

**ATLANTA EDUCATIONAL
TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED JUNE 30, 2022 AND 2021
and
SUPPLEMENTARY INFORMATION**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Combined Statements of Financial Position	3
Combined Statements of Activities	4-5
Combined Statements of Functional Expenses	6-7
Combined Statements of Cash Flows	8-9
Notes to the Combined Financial Statements	10-19
Supplementary Information:	
Supplementary Statement of Activities by CPB Licensee	21
Supplementary Combining Statement of Financial Position	22
Supplementary Combining Statement of Activities	23



INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Atlanta Educational Telecommunications Collaborative, Inc. and Affiliate

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Atlanta Educational Telecommunications Collaborative, Inc. and Affiliate ("the Organization") (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the results of their changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization 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 opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures, in accordance with GAAS. In our opinion, the information is fairly stated in all material respects, in relation to the combined financial statements as a whole.

Smith & Howard

December 1, 2022

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 3,444,494	\$ 4,846,652
Receivables, net	900,490	746,503
Investments	2,824,449	3,239,303
Prepaid expenses	355,864	73,776
Investments held under nonqualified retirement agreement	430,338	475,671
Note receivable	1,977,286	1,977,286
Property and equipment, net	<u>1,835,608</u>	<u>1,459,078</u>
TOTAL ASSETS	<u>\$ 11,768,529</u>	<u>\$ 12,818,269</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 651,250	\$ 595,550
Accrued salaries and fringe benefits	449,810	426,041
Contract liabilities	5,053	917,365
Obligation under nonqualified retirement agreement	<u>427,250</u>	<u>472,728</u>
Total Liabilities	<u>1,533,363</u>	<u>2,411,684</u>
Net Assets:		
Without donor restrictions		
Undesignated	7,090,930	7,011,375
Board designated	<u>2,922,710</u>	<u>3,290,882</u>
	10,013,640	10,302,257
With donor restrictions	<u>221,526</u>	<u>104,328</u>
Total Net Assets	<u>10,235,166</u>	<u>10,406,585</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,768,529</u>	<u>\$ 12,818,269</u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public broadcasting entities	\$ 2,358,620	\$ 20,000	\$ 2,378,620
Grants	-	638,265	638,265
Contributions, subscription membership fees	8,984,601	-	8,984,601
Underwriting fees	3,576,876	-	3,576,876
In-kind contributions	2,377,735	-	2,377,735
Rental income	579,082	-	579,082
Investment loss, net	(214,113)	-	(214,113)
Other revenues	9,720	-	9,720
Net assets released from restrictions	<u>541,067</u>	<u>(541,067)</u>	<u>-</u>
Total Public Support and Revenues	<u>18,213,588</u>	<u>117,198</u>	<u>18,330,786</u>
Expenses:			
Program Services			
Programming and Production	8,080,896	-	8,080,896
Broadcasting	2,356,349	-	2,356,349
Program Information and Promotion	<u>1,098,614</u>	<u>-</u>	<u>1,098,614</u>
Total Program Services	<u>11,535,859</u>	<u>-</u>	<u>11,535,859</u>
Support Services:			
Management and General	2,824,708	-	2,824,708
Fundraising	2,527,355	-	2,527,355
Underwriting	<u>1,614,283</u>	<u>-</u>	<u>1,614,283</u>
Total Support Services	<u>6,966,346</u>	<u>-</u>	<u>6,966,346</u>
Total Expenses	<u>18,502,205</u>	<u>-</u>	<u>18,502,205</u>
Changes in Net Assets	(288,617)	117,198	(171,419)
Net Assets, Beginning of Year	<u>10,302,257</u>	<u>104,328</u>	<u>10,406,585</u>
NET ASSETS, END OF YEAR	<u>\$ 10,013,640</u>	<u>\$ 221,526</u>	<u>\$ 10,235,166</u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public broadcasting entities	\$ 1,477,620	\$ 25,000	\$ 1,502,620
