,519,073	$ 246,449,309

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

KQED Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended September 30, 2019 and 2018

	2019			
	Net assets without donor restrictions	**Net assets with donor restrictions**	**2019 Total**	**2018 Total**
Revenues, support and other changes:				
Contributions and membership fees	$ 49,104,160	$ -	$ 49,104,160	$ 47,377,892
Underwriting and general grants	17,153,324	-	17,153,324	16,516,501
Project grants	-	3,396,341	3,396,341	2,162,682
Community service grants	6,884,533	-	6,884,533	6,243,489
Investment income appropriated from endowments	3,070,467	1,369,705	4,440,172	3,031,893
Other revenue	2,624,728	-	2,624,728	1,671,217
Trade and in-kind donations	1,408,484	-	1,408,484	1,878,295
Net assets released from restrictions	4,281,791	(4,281,791)	-	-
			-	
Total revenues, support and other changes	84,527,487	484,255	85,011,742	78,881,969
Expenses:				
Program services:				
Television:				
Programming and production	12,085,422	-	12,085,422	16,042,619
Broadcast services	5,578,879	-	5,578,879	5,972,893
Radio:				
Programming and production	5,833,354	-	5,833,354	8,004,226
Broadcast services	2,992,768	-	2,992,768	3,001,131
Multiplatform content	17,091,513	-	17,091,513	16,197,040
Education network	2,184,694	-	2,184,694	2,090,582
Program promotion	3,379,005	-	3,379,005	4,133,656
Digital	3,032,502	-	3,032,502	2,483,676
Total program services	52,178,137	-	52,178,137	57,925,823
Support services:				
Fundraising	18,725,325	-	18,725,325	19,844,994
General and administrative	12,625,245	-	12,625,245	12,917,692
Total support services	31,350,570	-	31,350,570	32,762,686
Total expenses	83,528,707	-	83,528,707	90,688,509
Changes in net assets from operations	998,780	484,255	1,483,035	(11,806,540)
Bequests and trusts	4,118,253	-	4,118,253	4,632,552
Donor-restricted endowment, charitable gift annuities and trust contributions	-	187,414	187,414	797,778
Change in value - charitable gift annuities and trusts	-	20,793	20,793	53,849
Investment income on endowments, net	2,146,062	(5,675)	2,140,387	3,489,161
Campaign 21:				
Revenue and support	-	28,193,352	28,193,352	4,429,187
Net assets released from restrictions	5,717,066	(5,717,066)	-	-
Program services	(4,281,098)	-	(4,281,098)	(3,922,141)
Support services:				
Fundraising	(1,278,067)	-	(1,278,067)	(1,539,391)
General and administrative	(1,497,765)	-	(1,497,765)	(530,105)
Changes in net assets	5,923,231	23,163,073	29,086,304	(4,395,650)
Net assets, beginning of year	181,125,199	46,935,090	228,060,289	232,455,939
Net assets, end of year	$ 187,048,430	$ 70,098,163	$ 257,146,593	$ 228,060,289

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

KQED Inc.

STATEMENT OF CASH FLOWS

Years ended September 30, 2019 and 2018

	2019	2018
Operating activities:		
Changes in net assets	$ 29,086,304	$ (4,395,650)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,708,703	4,959,813
Amortization of discount on long-term promises to give	(108,353)	(18,617)
Realized and unrealized net gain on investments	(2,726,729)	(3,760,296)
Bad debt expense and cancelled contracts	186,513	158,413
Loss on disposal of equipment	623,772	17,565
Write off for building transition	-	11,480,938
Contributions restricted for investment in perpetuity	(110,300)	(569,594)
Contributions restricted for purchase of property and equipment	(22,007,580)	-
Net effect of changes in:		
Receivables	(54,146)	834,699
Prepaid expenses and other assets	(1,047,964)	(256,583)
Charitable gift annuities and trusts	(134,893)	202,585
Accounts payable, accrued expenses and other liabilities	513,449	425,025
Deferred production and underwriting revenues	89,057	(200,980)
Net cash provided by operating activities	10,017,833	8,877,318
Investing activities:		
Purchases of investments	(25,988,252)	(13,775,632)
Proceeds from sales of investments	20,479,523	8,559,717
Purchases of property and equipment	(14,251,469)	(3,566,448)
Net cash used in investing activities	(19,760,198)	(8,782,363)
Financing activities:		
Proceeds restricted for purchase of property and equipment	12,100,809	-
Contributions restricted for investment in perpetuity	590,300	89,595
Net cash provided by financing activities	12,691,109	89,595
Change in cash, cash equivalents and restricted cash:	2,948,744	184,550
Beginning of year	32,371,147	32,186,597
End of year	$ 35,319,891	$ 32,371,147
Supplemental data:		
Non-cash transactions:		
Equipment purchases included in payables at year end	$ 4,509,978	$ 2,188,768
Receivable restricted for investment in perpetuity	-	480,000
Assets acquired under capital lease	97,559	-
Receivables donor-restricted for purchase of property and equipment	9,906,771	-

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

KQED Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Years ended September 30, 2019 and 2018

