

**ATLANTA EDUCATIONAL  
TELECOMMUNICATIONS  
COLLABORATIVE, INC.**

**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018  
and  
SUPPLEMENTARY INFORMATION**

**with  
INDEPENDENT AUDITORS' REPORT**

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

### **To the Board of Directors**

#### **Atlanta Educational Telecommunications Collaborative, Inc.**

We have audited the accompanying financial statements of Atlanta Educational Telecommunications Collaborative, Inc. ("AETC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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.

### **Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 AETC'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 AETC'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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AETC as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

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

*Smith + Howard*

January 16, 2020

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Financial Position  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,371,479	\$ 3,665,278
Receivables, net	1,070,438	915,500
Investments	4,446,807	3,662,679
Prepaid expenses	49,198	76,948
Investments held under nonqualified retirement	348,493	313,601
Note receivable	1,977,286	1,977,286
Property and equipment, net	<u>1,178,591</u>	<u>1,433,032</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,442,292</u></b>	<b><u>\$ 12,044,324</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 450,872	\$ 554,298
Accrued salaries and fringe benefits	730,334	832,709
Deferred revenues	66,090	67,097
Obligations under nonqualified retirement agreement	<u>346,148</u>	<u>311,387</u>
Total Liabilities	<u>1,593,444</u>	<u>1,765,491</u>
Net Assets:		
Without donor restrictions		
Undesignated	5,718,470	7,922,840
Board Designated	<u>2,878,292</u>	<u>2,308,159</u>
	8,596,762	10,230,999
With donor restrictions		
Purpose restricted	<u>252,086</u>	<u>47,834</u>
Total Net Assets	<u>8,848,848</u>	<u>10,278,833</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,442,292</u></b>	<b><u>\$ 12,044,324</u></b>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statement of Activities  
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public broadcasting entities	\$ 1,438,021	\$ 274,982	\$ 1,713,003
Grants	-	347,847	347,847
Contributions, subscription membership fees	7,486,899	-	7,486,899
Underwriting contributions	4,352,308	-	4,352,308
In-kind contributions	1,783,428	-	1,783,428
Rental income	531,958	-	531,958
Investment return, net	274,217	-	274,217
Other revenues	55,779	-	55,779
Net assets released from restrictions	<u>418,577</u>	<u>(418,577)</u>	<u>-</u>
Total Public Support and Revenues	<u>16,341,187</u>	<u>204,252</u>	<u>16,545,439</u>
Expenses			
Program Services			
Programming and Production	7,558,906	-	7,558,906
Broadcasting	2,584,964	-	2,584,964
Program Information and Promotion	<u>1,342,882</u>	<u>-</u>	<u>1,342,882</u>
Total Program Services	<u>11,486,752</u>	<u>-</u>	<u>11,486,752</u>
Support Services			
Management and General	2,693,526	-	2,693,526
Underwriting	1,313,819	-	1,313,819
Fundraising	<u>2,481,327</u>	<u>-</u>	<u>2,481,327</u>
Total Support Services	<u>6,488,672</u>	<u>-</u>	<u>6,488,672</u>
Total Expenses	<u>17,975,424</u>	<u>-</u>	<u>17,975,424</u>
Changes in Net Assets	<u>(1,634,237)</u>	<u>204,252</u>	<u>(1,429,985)</u>
Net Assets, Beginning of Year	<u>10,230,999</u>	<u>47,834</u>	<u>10,278,833</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 8,596,762</u></u>	<u><u>\$ 252,086</u></u>	<u><u>\$ 8,848,848</u></u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statement of Activities  
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public broadcasting entities	\$ 1,395,048	\$ 63,488	\$ 1,458,536
Grants	-	87,750	87,750
Contributions, subscription membership fees	8,795,120	10,000	8,805,120
Underwriting contributions	4,896,131	-	4,896,131
In-kind contributions	1,048,913	-	1,048,913
Rental income	280,082	-	280,082
Investment return, net	164,869	-	164,869
Other revenues	41,131	-	41,131
Net assets released from restrictions	<u>335,581</u>	<u>(335,581)</u>	<u>-</u>
Total Public Support and Revenues	<u>16,956,875</u>	<u>(174,343)</u>	<u>16,782,532</u>
 Expenses			
Program Services			
Programming and Production	6,398,122	-	6,398,122
Broadcasting	2,522,190	-	2,522,190
Program Information and Promotion	<u>1,295,442</u>	<u>-</u>	<u>1,295,442</u>
Total Program Services	<u>10,215,754</u>	<u>-</u>	<u>10,215,754</u>
Support Services			
Management and General	2,067,722	-	2,067,722
Underwriting	1,352,585	-	1,352,585
Fundraising	<u>2,376,655</u>	<u>-</u>	<u>2,376,655</u>
Total Support Services	<u>5,796,962</u>	<u>-</u>	<u>5,796,962</u>
 Total Expenses	<u>16,012,716</u>	<u>-</u>	<u>16,012,716</u>
 Changes in Net Assets	<u>944,159</u>	<u>(174,343)</u>	<u>769,816</u>
 Net Assets, Beginning of Year	<u>9,286,840</u>	<u>222,177</u>	<u>9,509,017</u>
 <b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 10,230,999</u></u>	<u><u>\$ 47,834</u></u>	<u><u>\$ 10,278,833</u></u>