Grants	30,000	371,782	401,782
Contributions, subscription membership fees	8,975,171	-	8,975,171
Underwriting fees	3,364,170	-	3,364,170
In-kind contributions	2,139,928	-	2,139,928
Rental income	567,250	-	567,250
Investment return, net	605,548	-	605,548
Other revenues	33,420	-	33,420
Net assets released from restrictions	<u>448,812</u>	<u>(448,812)</u>	<u>-</u>
Total Public Support and Revenues	<u>17,641,919</u>	<u>(52,030)</u>	<u>17,589,889</u>
Expenses:			
Program Services			
Programming and Production	7,392,844	-	7,392,844
Broadcasting	2,353,121	-	2,353,121
Program Information and Promotion	<u>667,657</u>	<u>-</u>	<u>667,657</u>
Total Program Services	<u>10,413,622</u>	<u>-</u>	<u>10,413,622</u>
Support Services:			
Management and General	2,861,730	-	2,861,730
Fundraising	2,406,872	-	2,406,872
Underwriting	<u>1,325,326</u>	<u>-</u>	<u>1,325,326</u>
Total Support Services	<u>6,593,928</u>	<u>-</u>	<u>6,593,928</u>
Total Expenses	<u>17,007,550</u>	<u>-</u>	<u>17,007,550</u>
Other Income:			
Forgiveness of Paycheck Protection Program loan	<u>1,440,600</u>	<u>-</u>	<u>1,440,600</u>
Changes in Net Assets	2,074,969	(52,030)	2,022,939
Net Assets, Beginning of Year	<u>8,227,288</u>	<u>156,358</u>	<u>8,383,646</u>
NET ASSETS, END OF YEAR	<u>\$ 10,302,257</u>	<u>\$ 104,328</u>	<u>\$ 10,406,585</u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services					Support Services				
	Programming and Production - Radio	Programming and Production - TV	Broadcasting (Technical Support)	Program Information and Promotion	Total Program Services	Management and General	Fundraising	Underwriting	Total Support Services	Total
Salaries	\$ 2,147,982	\$ 199,164	\$ 787,882	\$ 480,493	\$ 3,615,521	\$ 1,336,946	\$ 720,694	\$ 893,792	\$ 2,951,432	\$ 6,566,953
Employee Benefit & Taxes	532,176	49,512	194,455	119,006	895,149	310,591	178,210	217,622	706,423	1,601,572
Professional Fees & Contract Services	166,750	97,700	257,104	12,128	533,682	532,456	6,237	1,560	540,253	1,073,935
Advertising & Promotion			214	121,871	122,085	157	49,857	2,560	52,574	174,659
Office Expenses	4,905	574	159,080	290	164,849	86,667	227,946	23,947	338,560	503,409
Information Technology	34,698	14,635	427,531	14,083	490,947	34,899	74,525	2,070	111,494	602,441
Occupancy	214,814	25,272	50,544	44,226	334,856	63,181	56,863	56,863	176,907	511,763
Travel & Conferences	30,504	2,200	11,043	1,920	45,667	51,046	3,316	5,179	59,541	105,208
Insurance	-	-	-	-	-	43,777	-	-	43,777	43,777
Program Acquisition & Development	1,605,249	1,537,993	62,619	52,250	3,258,111	-	-	-	-	3,258,111
Premiums & Processing	-	-	-	-	-	-	300,830	491	301,321	301,321
Event & Fundraising Expense	-	-	-	23,339	23,339	-	595,905	4,883	600,788	624,127
Equipment and Maintenance	7,908	17,464	135,115	404	160,891	2,379	-	-	2,379	163,270
Other	108,285	42,665	9,615	100	160,665	36,176	19,182	111,526	166,884	327,549
Depreciation	111,812	13,154	26,309	23,020	174,295	32,886	29,597	29,597	92,080	266,375
	<u>4,965,083</u>	<u>2,000,333</u>	<u>2,121,511</u>	<u>893,130</u>	<u>9,980,057</u>	<u>2,531,161</u>	<u>2,263,162</u>	<u>1,350,090</u>	<u>6,144,413</u>	<u>16,124,470</u>
Indirect Administrative Support	894,752	105,265	210,530	184,214	1,394,761	263,162	236,846	236,846	736,854	2,131,615
In-Kind Expenses	103,309	12,154	24,308	21,270	161,041	30,385	27,347	27,347	85,079	246,120
Total In-Kind Expenses	<u>998,061</u>	<u>117,419</u>	<u>234,838</u>	<u>205,484</u>	<u>1,555,802</u>	<u>293,547</u>	<u>264,193</u>	<u>264,193</u>	<u>821,933</u>	<u>2,377,735</u>
Total	<u>\$ 5,963,144</u>	<u>\$ 2,117,752</u>	<u>\$ 2,356,349</u>	<u>\$ 1,098,614</u>	<u>\$ 11,535,859</u>	<u>\$ 2,824,708</u>	<u>\$ 2,527,355</u>	<u>\$ 1,614,283</u>	<u>\$ 6,966,346</u>	<u>\$ 18,502,205</u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services					Support Services				