	Program Activities					Supporting Activities				
	TV	FM	Multiplatform	Other Programs	Programs Subtotal	Fundraising	General and Administrative	Supporting Subtotal	2019 Total Expenses	2018 Total Expenses
Salaries and benefits	$ 5,825,615	$ 2,382,375	$ 16,055,048	$ 5,187,491	$ 29,450,529	$ 9,817,815	$ 10,378,996	$ 20,196,811	$ 49,647,340	$ 47,787,521
Office and occupancy	1,709,584	1,195,733	2,064,866	649,222	5,619,405	3,448,935	947,715	4,396,650	10,016,055	8,119,375
Dues and program acquisition	6,179,171	3,508,833	78,965	17,702	9,784,671	71,523	73,490	145,013	9,929,684	9,200,977
Information technologies	677,911	50,797	330,055	351,959	1,410,722	407,625	360,668	768,293	2,179,015	2,026,962
Membership and donor premiums	139	-	-	3,282	3,421	1,792,022	4,207	1,796,229	1,799,650	1,975,437
Professional services	158,454	71,950	1,262,492	301,069	1,793,965	1,926,851	1,167,653	3,094,504	4,888,469	4,838,563
Other services	474,324	159,475	26,359	35,000	695,158	201,603	155,242	356,845	1,052,003	1,213,579
Trade and in-kind expenses	-	-	67,149	861,477	928,626	479,608	-	479,608	1,408,234	1,902,473
Travel and conferences	36,662	14,867	382,190	59,563	493,282	82,087	79,241	161,328	654,610	701,756
Depreciation and amortization	2,286,007	1,117,907	684,995	553,708	4,642,617	576,274	489,812	1,066,086	5,708,703	4,959,812
Loss on renovation	-	-	-	-	-	-	-	-	-	11,480,938
Insurance	61,394	26,142	55,973	34,669	178,178	33,520	57,951	91,471	269,649	227,442
Advertising	49,560	-	53,540	461,784	564,884	81,033	8,487	89,520	654,404	561,824
Rights and royalties	60,521	-	61,993	588	123,102	-	-	-	123,102	116,934
Other expenses	37,921	59,972	141,925	31,777	271,595	1,007,604	180,325	1,187,929	1,459,524	1,458,106
Taxes and licenses	76	414	1,563	-	2,053	2,671	166,699	169,370	171,423	90,882
Loss on disposal of assets	106,962	237,657	105,498	46,910	497,027	74,221	52,524	126,745	623,772	17,565
	$ 17,664,301	$ 8,826,122	$ 21,372,611	$ 8,596,201	$ 56,459,235	$ 20,003,392	$ 14,123,010	$ 34,126,402	$ 90,585,637	$ 96,680,146

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

Note A - Summary of Significant Accounting Policies

Organization

KQED Inc. (the "Corporation") is a nonprofit corporation which operates three noncommercial public television stations ("KQED," "KQEH," "KQET") in San Francisco, San Jose and Monterey, and two noncommercial public radio stations ("KQED-FM") in San Francisco and ("KQEI-FM") in North Highlands. The Corporation also distributes its content and services via KQED.org, KQEDNews.org, and KQED Education as well as other digital and mobile media technology.

The Corporation serves the people of Northern California with a community-supported alternative to commercial media. The Corporation's television, radio, digital media and educational services seek to change lives for the better and help individuals and communities achieve their full potential. The Corporation provides citizens with the information they need to make informed decisions, convenes community dialogue, brings the arts to everyone, and engages audiences to share their stories. The Corporation's content and services help students and teachers thrive in 21st century classrooms, and take people of all ages on journeys of exploration, exposing them to new people, places and ideas. The Corporation celebrates diversity, embraces innovation, values lifelong learning, and partners with those who share a commitment to public service.

Basis of Presentation

The Corporation's financial statements have been prepared in accordance with U.S generally accepted accounting principles ("US GAAP"), which requires the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the Board of Directors ("Board").

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities and Changes in Net Assets.

Cash, Cash Equivalents and Restricted Cash

The Corporation's cash consists of cash on deposit with banks. The Corporation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents include funds restricted by various funders and donors for specific projects, capital purchases and operating periods, as well as deferred obligations for underwriting.

Receivables

The Corporation's accounts and contributions receivable consist primarily of amounts due from general members, individual donors and advertising trades. Grants and underwriting receivables consist of amounts due from foundations and corporate sponsors. Receivables are recorded at the present value of the estimated future cash flows. The discounts are computed using risk-adjusted rates applicable in the years in which the commitments are received.

The Corporation uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts is based on historical experience, present market conditions and an evaluation of the outstanding receivables at the end of the year.

The Corporation uses a fulfillment rate to record membership receivables. The fulfillment rate is based on historical experience and is evaluated periodically based on current market conditions.

Investments

The Corporation's investments consist of stocks, bonds, mutual funds, certificates of deposit, United States (U.S.) Treasury bills, cash and money market funds, and limited partnerships.

Investments, except for the investments in limited partnerships, are carried at estimated fair value based on quoted market prices. Investments received through gifts and endowments are recorded at estimated fair market value at the date of donation. Unrealized gains and losses resulting from changes in fair value are recognized in the period in which such fluctuations occur. Income is recorded within net asset categories in accordance with donor stipulations.

The Corporation holds significant ownership interests in two limited partnerships and accounts for these investments under the equity method. Under the equity method of accounting, the financial statements of the limited partnerships are not consolidated with the Corporation's financial statements; however, the Corporation's share of the earnings or losses of the limited partnerships are reflected in other revenues in the Statement of Activities and Changes in Net Assets. The Corporation's carrying value of the investments in the limited partnerships is included in investments as reflected in the Statement of Financial Position (see Note D).

Charitable Gift Annuities and Trusts

Charitable gift annuities and trusts are established by gifts that require payments to be made to the donor or the donor's designee(s) from assets of the trust and which name the Corporation as the beneficiary of the assets remaining at the termination of the trust. Charitable gift annuities and trusts are recorded as contribution income at the fair value of the assets in the trust less an annuity reserve. For the years ended September 30, 2019 and 2018, contribution income for charitable gift annuities and trusts were $77,114 and $228,184, respectively. The present value of the estimated payouts under the agreement is computed using actuarial methods and the 2000CM mortality table, with a discount rate of 1.2% to 8.2%, representing the risk-adjusted rate applicable in the year the gift was made, and expected return based on current market conditions. The income is restricted during the life of the donor unless the donor has restricted the use of the remainder interest to be held in perpetuity. An annual adjustment is made for the actuarial gain or loss on annuity obligations representing differences between assumed and actual experience as to earnings, payouts, and life expectancies used in the computation of the liability for distribution.