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statement of Functional Expenses  
Year Ended June 30, 2019

	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	\$ 1,964,563	\$ 470,108	\$ 1,022,447	\$ 460,828	\$ 3,917,946	\$ 1,095,664	\$ 670,817	\$ 827,861	\$ 2,594,342	\$ 6,512,288
Employee Benefit & Taxes	488,728	116,122	245,387	110,054	960,291	197,664	151,667	198,687	548,018	1,508,309
Professional fees & Contract Services	120,512	166,740	198,332	18,663	504,247	492,198	108,746	1,500	602,444	1,106,691
Advertising & Promotion	14,597	-	77,327	270,420	362,344	-	216	3,205	3,421	365,765
Office Expenses	66,016	11,799	32,389	12,433	122,637	66,095	259,110	41,794	366,999	489,636
Information Technology	27,009	9,285	285,184	692	322,170	10,310	117,483	343	128,136	450,306
Occupancy	133,924	23,418	67,907	19,550	244,799	223,831	37,577	39,675	301,083	545,882
Travel & Conferences	29,063	24,154	33,060	8,389	94,666	62,680	59,189	5,321	127,190	221,856
Insurance	-	-	-	-	-	34,255	-	-	34,255	34,255
Program Acquisition & Development	1,551,608	1,179,025	179,153	56,114	2,965,900	-	-	-	-	2,965,900
Premiums & Processing	-	-	-	-	-	-	473,582	780	474,362	474,362
Event & Fundraising Expense	2,298	274	-	34,373	36,945	7,502	444,145	2,750	454,397	491,342
Equipment and Maintenance	9,829	5,483	115,675	412	131,399	867	947	1,075	2,889	134,288
Other	114,548	127,728	14,878	8,826	265,980	232,708	12,640	11,115	256,463	522,443
Depreciation	135,939	23,771	68,930	19,844	248,484	41,776	38,141	40,272	120,189	368,673
	<u>4,658,634</u>	<u>2,157,907</u>	<u>2,340,669</u>	<u>1,020,598</u>	<u>10,177,808</u>	<u>2,465,550</u>	<u>2,374,260</u>	<u>1,174,378</u>	<u>6,014,188</u>	<u>16,191,996</u>
Indirect Administrative Support	349,647	61,140	177,295	51,039	639,121	107,451	98,103	103,583	309,137	\$ 948,258
In-Kind Expenses	165,789	165,789	67,000	271,245	669,823	120,525	8,964	35,858	165,347	835,170
Total In-Kind Expenses	515,436	226,929	244,295	322,284	1,308,944	227,976	107,067	139,441	474,484	1,783,428
Total	<u>\$ 5,174,070</u>	<u>\$ 2,384,836</u>	<u>\$ 2,584,964</u>	<u>\$ 1,342,882</u>	<u>\$ 11,486,752</u>	<u>\$ 2,693,526</u>	<u>\$ 2,481,327</u>	<u>\$ 1,313,819</u>	<u>\$ 6,488,672</u>	<u>\$ 17,975,424</u>