	Programming and Production - Radio	Programming and Production - TV	Broadcasting (Technical Support)	Program Information and Promotion	Total Program Services	Management and General	Fundraising	Underwriting	Total Support Services	Total
Salaries	\$ 2,131,269	\$ 181,314	\$ 863,398	\$ 308,010	\$ 3,483,991	\$ 1,279,768	\$ 704,082	\$ 767,869	\$ 2,751,719	\$ 6,235,710
Employee Benefit & Taxes	546,928	45,855	220,836	78,685	892,304	193,081	181,922	196,524	571,527	1,463,831
Professional Fees & Contract Services	71,156	64,164	163,143	38,625	337,088	727,074	31,770	476	759,320	1,096,408
Advertising & Promotion	-	-	16,665	42,291	58,956	195	14,669	1,346	16,210	75,166
Office Expenses	2,863	391	212,556	698	216,508	83,377	232,513	23,991	339,881	556,389
Information Technology	22,030	9,850	274,476	1,252	307,608	19,779	71,380	524	91,683	399,291
Occupancy	178,898	17,312	63,480	17,312	277,002	105,238	57,709	46,167	209,114	486,116
Travel & Conferences	6,447	17	619	226	7,309	17,501	4,330	198	22,029	29,338
Insurance	-	-	-	-	-	37,955	-	-	37,955	37,955
Program Acquisition & Development	1,353,852	1,573,451	87,063	80,651	3,095,017	-	-	-	-	3,095,017
Premiums & Processing	-	-	-	-	-	-	338,957	1,544	340,501	340,501
Event & Fundraising Expense	-	-	-	9,212	9,212	1,765	446,269	-	448,034	457,246
Equipment and Maintenance	3,500	929	118,748	-	123,177	1,561	-	-	1,561	124,738
Other	109,860	53,625	2,417	771	166,673	34,743	23,526	46,891	105,160	271,833
Depreciation	78,725	7,619	27,935	7,619	121,898	30,474	25,395	20,316	76,185	198,083
	<u>4,505,528</u>	<u>1,954,527</u>	<u>2,051,336</u>	<u>585,352</u>	<u>9,096,743</u>	<u>2,532,511</u>	<u>2,132,522</u>	<u>1,105,846</u>	<u>5,770,879</u>	<u>14,867,622</u>
Indirect Administrative Support	796,504	77,081	282,631	77,081	1,233,297	308,324	256,937	205,550	770,811	2,004,108
In-Kind Expenses	53,980	5,224	19,154	5,224	83,582	20,895	17,413	13,930	52,238	135,820
Total In-Kind Expenses	<u>850,484</u>	<u>82,305</u>	<u>301,785</u>	<u>82,305</u>	<u>1,316,879</u>	<u>329,219</u>	<u>274,350</u>	<u>219,480</u>	<u>823,049</u>	<u>2,139,928</u>
Total	<u>\$ 5,356,012</u>	<u>\$ 2,036,832</u>	<u>\$ 2,353,121</u>	<u>\$ 667,657</u>	<u>\$ 10,413,622</u>	<u>\$ 2,861,730</u>	<u>\$ 2,406,872</u>	<u>\$ 1,325,326</u>	<u>\$ 6,593,928</u>	<u>\$ 17,007,550</u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from contributors, members and grants	\$ 14,420,301	\$ 15,589,843
Other receipts	590,426	602,089
Cash paid to suppliers and employees	<u>(16,142,638)</u>	<u>(14,585,781)</u>
Net cash provided (used) in operating activities	<u>(1,131,911)</u>	<u>1,606,151</u>
Cash Flows from Investing Activities:		
Acquisitions of property and equipment	(469,365)	(481,819)
Purchases of investments	(586,635)	(1,642,712)
Sales of investments	<u>785,753</u>	<u>1,768,494</u>
Net cash used in investing activities	<u>(270,247)</u>	<u>(356,037)</u>
Change in Cash and Cash Equivalents	(1,402,158)	1,250,114
Cash and Cash Equivalents:		
Beginning of Year	<u>4,846,652</u>	<u>3,596,538</u>
END OF YEAR	<u>\$ 3,444,494</u>	<u>\$ 4,846,652</u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ (171,419)	\$ 2,022,939
Adjustments to reconcile change in net asset to net cash provided (used) in operating activities:		
Depreciation	266,375	198,083
Net realized and unrealized (gain) loss on investments	215,736	(604,129)
Paycheck protection program loan forgiveness	-	(1,440,600)
Bad debt expense	91,762	46,225
Changes in assets and liabilities:		
Receivables	(245,749)	492,829
Prepaid expenses	(282,088)	(43,095)
Investments held under nonqualified retirement agreement	(145)	(495)
Accounts payable and accrued expenses	(117,840)	169,512
Accrued salaries and fringe benefits	23,769	5,210
Contract liabilities	<u>(912,312)</u>	<u>759,672</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,131,911)</u>	<u>\$ 1,606,151</u>