As of September 30, 2019 and 2018, future annuity payments due to beneficiaries of charitable gift annuities and trusts totaled $4,087,407 and $4,222,690, respectively, on the accompanying Statement of Financial Position.

Charitable trust assets also include the fair value of the Corporation's remainder interest receivable in certain trusts where the Corporation is not the trustee. The fair value of these trusts is measured based upon the estimated net present value of amounts to be received using investment values reported from the trustees, less liabilities to beneficiaries calculated using the valuation technique as described above.

California Insurance Code (the "Code") requires that organizations maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the law requires that 50% of the reserve fund be invested in specified governmental fixed income investments. As of September 30, 2019, the Corporation had sufficient funds in its reserve fund to meet the California Insurance Code requirements and those funds were invested in accordance with the Code.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Corporation classifies its financial assets and liabilities measured at fair value on a recurring basis (annually) based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Corporation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at the estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method based upon estimated useful lives of the assets ranging from 2 to 55 years. The carrying amount of long-lived assets is evaluated periodically to determine if adjustments to the useful life of the undepreciated balance are warranted.

The Corporation has embarked on a major renovation of its headquarters at 2601 Mariposa Street, San Francisco, California. The redesigned building is the essential next step in the Corporation's transformation to meet the changing needs of the community now, and for generations to come. The new building will showcase the Corporation's inclusive, community-minded and ambitious vision for the future of public media.

As part of the reconstruction, assets were identified that would be impaired during the building's demolition and reconstruction. For the years ended September 30, 2019 and 2018, the impairment value of the assets disposed was $0 and $11,480,938, respectively.

Broadcast Rights

The Corporation purchases and capitalizes broadcast rights for certain programs from the Public Broadcasting Service and other sources. These costs are expensed over the period of expected telecasts or the term of the agreement, whichever is shorter.

Revenue Recognition

Contributions and charitable grants are recognized as revenue at fair value when they are received or unconditionally pledged. Membership fees are recognized as net assets without donor restrictions when committed as they relate to current year's operations. Premium costs offered to members as thank-you gifts or appreciation are recorded as fundraising expenses in the Statement of Activities and Changes in Net Assets and approximated $1,800,000 and $1,975,000 for the years ended September 30, 2019 and 2018, respectively, which includes the value of deminimus premium items.

Corporate underwriting support is recognized as net assets without donor restrictions when earned based on broadcasting of related acknowledgements. Government grants are recognized when allowable costs have been incurred. Funds received in advance are reported in deferred production and underwriting revenues in the Statement of Financial Position.

The Corporation reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions restricted for the purchase of long-lived assets are reported as increases in net assets with donor restrictions when received or unconditionally pledged. The Corporation's policy is to release the capital contributions into net assets without donor restrictions once the acquired long-lived assets are placed into service.

In-Kind Contributions

Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In-kind contributions primarily consist of donated goods. The estimated fair value of these donations approximated $543,000 and $462,000 for the years ended September 30, 2019 and 2018, respectively, and is reflected in the accompanying Statement of Activities and Changes in Net Assets. Donated personal services of volunteers are not reflected in the accompanying financial statements because such services do not require the specialized skills stipulated under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, Accounting for Contributions Received and Contributions Made. The estimated fair value of such donated volunteer services is based upon standard valuation rates and job classifications and amounted to approximately $97,000 and $139,000 for the years ended September 30, 2019 and 2018, respectively.

Nonmonetary Transactions

The Corporation has transactions involving the exchange of sponsorship rights for goods and services. These transactions are recorded based on the fair value of the goods and services received. For the years ended September 30, 2019 and 2018, sponsorship barter transactions resulted in the recognition of approximately $865,000 and $1,416,000, respectively, in revenues and approximately $865,000 and $1,440,000, respectively, in expenses in the accompanying Statement of Activities and Changes in Net Assets.

Campaign 21

There is a transformation in the media industry due to the digital revolution. To compete in this new age, the Corporation has embarked on a multi-year fundraising campaign to generate contributions to create a new infrastructure and reinvent the way the Corporation creates content and convenes community dialogue. As part of this transformation, the Corporation is also embarking upon the renovation of its headquarters. A portion of funds raised through Campaign 21 will be used to assist in this project.

For the years ended September 30, 2019 and 2018, the Corporation received support of approximately $28,193,000 and $4,429,000, respectively.

Advertising Expenses

The costs of advertising are expensed as incurred. Advertising expense was $654,404 and $561,823 for the years ended September 30, 2019 and 2018, respectively.

Income Taxes

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

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. The Corporation has also been recognized by the Franchise Tax Board as an organization that is exempt from income tax pursuant to California Revenue and Tax Code Section 23701(d) on its income other than unrelated business income. The Corporation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which is was nexus; and to identify and evaluate other matters that may be considered tax positions. The Corporation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Functional Expense Allocations

Certain expenses, such as depreciation, contract services and utilities are allocated among program services and supporting services based primarily on equipment usage, space occupied, headcount and on estimates made by the Corporation’s management.