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



ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statement of Functional Expenses  
Year Ended June 30, 2018

	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	Underwriting	Fundraising	Total Support Services	Total
Salaries	\$ 1,986,950	\$ 383,664	\$ 999,924	\$ 427,489	\$ 3,798,027	\$ 1,089,155	\$ 843,565	\$ 573,976	\$ 2,506,696	\$ 6,304,723
Employee Benefit & Taxes	333,181	154,719	287,236	122,037	897,173	309,257	161,259	124,643	595,159	1,492,332
Professional Fees & Contract Services	121,022	177,581	216,930	29,869	545,402	178,135	20,385	118,817	317,337	862,739
Advertising & Promotion	-	-	16,497	435,567	452,064	37,311	3,373	1,044	41,728	493,792
Office Expenses	65,004	12,947	40,499	12,436	130,886	60,120	48,273	216,341	324,734	455,620
Information Technology	15,599	13,374	270,152	5,668	304,793	10,831	-	58,663	69,494	374,287
Occupancy	117,010	27,904	70,406	20,143	235,463	74,424	45,938	42,308	162,670	398,133
Travel & Conferences	23,858	6,100	18,214	6,235	54,407	44,107	6,055	59,038	109,200	163,607
Entertainment	1,441	1,368	990	823	4,622	12,476	480	1,384	14,340	18,962
Insurance	-	-	-	-	-	34,255	-	-	34,255	34,255
Program Acquisition & Development	1,478,660	676,258	185,922	5,489	2,346,329	-	-	-	-	2,346,329
Premiums & Processing	-	-	-	-	-	-	1,195	540,994	542,189	542,189
Event & Fundraising Expense	150	10,920	-	40,859	51,929	8,810	11,012	466,479	486,301	538,230
Equipment and Maintenance	14,467	3,955	148,017	463	166,902	1,438	1,647	1,169	4,254	171,156
Other	100,109	124,074	10,893	41,407	276,483	36,759	47,329	21,306	105,394	381,877
Depreciation	123,198	29,377	74,129	21,209	247,913	44,746	48,367	44,546	137,659	385,572
	<u>4,380,649</u>	<u>1,622,241</u>	<u>2,339,809</u>	<u>1,169,694</u>	<u>9,512,393</u>	<u>1,941,824</u>	<u>1,238,878</u>	<u>2,270,708</u>	<u>5,451,410</u>	<u>14,963,803</u>
Indirect Administrative Support	326,940	68,292	182,381	52,257	629,870	110,248	113,707	105,947	329,902	959,772
In-Kind Expenses	-	-	-	73,491	73,491	15,650	-	-	15,650	89,141
Total In-Kind Expenses	<u>326,940</u>	<u>68,292</u>	<u>182,381</u>	<u>125,748</u>	<u>703,361</u>	<u>125,898</u>	<u>113,707</u>	<u>105,947</u>	<u>345,552</u>	<u>1,048,913</u>
Total	<u>\$ 4,707,589</u>	<u>\$ 1,690,533</u>	<u>\$ 2,522,190</u>	<u>\$ 1,295,442</u>	<u>\$ 10,215,754</u>	<u>\$ 2,067,722</u>	<u>\$ 1,352,585</u>	<u>\$ 2,376,655</u>	<u>\$ 5,796,962</u>	<u>\$ 16,012,716</u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from contributors, members and grants	\$ 13,599,743	\$ 15,167,234
Other receipts	713,824	423,553
Cash paid to suppliers and employees	<u>(15,857,136)</u>	<u>(14,360,814)</u>
Net cash provided by (used in) operating activities	<u>(1,543,569)</u>	<u>1,229,973</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisitions of property and equipment	(114,232)	(418,745)
Purchases of investments	(2,957,116)	(662,882)
Sales of investments	<u>2,321,118</u>	<u>513,541</u>
Net cash used in investing activities	<u>(750,230)</u>	<u>(568,086)</u>
Change in Cash and Cash Equivalents	(2,293,799)	661,887
Cash and Cash Equivalents:		
Beginning of Year	<u>3,665,278</u>	<u>3,003,391</u>
<b>END OF YEAR</b>	<u><u>\$ 1,371,479</u></u>	<u><u>\$ 3,665,278</u></u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Cash Flows, Continued  
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of change in net assets to net cash provided (required) by operating activities:		
Change in net assets	\$ (1,429,985)	\$ 769,816
Adjustments to reconcile change in net asset to net cash provided by (used in) operating activities:		
Depreciation	368,673	385,572
Net realized and unrealized gain on investments	(148,130)	(62,529)
Bad debt expense	179,130	-
Changes in assets and liabilities:		
Receivables	(334,068)	(111,796)
Prepaid expenses and investments held under nonqualified retirement	(7,142)	308,096
Accounts payable and accrued expenses	(103,426)	(178,138)
Accrued salaries and fringe benefits	(102,375)	87,459
Deferred revenues and obligations held under nonqualified retirement	<u>33,754</u>	<u>31,493</u>
<b>NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES</b>	<u>\$ (1,543,569)</u>	<u>\$ 1,229,973</u>