Non-Cash Investing Transactions:

At June 30, 2022 and 2021, accounts payable and accrued expenses included \$173,540 and \$197,234, respectively, of property and equipment purchases.

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Atlanta Educational Telecommunications Collaborative, Inc. (“AETC”) was established for charitable and educational purposes including, but not limited to, enhancing public education of the Atlanta Independent School System (the “School System”) primarily through broadcasting educational programs. To this end, AETC entered into a management and operation agreement (the “Agreement”) with the School System, licensee of stations WABE-TV and WABE-FM and Cable Channel 22, (collectively referred to as “Stations”), and owner of certain real and personal property and equipment (the “Broadcast Facilities” - see Note 4) associated with and related to the operation of the Stations. AETC manages and operates the respective stations in accordance with rules and regulations of the Federal Communications Commission, Corporation for Public Broadcasting, Public Broadcasting Service and National Public Radio. The Agreement is effective through June 30, 2023 with the option to renew for two additional five-year terms through June 30, 2033, subject to the mutual agreement of both parties.

During 2020, the Board of Directors formed a separate entity called Public Broadcasting of Atlanta Foundation, Inc. (“Foundation”), whose purpose is to receive and administer funds for the exclusive benefit and support of the Organization. In June 2022, the Foundation was renamed to WABE Foundation, Inc. Together, AETC and the Foundation are referred to as the Organization.

Basis of Presentation

The Organization follows the provisions of Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

The combined financial statements are reported using the accrual basis accounting.

Principles of Combination

The combined financial statements include the accounts of AETC and the Foundation. All significant intercompany accounts and transactions have been eliminated in combination.

Net Assets

Net asset activities and their defined purposes used by the Organization are as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources that are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are those resulting from the nature of the Organization and its purpose.

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. As of June 30, 2022, the Organization did not have any net assets maintained in perpetuity.

Investments

Investments consist of marketable equity securities and mutual funds with original maturities greater than three months. Investments are carried at fair values determined at the date of the combined statement of financial position, based on quoted market prices.

Fair Value Measurements

FASB defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. FASB established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The carrying value of financial instruments such as cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value because of the terms and relative short maturity of the financial instruments. The Organization believes the carrying values of its financial instruments are reasonable estimates of their values, unless otherwise noted.