Concentrations of Credit Risk

Financial instruments which potentially subject the Corporation to credit risk include cash, cash equivalents, restricted cash, investments, and receivables. The Corporation attempts to limit its credit risk associated with cash equivalents and marketable securities by utilizing outside investment managers to place the Corporation’s investments with highly rated corporate and financial institutions. The Corporation’s receivables result primarily from donor pledges, membership drives and underwriting sponsorships. These receivables are from donors, members and sponsors located primarily in the San Francisco Bay Area. The Corporation routinely assesses the financial strength of these various parties.

One donor comprised 53% and 21% of the receivables balance as of September 30, 2019 and 2018, respectively.

As of September 30, 2019, the Corporation’s cash, cash equivalents and investments were in excess of the federal depository and securities investor protection corporation insurance limits.

Collective Bargaining Agreements

The Corporation has two union collective bargaining agreements which cover approximately 30% of its Full-Time, Part-Time and Temporary staff. The National Association of Broadcast Employees and Technician (NABET) union contract expires in October 2021. The contract between the Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) and KQED-FM expires in September 2022.

The Corporation also has a basic minimum agreement with SAG-AFTRA covering performers appearing on KQED-TV, which expires in December 2020. Additionally, the Corporation is a signatory to the SAG-AFTRA Public Television Agreement which covers performers who appear on television programs distributed nationally. That agreement has expired, and the Public Broadcasting Service (PBS) and producing stations, including the Corporation, are currently in discussions with SAG-AFTRA on a renewal.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain summarized comparative information as of and for the year ended September 30, 2018 presented in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended September 30, 2018, from which the summarized financial information was derived.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

New Accounting Pronouncement

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncements

Pronouncements Effective in the Future

In May 2014, the FASB issued ASU 2014-09 – Revenue from Contracts with Customers (Topic 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The original standard was effective for fiscal years beginning after December 15, 2017; however, in August 2015, the FASB approved a one-year deferral of this standard, with a new effective date for fiscal year beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842). The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The amendments in the update are effective for fiscal years beginning after December 15, 2019 with early application permitted.

In November 2016, the FASB issued ASU 2016-18 – Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in the update are effective for fiscal years beginning after December 15, 2018 with early application permitted.

In June 2018, the FASB issued ASU 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The amendments in the update are effective for fiscal years beginning after December 15, 2018 with early application permitted.

In August 2018, the FASB issued ASU 2018-15 – Intangibles-Goodwill and Other-Internal-Use Software (Topic 350). The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments in the update are effective for fiscal years beginning after December 15, 2020 with early application permitted.

The Corporation is currently evaluating the impact of these pronouncements on its financial statements.

Subsequent Events

The Corporation evaluated subsequent events from September 30, 2019 through December 30, 2019, the date these financial statements were available to be issued. The Corporation concluded that no material subsequent events have occurred since September 30, 2019 that require recognition or disclosure in such financial statements.

Note B - Availability and Liquidity

The Corporation has an operating reserve that had a balance of $16,826,000 and $17,222,376 as of September 30, 2019 and 2018, respectively. The purpose of the account is to establish a reserve to be used to fund day-to-day operations of the Corporation in the event of a downturn of expected revenue or short-term cash need. The operating reserve is a target balance of 12.5% of operating revenue, which was determined based on management's judgment about the appropriate amount of funds to have set aside in addition to working capital. The operating reserve funds are held in money market funds and certificate of deposits. The operating reserve balance is included in the Cash and Cash Equivalents and Investments lines on the Statement of Financial Position.

In the event of an unanticipated liquidity need, the Corporation could also draw upon a $5,000,000 available line of credit (See Note I).

The following reflects the Corporation's financial assets as of September 30, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	2019	2018
Cash and cash equivalents	$ 17,383,229	$ 23,917,659
Restricted cash and cash equivalents	17,936,662	8,453,488
Receivables	18,965,842	9,563,085
Investments	172,834,499	164,385,498
Deferred compensation investments	2,431,077	2,371,333
Charitable gifts and annuities and trusts	8,103,021	8,181,671
Financial assets as of September 30	237,654,330	216,872,734
Amounts not due within one year	(6,079,740)	(1,672,031)
Contractual or donor-imposed restrictions:		
Amounts subject to donor restrictions	(24,510,996)	(9,990,939)
Donor-restricted endowment funds	(31,360,752)	(30,776,127)
Funds restricted by lender	(49,944,098)	-
Investments held in deferred compensation investments	(2,431,077)	(2,371,333)
Investments held in charitable gift annuities and trusts	(8,103,021)	(8,181,671)
Board designations:		
Board-designated endowment funds not reserved	(75,998,886)	(117,820,316)
Amounts set aside for operating and building reserve	(16,378,023)	(19,612,285)
Endowment investments available for general purposes and for distribution in accord with the Corporation spending policy	5,916,681	4,440,172
Net assets with purpose restrictions to be met in less than a year	10,536,547	8,629,152
Financial assets available to meet cash needs for general expenditures within one year	$ 39,300,965	$ 39,517,356

Note C - Receivables

At September 30, 2019, receivables consist of the following:

	Accounts and contributions receivable	Grants and underwriting receivable	Campaign 21 receivable	Total
Amounts due in:				
One year or less	$ 2,975,727	$ 3,467,110	$ 6,574,334	$ 13,017,171
Two or three years (net of discount of $188,557)	760,214	-	5,319,526	6,079,740
Less: allowance for doubtful accounts	5,108	125,961	-	131,069
Total	$ 3,730,833	$ 3,341,149	$ 11,893,860	$ 18,965,842

At September 30, 2018, receivables consist of the following:

	Accounts and contributions receivable	Grants and underwriting receivable	Campaign 21 receivable	Total
Amounts due in:				
One year or less	$ 3,752,259	$ 2,803,574	$ 1,537,451	$ 8,093,284
Two or three years (net of discount of $17,978)	91,675	-	1,580,356	1,672,031
Less: allowance for doubtful accounts	783	201,447	-	202,230
Total	$ 3,843,151	$ 2,602,127	$ 3,117,807	$ 9,563,085

Note D - Investments

The Corporation's investments were composed of the following at September 30, 2019:

	Operating	Endowment	Board-designated endowment	Total
Cash and cash equivalents	$ -	$ 92,840	$ 203,477	$ 296,317
Certificates of deposit	12,014,532	-	-	12,014,532
Mutual funds - equity	-	22,182,282	75,995,370	98,177,652
Mutual funds - bonds	9,466,230	9,085,630	43,744,138	62,295,998
Limited partnership interest	50,000	-	-	50,000
Total	$ 21,530,762	$ 31,360,752	$ 119,942,985	$ 172,834,499

The Corporation's investments were composed of the following at September 30, 2018:

	Operating	Endowment	Board-designated endowment	Total
Cash and cash equivalents	$ -	$ 75,407	$ 169,213	$ 244,620
Certificates of deposit	6,239,538	-	-	6,239,538
Mutual funds - equity	-	21,861,307	83,576,459	105,437,766
Mutual funds - bonds	9,146,279	8,839,413	34,074,644	52,060,336
Limited partnership interest	403,238	-	-	403,238
Total	$ 15,789,055	$ 30,776,127	$117,820,316	$164,385,498

Spectrum Auction

As part of the Federal Communications Commission (FCC) spectrum auction conducted during the 2017 fiscal year, the Corporation received a one-time non-recurring cash infusion of $95,459,109. Participation in the auction allowed the Corporation to repurpose under-utilized broadcast spectrum, which is much in demand by wireless service providers. This action did not have a material impact upon services or coverage for Bay Area residents, as most households receive their television via cable or satellite services and not over airwaves. Digital (as opposed to analog) broadcast technology also supports the ability to relinquish six megahertz of broadcast spectrum without significant impacts to service.

The Corporation's Board of Directors approved the transaction and, acknowledging the historic long-term nature of the assets that generated these proceeds, designated the funds to be invested as follows:

Spectrum Endowment Fund	$ 67,459,109
Building Fund	20,000,000
Reserve Fund	8,000,000
	$ 95,459,109

Investment in Limited Partnership

The Corporation's investments in the limited partnerships are accounted for under the equity method and are adjusted annually for impairment and management fees.

In December 2012, the Corporation entered into a limited partnership agreement with Matter Ventures, LLC to form Matter Ventures SF I, LP. Matter Ventures, LLC is the general partner while the Corporation and the Knight Foundation are founding limited partners, each making a capital commitment to invest $1,250,000 for a 50% ownership interest in the partnership. The purpose of the partnership is to support and invest in media entrepreneurs to build ventures that make society more informed, connected and empowered. As of September 30, 2014, the entire commitment from the Corporation was paid in full. The balance in Matter Ventures SF, I LLP at September 30, 2019 is $0.

In November 2014, the Corporation made a capital commitment to invest $750,000 in Matter Ventures Fund II, LP for a 13.66% ownership interest in the partnership. In December 2017, the Corporation entered into an agreement to increase its capital commitment by $500,000 for an additional 0.24% ownership interest. As of September 30, 2018, the entire $1,250,000 commitment from the Corporation was paid in full. For the year ended September 30, 2019, the Corporation recognized its share of loss from the interest in Matter Ventures Fund, II LP in the amount of $353,238. The balance in Matter Ventures SF, II LLP at September 30, 2019 is $50,000.

The Corporation's endowment and Board-designated contributions and net income on investments consist of the following components:

October 1, 2018 - September 30, 2019	Endowment	Board-designated endowment	Total
Contributions invested	$ 590,300	$ 3,484,154	$ 4,074,454
Interest and dividends	803,112	3,123,694	3,926,806
Realized and unrealized net gain	631,757	2,363,929	2,995,696
Service fees	(70,839)	(271,094)	(341,933)
Total investment gain	1,364,030	5,216,529	6,580,559
Income appropriated to operations	(1,369,705)	(3,070,467)	(4,440,172)
Total investment gain, net	$ (5,675)	$ 2,146,062	$ 2,140,387

October 1, 2017 - September 30, 2018	**Endowment**	**Board-designated endowment**	**Total**
Contributions invested	$ 89,595	$ 4,593,262	$ 4,682,857
Interest and dividends	714,976	2,048,774	2,763,750
Realized and unrealized net gain	1,125,082	2,943,139	4,068,221
Service fees	(71,702)	(239,215)	(310,917)
Total investment gain	1,768,356	4,752,698	6,521,054
Income appropriated to operations	(1,290,581)	(1,741,312)	(3,031,893)
Total investment gain, net	$ 477,775	$ 3,011,386	$ 3,489,161

Note E - Fair Value of Financial Instruments

The table below presents the Corporation's assets measured at fair value, by category of risks, at September 30, 2019 on a recurring basis.