**ATLANTA EDUCATIONAL  
TELECOMMUNICATIONS COLLABORATIVE, INC.**

Notes to the Financial Statements  
June 30, 2019 and 2018

**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 WPBA-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.

*Basis of Presentation*

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

The financial statements are reported using the accrual basis accounting.

*Net Assets*

Net asset activities and their defined purposes used by AETC 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 AETC and its purpose.

*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, 2019, AETC did not have any net assets maintained in perpetuity.

## Notes to the Financial Statements, Continued

### Note 1 - Background and Significant Accounting Policies, continued

#### *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 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.

#### *Fair Value Measurements, continued*

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. AETC believes the carrying values of its financial instruments are reasonable estimates of their values, unless otherwise noted.

## Notes to the Financial Statements, Continued

### Note 1 - Background and Significant Accounting Policies, continued

#### *Federal and State Income Taxes*

AETC 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 financial statements. In addition, AETC 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 AETC's management to evaluate tax positions taken and recognize a tax liability (or asset) if AETC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). AETC's management has analyzed the tax positions taken and has concluded that, as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. AETC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. In general, AETC is no longer subject to income tax examinations for tax years ending before June 30, 2016.

#### *Contributions*

AETC accounts for contributions 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. Underwriting contributions consist of advertising revenue and are recognized when earned. Subscription membership fees are recorded as revenue when received.

#### *In-kind Contributions*

Donated services, materials and supplies, as further described in Note 7, are recorded at fair market value at the time of the donation and are recognized as both contributions and expenses.

#### *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.

## Notes to the Financial Statements, Continued

### Note 1 - Background and Significant Accounting Policies, continued

#### *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 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.

#### *Concentration of Credit Risk*

AETC'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. AETC 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 financial statements.