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal and State Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recorded on the accompanying combined financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). GAAP requires the Organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). The Organization's management has analyzed the tax positions taken and has concluded that, as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. In general, the Organization is no longer subject to income tax examinations for tax years ending before June 30, 2019.

Revenue Recognition

The Organization accounts for contributions and grants in accordance with GAAP. Unconditional promises to give and contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of donor restrictions. Contributions and grants are recognized when the donor makes a promise to give that is in substance, unconditional. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the condition on which they depend have been met. Subscription membership fees are recorded as revenue when received.

Contributions, Subscription Membership Fees

The Organization recognizes subscription membership fees on the date the individual membership gift is received.

Underwriting Fees

Revenue from underwriting fees are recognized in operations over the term of the related underwriting contract. Underwriting revenue received before the earning process is complete is presented as contract liabilities in the combined statements of financial position.

In-kind Contributions

Donated services, materials and supplies, as further described in Note 8, are recorded at fair market value at the time of the donation and are recognized as both contributions and expenses.

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences relative to vacation leave are accrued as a liability as earned by employees up to a maximum of 80 hours. No accrual is recorded for sick leave since employees are only eligible to receive compensation for legitimate illnesses and do not receive payment for unused sick leave.

Property and Equipment

Property and equipment acquired for \$5,000 or more is capitalized at cost. Property and equipment is depreciated over the estimated useful life, ranging from 5 to 20 years, using the straight-line method.

Cash and Cash Equivalents

For purposes of the combined statement of cash flows, all highly liquid debt instrument purchases with an original maturity of three months or less are considered cash and/or cash equivalents.

Risks and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, receivables, and investments. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federal insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying combined financial statements.

Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

New Accounting Policy Adopted

The Organization adopted Accounting Standards Update ("ASU") 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The Organization applied ASU 2020-07 on a retrospective basis.

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The statement of functional expenses presents expenses by functional and natural classification. Certain expenses, such as depreciation, indirect administrative support, and utilities are allocated among program services and supporting services based on the full-time employee equivalent method of allocation.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the combined financial statements were available to be issued.

NOTE 2 – RECEIVABLES

A summary of receivables as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Accounts/pledges receivable	\$ 832,788	\$ 816,231
Grants receivable	<u>100,000</u>	<u>2,000</u>
	932,788	818,231
Less: allowance for doubtful accounts	<u>(32,298)</u>	<u>(71,728)</u>
Total Receivables	<u>\$ 900,490</u>	<u>\$ 746,503</u>

Receivables at June 30, 2022 are expected to be collected in fiscal year 2023.

The Organization also has a long-term note receivable that is a result of the Welfare Benefit Plan (see Note 10) for the former Chief Executive Officer. The value of the long-term receivable as of June 30, 2022 and 2021 is \$1,977,286 including \$54,424 cumulative interest. In 2015, per the terms of the agreement, interest stopped accumulating due to distributions to the former Chief Executive Officer.

NOTE 3 – INVESTMENTS

A summary of aggregate fair value of investments are as follows at June 30:

<u>Types of Investments:</u>	<u>Fair Value</u>	<u>2022</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities ^a :	\$ 2,074,035	\$ 2,074,035	\$ -	\$ -
Fixed income securities ^b :	<u>750,414</u>	<u>153,433</u>	<u>596,981</u>	<u>-</u>
Total	<u>\$ 2,824,449</u>	<u>\$ 2,227,468</u>	<u>\$ 596,981</u>	<u>\$ -</u>

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 – INVESTMENTS (Continued)

<u>Types of Investments:</u>	<u>Fair Value</u>	<u>2021</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities ^a :	\$ 2,336,320	\$ 2,336,320	\$ -	\$ -
Fixed income securities ^b :	<u>902,983</u>	<u>50,051</u>	<u>852,932</u>	<u>-</u>
 Total	 <u>\$ 3,239,303</u>	 <u>\$ 2,386,371</u>	 <u>\$ 852,932</u>	 <u>\$ -</u>

^a Equity securities are comprised of the following investment types: common stock and mutual funds.