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ -	$ 6,014,532	$ -	$ 6,014,532
Mutual funds - equity:				
Domestic large company	35,934,695	-	-	35,934,695
International large company	19,130,957	-	-	19,130,957
Domestic small company	10,904,034	-	-	10,904,034
International small company	3,394,900	-	-	3,394,900
Emerging markets	7,417,998	-	-	7,417,998
Real estate investment trusts:				
Domestic	14,438,480	-	-	14,438,480
International	6,956,588	-	-	6,956,588
Mutual funds - bonds:				
Domestic	52,005,016	-	-	52,005,016
International	10,290,982	-	-	10,290,982
Subtotal investments	$ 160,473,650	$ 6,014,532	$ -	166,488,182
Cash and cash equivalents				296,317
Certificate of deposit (non-investment security)				6,000,000
Total				$ 172,784,499

	2019			
	Level 1	Level 2	Level 3	Total
Deferred compensation investments:				
Certificates of deposit	$ -	$ 370,346	$ -	$ 370,346
Mutual funds - equity:				
Domestic large company	1,029,222	-	-	1,029,222
Domestic medium company	65,402	-	-	65,402
Domestic small company	49,768	-	-	49,768
International large company	43,715	-	-	43,715
Real estate	23,347	-	-	23,347
Mutual funds - bonds:				
Domestic	315,293	-	-	315,293
Exchange traded funds:				
Domestic large company	44,916	-	-	44,916
Domestic small company	68,366	-	-	68,366
International large company	94,661	-	-	94,661
International small company	34,797	-	-	34,797
International real estate	12,370	-	-	12,370
Emerging markets	17,352	-	-	17,352
Stocks - domestic	15,552	-	-	15,552
Subtotal deferred compensation investments	$ 1,814,761	$ 370,346	$ -	2,185,107
Cash and cash equivalents				245,970
Total				$ 2,431,077

	2019			
	Level 1	Level 2	Level 3	Total
Charitable gift annuities and trusts:				
U.S. Treasury notes	$ 1,123,701	$ -	$ -	$ 1,123,701
Mutual funds - equity:				
Domestic large company	1,794,424	-	-	1,794,424
International large company	925,253	-	-	925,253
Domestic small company	401,590	-	-	401,590
International small company	141,097	-	-	141,097
Emerging markets	342,858	-	-	342,858
Real estate investment trusts:				
Domestic	779,344	-	-	779,344
International	383,638	-	-	383,638
Mutual funds - bonds:				
Domestic	1,098,586	-	-	1,098,586
International	476,775	-	-	476,775
Split interest investment (non-trustee)	-	-	488,168	488,168
Subtotal charitable gift annuities and trusts investments	$ 7,467,266	$ -	$ 488,168	7,955,434
Cash and cash equivalents				147,587
Total				$ 8,103,021

The table below presents the Corporation's assets measured at fair value, by category of risks, at September 30, 2018 on a recurring basis.

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ -	$ 6,239,538	$ -	$ 6,239,538
Mutual funds - equity:				
Domestic large company	38,700,805	-	-	38,700,805
International large company	21,122,868	-	-	21,122,868
Domestic small company	11,688,058	-	-	11,688,058
International small company	3,704,546	-	-	3,704,546
Emerging markets	8,256,684	-	-	8,256,684
Real estate investment trusts:				
Domestic	14,616,866	-	-	14,616,866
International	7,347,939	-	-	7,347,939
Mutual funds - bonds:				
Domestic	44,388,787	-	-	44,388,787
International	7,671,549	-	-	7,671,549
Subtotal investments	$ 157,498,102	$ 6,239,538	$ -	163,737,640
Cash and cash equivalents				244,620
Total				$ 163,982,260

	2018			
	Level 1	Level 2	Level 3	Total
Deferred compensation investments:				
Certificates of deposit	$ -	$ 279,071	$ -	$ 279,071
Mutual funds - equity:				
Domestic large company	1,068,452	-	-	1,068,452
Domestic medium company	65,001	-	-	65,001
Domestic small company	85,319	-	-	85,319
International large company	108,334	-	-	108,334
Real estate	19,737	-	-	19,737
Mutual funds - bonds:				
Domestic	310,153	-	-	310,153
Exchange traded funds:				
Domestic large company	43,250	-	-	43,250
Domestic small company	74,006	-	-	74,006
International large company	46,728	-	-	46,728
International real estate	23,906	-	-	23,906
Emerging markets	17,671	-	-	17,671
Stocks - domestic	15,694			15,694
Subtotal deferred compensation investments	$ 1,878,251	$ 279,071	$ -	2,157,322
Cash and cash equivalents				214,011
Total				$ 2,371,333

	2018			
	Level 1	Level 2	Level 3	Total
Charitable gift annuities and trusts:				
U.S. Treasury notes	$ 1,272,022	$ -	$ -	$ 1,272,022
Mutual funds - equity:				
Domestic large company	1,809,462	-	-	1,809,462
International large company	951,207	-	-	951,207
Domestic small company	402,439	-	-	402,439
International small company	142,780	-	-	142,780
Emerging markets	352,934	-	-	352,934
Real estate investment trusts:				
Domestic	753,038	-	-	753,038
International	382,007	-	-	382,007
Mutual funds - bonds:				
Domestic	913,386	-	-	913,386
International	524,106	-	-	524,106
Split interest investment (non-trustee)	-	-	488,131	488,131
Subtotal charitable gift annuities and trusts investments	$ 7,503,381	$ -	$ 488,131	7,991,512
Cash and cash equivalents				190,159
Total				$ 8,181,671

The following is a rollforward of the Level 3 assets:

	Split-interest investment (non-trustee)
Fair value at September 30, 2017	$ 481,297
Change in value	6,834
Fair value at September 30, 2018	488,131
Change in value	37
Fair value at September 30, 2019	$ 488,168

Other Financial Instruments

Financial instruments, which are included in the Corporation's Statement of Financial Position as of September 30, 2019 but not required to be measured at fair value, consist of cash and cash equivalents, receivables, accounts payable, and liabilities to beneficiaries of charitable gift annuities and trusts. Their carrying amounts, including the present value of future cash flows, represent a reasonable estimate of the corresponding fair values.

Note F - Intangible Assets

In May 2003, the Corporation acquired the assets of KQEI-FM Radio in North Highlands, California for $3,196,568 which included $64,770 of radio station equipment. The acquisition was accounted for under the purchase method. The purchase price was allocated $2,966,362 to the broadcast license and $165,436 to acquisition costs. The broadcast license and acquisition costs are reflected as intangible assets on the accompanying Statement of Financial Position and are being amortized over the estimated useful life of 40 years. The accumulated amortization at September 30, 2019 and 2018 was $1,285,342 and $1,207,046, respectively. The radio station equipment is included in property and equipment on the accompanying Statement of Financial Position.

In October 2006, the Corporation acquired the assets of KTEH Foundation in San Jose which included a license fee for $300,000 which is being amortized over the estimated useful life of 40 years. The accumulated amortization at September 30, 2019 and 2018 was $146,250 and $138,750, respectively.

The Corporation reviewed intangible assets and determined that the estimated useful lives of 40 years used are appropriate as of September 30, 2019.

The following is a schedule of expected amortization expense for the succeeding five years and thereafter:

September 30,	
2020	$ 85,795
2021	85,795
2022	85,795
2023	85,795
2024	85,795
Thereafter	1,571,232
Total	$ 2,000,207

Note G - Property and Equipment

Property and equipment at September 30, consisted of the following:

	2019	2018
Land	$ 1,269,691	$ 1,269,691
Building and improvements	18,355,960	36,232,773
Furniture, fixtures, office equipment and vehicles	8,516,787	10,625,176
TV station equipment	19,148,377	32,589,978
Radio station equipment	6,832,419	7,267,181
Multiplatform equipment	1,944,396	1,944,396
Less accumulated depreciation	(28,001,891)	(65,677,909)
Total	28,065,739	24,251,286
Construction in progress	7,944,252	1,432,706
Property and equipment, net	$ 36,009,991	$ 25,683,992

For the fiscal year ended September 30, 2019, the Corporation disposed of assets with a cost value of $43,922,698 and accumulated depreciation of $43,298,926 in connection with the renovation of its headquarters.

Depreciation expense was $5,622,908 and $16,354,957 (which includes the write-off for building transition of $11,480,938) for the years ended September 30, 2019 and 2018, respectively.

Note H - Irrevocable Standby Letter of Credit

The Corporation has signed a sublease for temporary office space. Under the terms of this lease, the Corporation provided the sublessor an irrevocable standby letter of credit in the amount of $241,140 as a security deposit.

Note I - Line of Credit

The Corporation has a revolving construction line of credit, in the amount of $35,000,000 which expires on December 1, 2023. The line of credit contains certain covenants and is secured by a portion of the Corporation's Board-designated endowment which must be at least $35,000,000. The interest rate is based upon the one-month London Interbank Offered Rate (LIBOR) Index rate plus 0.50%.

The Corporation has a revolving operating line of credit, in the amount of $5,000,000 which expires on September 30, 2020. The line of credit contains certain covenants and is secured by a $6,000,000 certificate of deposit. The interest rate is based upon the average of the twelve most recently published monthly yields on the United States Treasury securities adjusted to a constant maturity of one year.

The Corporation had no outstanding balances on the line of credits at September 30, 2019.

Note J - Net Assets

Net assets without donor restrictions for the years ended September 30 are as follows:

	2019	2018
Undesignated	$ 33,901,422	$ 26,470,222
Board-designated		
Board-designated endowment	$ 48,188,882	$ 47,989,873
Spectrum endowment	54,999,041	69,830,443
Liquidity endowment	16,755,062	-
Reserve fund	16,826,000	17,222,376
Building fund	16,378,023	19,612,285
Total Board-designated	153,147,008	154,654,977
Total net assets without donor restrictions	$ 187,048,430	$181,125,199

Net assets with donor restrictions were available with the following restrictions as of September 30:

	2019	2018
Campaign 21 (restricted for purpose and time)	$ 11,590,499	$ 10,357,621
Building renovation (restricted for purpose)	21,243,408	-
Planned gifts (restricted for time)	4,015,616	3,958,980
Endowment receivable (restricted for time)	-	480,000
Underwrite specific productions or areas of programming (restricted for purpose and time)	1,887,888	1,362,362
Investment in perpetuity (including amounts above original gift amount of $19,786,094, and $19,195,794, respectively), which, once appropriated, is expendable to support:		
Arts	2,912,623	2,845,576
Education	116,359	106,361
Science	1,028,656	1,018,654
General production of content	2,333,416	2,333,651
General operations	24,969,698	24,471,885
Total net assets with donor restrictions	$ 70,098,163	$ 46,935,090

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended September 30:

	2019	2018
Campaign 21	$ 4,952,894	$ 5,866,372
Building renovation	764,172	-
Underwrite specific productions or areas of programming	2,870,813	2,423,688
Endowment earnings appropriated	1,369,705	1,290,581
Planned gifts	41,273	62,717
Total	$ 9,998,857	$ 9,643,358

Note K - Endowments

The Corporation’s endowments consist of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Donor-restricted endowment funds are restricted to investment in perpetuity, the income from which is expendable in accordance with donor stipulations, to support programmatic or general activities of the Corporation. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, and (7) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Corporation to retain as a fund of perpetual duration. No such deficiencies existed as of September 30, 2019 and 2018.

Return Objectives and Risk Parameters

The Corporation's primary long-term management objective is to preserve the inflation-adjusted purchasing power of endowment funds, while providing an available, stable, and constant stream of earnings to help meet the Corporation's spending needs.