^b Fixed income securities are comprised of the following investment types: bonds, bond mutual funds, treasury notes and corporate bonds.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment balances as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Equipment and furniture	\$ 3,936,262	\$ 3,706,784
Intellectual Property	545,980	147,000
Leasehold improvements	<u>1,472,257</u>	<u>1,457,809</u>
	5,954,499	5,311,593
 Less: Accumulated depreciation	 <u>(4,118,891)</u>	 <u>(3,852,515)</u>
 Property and Equipment, Net	 <u>\$ 1,835,608</u>	 <u>\$ 1,459,078</u>

Related Party Transactions

As part of the Agreement with the School System for the Stations mentioned in Note 1, all real and personal property and equipment that comprised the Broadcast Facilities of the Stations at the time of the initial contract with the Organization or property acquired by the School System for the Broadcast Facilities since that time remain the property of the School System. The property is not included in the Organization's combined financial statements, which has a cost value of approximately \$7,000,000 at June 30, 2022 and 2021. Beginning July 1, 2018, under the new agreement with the School System, the Organization will lease the Broadcast Facilities. Under the agreement with School System, the Organization may choose to leave the School System facility without penalty. Future minimum lease obligations through the next fiscal year total approximately \$162,000.

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 5 – PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization obtained a Small Business Administration loan under the Paycheck Protection Program (“PPP”) in the amount of \$1,440,600. The PPP loan bore interest at 1.00% and followed the repayment terms outlined by the Coronavirus Aid, Relief, and Economic Securities Act (the “CARES Act”) and PPP. In December 2020, the Organization received notification that the loan balance was forgiven and recorded the loan amount in other income on the combined statement of activities.

NOTE 6 – LINE OF CREDIT

In February of 2022, the Organization opened a line of credit facility with a financial institution, and provides for maximum borrowings of \$1,000,000, and is secured by the investments of the Organization. The line of credit matures on February 1, 2024, and has an interest rate of the prime rate plus 2.10% (an effective rate of 6.35% at June 30, 2022). There were no outstanding borrowings on this line of credit at June 30, 2022.

NOTE 7 – NET ASSETS

Net Assets with donor restrictions as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Educational Program	\$ 17,750	\$ 20,000
Other Programs	<u>203,776</u>	<u>84,328</u>
	<u>\$ 221,526</u>	<u>\$ 104,328</u>

Net Assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Expenditures for program activities	<u>\$ 541,067</u>	<u>\$ 448,812</u>
	<u>\$ 541,067</u>	<u>\$ 448,812</u>

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization’s financial assets available within one year of June 30 for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,444,494	\$ 4,846,652
Receivables	900,490	746,503
Investments	<u>2,824,449</u>	<u>3,239,303</u>
Total financial assets available within one year	7,169,433	8,832,458
Less:		
Amounts unavailable to management due to:		
Donor restricted funds	(221,526)	(104,328)
Board Designated Fund	<u>(2,922,710)</u>	<u>(3,290,882)</u>
Total financial assets available within one year without Board approval	<u>\$ 4,025,197</u>	<u>\$ 5,437,248</u>

The majority of the financial assets include cash and cash equivalents. The receivables are expected to be collected within one year. In addition, the Organization can request funds from the Foundation’s Board designated net assets in the event of an immediate liquidity need from events outside the typical life cycle of general expenditures. As mentioned in Note 6, the Organization also has a line of credit facility of \$1,000,000 which it can draw on as needed. Availability of the financial assets from the fund are subject to the approval of the governing body.

NOTE 9 – DONATED GOODS AND SERVICES

The Organization receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

The Organization receives institution and physical plant support from the Atlanta Independent School System ("School System"). The Organization receives an indirect administration support calculation from the School System based on a percentage of the School System prior year operating expenses. Goods and services are valued at the prices that would be received for selling similar products.