Strategies Employed for Achieving Objectives

The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Spending Rule Amount is defined as the annual amount appropriated by the Board of Directors for inclusion in the subsequent year's budget. The withdrawals may not exceed 5% of the Endowment's market value averaged over the prior 12 quarters calculated as of June 30 each year. If this amount would cause the Corporation Permanent Endowment's value to fall below its original gift value level, then the annual Spending Rule Amount to be included in the subsequent fiscal year's budget is limited to the amount in excess of the original gift value.

If the annual Spending Rule Amount becomes limited as so described, this may be considered a "financial emergency" for purposes of making supplemental payouts from the Board-Designated Endowment. If such a financial emergency is determined by the Board of Directors, the Corporation may spend additional amounts from the Board-Designated Endowment up to the entire principal balance in the Board-Designated Endowment.

Endowment funds as of September 30, 2019 are as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 31,360,752	$ 31,360,752
Board-designated endowment	48,188,882	-	48,188,882
Spectrum auction endowment	54,999,041	-	54,999,041
Liquidity endowment fund	16,755,062	-	16,755,062
Total endowment funds	$ 119,942,985	$ 31,360,752	$ 151,303,737

The Spectrum auction endowment fund was established with the intent that the spectrum auction proceeds be maintained to benefit the community and the Corporation over the long term.

The donor-restricted endowment's funds exclude receivables of $60,517 and $591,875 as of September 30, 2019 and 2018, respectively.

Endowment activity by net asset classification as of September 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 117,820,316	$ 30,776,127	$ 148,596,443
Investment return:			
Interest and dividends	3,123,694	803,112	3,926,806
Realized and unrealized net gain	2,363,929	631,757	2,995,686
Service fees	(271,094)	(70,839)	(341,933)
Total investment gain (see Note D)	5,216,529	1,364,030	6,580,559
Contributions	3,484,154	590,300	4,074,454
Assets designated by the Board for property and equipment	(3,507,547)	-	(3,507,547)
Appropriation of endowment assets for expenditure	(3,070,467)	(1,369,705)	(4,440,172)
Endowment net assets, end of year	$ 119,942,985	$ 31,360,752	$ 151,303,737

Endowment activity by net asset classification as of September 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 110,215,668	$ 30,208,757	$ 140,424,425
Investment return:			
Interest and dividends	2,048,774	714,976	2,763,750
Realized and unrealized net gain	2,943,139	1,125,082	4,068,221
Service fees	(239,215)	(71,702)	(310,917)
Total investment gain (see Note D)	4,752,698	1,768,356	6,521,054
Contributions	4,593,262	89,595	4,682,857
Appropriation of endowment assets for expenditure	(1,741,312)	(1,290,581)	(3,031,893)
Endowment net assets, end of year	$ 117,820,316	$ 30,776,127	$ 148,596,443

Note L - Campaign 21

Campaign 21 assets included in the Statement of Financial Position consist of the following:

	2019	2018
Restricted cash	$ 15,982,679	$ 7,239,814
Receivables, net	11,893,860	3,117,807
Total Campaign 21 assets	$ 27,876,539	$ 10,357,621

Campaign 21 program services comprised of expenses for the following programs for the years ended September 30:

	2019	2018
Multiplatform content	$ 1,728,774	$ 2,082,431
Building project	991,157	-
Education	788,510	1,110,250
Innovation lab	365,905	190,756
Media technology	406,752	538,704
Total Campaign 21 program services expense	$ 4,281,098	$ 3,922,141

Note M - Commitments and Contingencies

Leases

The Corporation leases real estate property in connection with its operation of noncommercial public television and radio stations. The following is a schedule of future minimum lease payments required under non-cancelable operating leases as of September 30, 2019:

September 30,	
2020	$ 4,537,119
2021	4,398,154
2022	1,766,585
2023	1,322,632
2024	1,362,114
Thereafter	1,090,785
Total minimum rental payments	$ 14,477,389

The minimum lease payments do not include future cost-of-living escalations and pro rata property tax allocations, which are required for certain of the leases. Total rent expense, including month-to-month leases, was $2,886,441 and $1,299,842 for the years ended September 30, 2019 and 2018, respectively.

Other Commitments and Contingencies

As of September 30, 2019, the Corporation has remaining contractual commitments of approximately $62,000,000 related to construction contracts for the renovation of its headquarters.

The Corporation is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's financial position or its change in net assets.

Note N - Retirement Plans

The 403(b) tax-sheltered annuity plan is funded by employee contributions and the employer's matching share amount. The employer matching share amount is 5.5%. Contribution costs, funded currently, were approximately $1,614,784 and $1,527,715 for the years ended September 30, 2019 and 2018, respectively.

The Corporation has deferred compensation plans primarily for the purpose of providing deferred compensation for a select group of employees to accumulate retirement assets. The assets of the plans are under general control and available to general creditors of the Corporation and are included in the Statement of Financial Position.

The 457(b) plan enables participants to defer income on a pre-tax basis and is not matched with contributions from the Corporation. For the years ended September 30, 2019 and 2018, approximately $119,000 and $137,000, respectively has been deferred based on elections made by the participants to the 457(b) plan.

The 457(f) deferred compensation plan is funded by employer contributions. The contribution to the 457(f) plan was approximately $80,000 in each of the years ended September 30, 2019 and 2018.

The total market value of 457(b) and 457(f) investments and the related deferred compensation obligations to employees included in the Statement of Financial Position at September 30, 2019 and 2018 were approximately $2,431,000 and $2,371,000, respectively.

Note O - Related Party Transactions

The Corporation has transactions, in the normal course of business, where directors and employees make contributions to the Corporation. For the years ended September 30, 2019 and 2018, those contributions were approximately $2,284,000 and $3,376,000, respectively. As of September 30, 2019 and 2018, the balance due from related parties was approximately $473,000 and $898,000, respectively.