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 – DONATED GOODS AND SERVICES (Continued)

The Organization received the following donated goods and services for the years ending June 30:

	<u>2022</u>		
	<u>Television</u>	<u>Radio</u>	<u>Total</u>
Broadcast Facilities	\$ 576,471	\$ 1,555,145	\$ 2,131,616
Goods and Services	-	241,394	241,394
Food and Beverage	-	4,725	4,725
Total	<u>\$ 576,471</u>	<u>\$ 1,801,264</u>	<u>\$ 2,377,735</u>

	<u>2021</u>		
	<u>Television</u>	<u>Radio</u>	<u>Total</u>
Broadcast Facilities	\$ 610,410	\$ 1,393,699	\$ 2,004,109
Goods and Services	19,530	113,664	133,194
Food and Beverage	-	2,625	2,625
Total	<u>\$ 629,940</u>	<u>\$ 1,509,988</u>	<u>\$ 2,139,928</u>

NOTE 10 – RETIREMENT PLANS

The Organization has a Tax Deferred or 403(b) retirement plan (the "Plan"). All full-time employees are eligible to participate in the Plan. The Plan may be terminated at any time at the Organization's sole discretion. After completing six months of employment, the Organization contributes 100% of the first 3% of compensation deferred plus 50% of the next 2% of compensation deferred, which can vary from plan year to plan year. Contributions to the Plan on behalf of Plan participants are made on a bi-weekly basis. Employees may contribute on a tax deferred basis any amount up to the lesser of 100% of their compensation or the IRS allowed limit. The Organization's contributions amounted to \$137,785 and \$156,935 for the years ended June 30, 2022 and 2021, respectively.

The Organization has a Nonqualified Deferred Compensation or 457(b) retirement plan. Director level and above employees are eligible to participate in the 457(b) plan. The 457(b) plan may be terminated at any time, at the Organization's sole discretion. The Organization does not contribute to the 457(b) plan. At June 30, 2022 and 2021, the 457(b) plan has \$430,338 and \$475,671, respectively, in Plan Assets, and \$427,250 and 472,725, respectively in Plan Liabilities.

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS
COLLABORATIVE, INC. AND AFFILIATE
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 11 – WELFARE BENEFIT PLAN

The Organization sponsors a welfare benefit plan under ERISA for the benefit of an executive that authorized the purchase of life insurance policies as a means of providing post-employment benefits. The life insurance policies are established on the life of the executive and his spouse as joint insured. To minimize the risk of non-payment, the value of the life insurance was distributed between two highly rated insurers.

Each premium contribution provided by the Organization on behalf of the executive is treated for legal, tax and financial purposes as a loan from the Organization to the executive. These premium loans are established as a long-term note receivable on the combined financial statements of the Organization. The receivable is required to be repaid by the executive. Accordingly, The Organization has entered into a collateral assignment agreement with the executive which provides that the death benefit of the life insurance policies will provide a full repayment of the accumulated loan receivable at the death of the individuals insured under the policies to the Organization. Based upon actuarial tables, it is projected that the life insurance policies held by the executive and his spouse will generate additional death benefits to the Organization over and beyond the loan repayment and contractually agreed upon interest.

NOTE 12 – OPERATING LEASE COMMITMENTS

The Organization leases space to certain companies on its roof for tower rentals under noncancelable operating leases. The following is a schedule by years of future minimum rentals to be received under the leases at June 30, 2022:

2023	\$ 272,712
2024	241,273
2025	248,511
2026	255,967
2027	263,646
Thereafter	<u>1,874,788</u>
	<u>\$ 3,156,897</u>

SUPPLEMENTARY INFORMATION

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.
SUPPLEMENTARY SCHEDULE OF STATEMENT OF ACTIVITIES BY cpb LICENSEE
For The Year Ended June 30, 2022

	TV	Radio	Combined
Public Support and Revenues:			
Public broadcasting entities	\$ 1,458,410	\$ 920,210	\$ 2,378,620
Grants	178,993	459,272	638,265
Contributions, subscription membership fees	2,017,388	6,967,213	8,984,601
Underwriting fees	194,223	3,382,653	3,576,876
In-kind contributions, excluding APS support	-	246,119	246,119
APS Indirect financial support	576,471	1,555,145	2,131,616
Rental income	310,439	268,643	579,082
Investment return, net	(50,488)	(163,625)	(214,113)
Other revenue	<u>2,128</u>	<u>7,592</u>	<u>9,720</u>
Total Public Support and Revenues	<u>4,687,564</u>	<u>13,643,222</u>	<u>18,330,786</u>
Expenses:			
Program services			
Programming and production	2,538,718	5,417,214	7,955,932
Broadcasting	885,827	1,444,213	2,330,040
Program information and promotion	408,915	666,677	1,075,592
Depreciation	<u>66,263</u>	<u>108,032</u>	<u>174,295</u>
Total Program Services	<u>3,899,723</u>	<u>7,636,136</u>	<u>11,535,859</u>
Support services:			
Management and general	246,338	2,545,483	2,791,821
Fundraising and membership development	658,667	1,839,091	2,497,758
Underwriting and grant solicitation	164,100	1,420,586	1,584,686
Depreciation	<u>35,007</u>	<u>57,074</u>	<u>92,081</u>
Total Support Services	1,104,112	5,862,234	6,966,346
Total Expenses	<u>5,003,835</u>	<u>13,498,370</u>	<u>18,502,205</u>
Change in Net Assets	<u>\$ (316,271)</u>	<u>\$ 144,852</u>	<u>\$ (171,419)</u>

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

	<u>AETC</u>	<u>Foundation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,346,233	\$ 98,261	\$ 3,444,494
Receivables, net	900,490	-	900,490
Investments	-	2,824,449	2,824,449
Prepaid expenses	355,864	-	355,864
Investments held under nonqualified retirement agreement	430,338	-	430,338
Note receivable	1,977,286	-	1,977,286
Property and equipment, net	<u>1,835,608</u>	<u>-</u>	<u>1,835,608</u>
TOTAL ASSETS	<u>\$ 8,845,819</u>	<u>\$ 2,922,710</u>	<u>\$ 11,768,529</u>
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses	\$ 651,250	\$ -	\$ 651,250
Accrued salaries and fringe benefits	449,810	-	449,810
Contract liabilities	5,053	-	5,053
Obligations under nonqualified retirement agreement	<u>427,250</u>	<u>-</u>	<u>427,250</u>
Total Liabilities	<u>1,533,363</u>	<u>-</u>	<u>1,533,363</u>
Net Assets:			
Without donor restrictions	7,090,930	2,922,710	10,013,640
With donor restrictions	<u>221,526</u>	<u>-</u>	<u>221,526</u>
Total Net Assets	<u>7,312,456</u>	<u>2,922,710</u>	<u>10,235,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,845,819</u>	<u>\$ 2,922,710</u>	<u>\$ 11,768,529</u>

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC. AND AFFILIATE
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	<u>AETC</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Public Support and Revenues:				
Public broadcasting entities	\$ 2,378,620	\$ -	\$ -	\$ 2,378,620
Grants	638,265	-	-	638,265
Contributions, subscription membership fees	8,984,601	-	-	8,984,601
Underwriting fees	3,576,876	-	-	3,576,876
In-kind contributions	2,377,735	-	-	2,377,735
Rental income	579,082	-	-	579,082
Investment return, net	1,634	(215,747)	-	(214,113)
Funding from Foundation	137,437	-	(137,437)	-
Other revenues	9,720	-	-	9,720
Net assets released from restrictions	-	-	-	-
Total Public Support and Revenues	<u>18,683,970</u>	<u>(215,747)</u>	<u>(137,437)</u>	<u>18,330,786</u>
Expenses:				
Program	11,535,859	137,437	(137,437)	11,535,859
Management and General	2,809,720	14,988	-	2,824,708
Underwriting and Fundraising	4,141,638	-	-	4,141,638
Total Expenses	<u>18,487,217</u>	<u>152,425</u>	<u>(137,437)</u>	<u>18,502,205</u>
Changes in Net Assets	<u>\$ 196,753</u>	<u>\$ (368,172)</u>	<u>\$ -</u>	<u>\$ (171,419)</u>