#### *Use of Estimates*

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

#### *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.

#### *Reclassifications*

Certain amounts for 2018 have been reclassified to conform to the 2019 presentation

#### *Subsequent Events*

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

## Notes to the Financial Statements, Continued

### Note 2 - Receivables

A summary of receivables as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Accounts/pledges receivable, net	\$ 859,171	\$ 859,800
Grants receivable	211,267	31,927
Other receivables	-	23,773
 Total Receivables	 \$ 1,070,438	 \$ 915,500

All of AETC's receivables noted above are expected to be collected in 2020. AETC also has a long-term note receivable that is a result of the Welfare Benefit Plan (see Note 9) for the former Chief Executive Officer. The value of the long-term receivable as of June 30, 2019 and 2018 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>2019</u>				
<u>Types of Investments:</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities <sup>a</sup> :	\$ 1,730,201	\$ 1,730,201	\$ -	\$ -
Fixed income securities <sup>b</sup> :	2,716,606	1,687,447	1,029,159	-
 Total	 \$ 4,446,807	 \$ 3,417,648	 \$ 1,029,159	 \$ -
 <u>2018</u>				
<u>Types of Investments:</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities <sup>a</sup> :	\$ 961,803	\$ 961,803	\$ -	\$ -
Fixed income securities <sup>b</sup> :	2,700,876	2,351,196	349,680	-
 Total	 \$ 3,662,679	 \$ 3,312,999	 \$ 349,680	 \$ -

<sup>a</sup> Equity securities are comprised of the following investment types: common stock and mutual funds.

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



**Notes to the Financial Statements, Continued**

**Note 4 – Property and Equipment**

Property and equipment balances as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Equipment and furniture	\$ 3,061,099	\$ 3,019,698
Intellectual Property	50,000	50,000
Leasehold improvements	<u>1,457,808</u>	<u>1,384,977</u>
	4,568,907	4,454,675
 Less: Accumulated depreciation	 <u>(3,390,316)</u>	 <u>(3,021,643)</u>
 Property and Equipment	 <u><u>\$ 1,178,591</u></u>	 <u><u>\$ 1,433,032</u></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 AETC 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 AETC's financial statements, which has a cost value of approximately \$11,000,000. Beginning July 1, 2018, under the new agreement with the School System, AETC will lease the Broadcast Facilities. Under the agreement with School System, AETC may choose to leave the School System facility without penalty. Future minimum lease payments for the years ending June 30 are as follows:

2020	\$ 153,000
2021	156,060
2022	159,181
2023	<u>162,365</u>
	<u><u>\$ 630,606</u></u>

**Notes to the Financial Statements, Continued**

**Note 5 – Net Assets**

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Educational Program	\$ 110,175	\$ -
Gun Violence Reporting	102,649	-
Other Programs	<u>39,262</u>	<u>47,834</u>
	<u>\$ 252,086</u>	<u>\$ 47,834</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>2019</u>	<u>2018</u>
Expenditures for program activities	\$ 418,577	\$ 296,503
Expenditures for capital projects	<u>-</u>	<u>39,078</u>
	<u>\$ 418,577</u>	<u>\$ 335,581</u>

**Note 6 – Liquidity and Availability of Resources**

AETC’s financial assets available within one year of June 30, 2019 and 2018 for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,371,479	\$ 3,665,278
Receivables	1,070,438	915,500
Investments	<u>4,446,807</u>	<u>3,662,679</u>
Total financial assets available within one year	6,888,724	8,243,457
Less:		
Amounts unavailable to management due to Board or Donor restriction		
Donor restricted funds	(252,086)	(47,834)
Board Designated Fund	<u>(2,878,292)</u>	<u>(2,308,159)</u>
Total financial assets available within one year without Board approval	<u>\$ 3,758,346</u>	<u>\$ 5,887,464</u>

## Notes to the Financial Statements, Continued

### Note 6 – Liquidity and Availability of Resources, continued

The majority of the financial assets include cash and cash equivalents as well as short-term investments that enable rapid liquidity when needed. The receivables are expected to be collected within one year. In addition, the governing board of AETC set aside net assets without donor restrictions of \$2,878,292 as of June 30, 2019, known as the Board Designated Fund, which may be drawn upon in the event of an immediate liquidity need from events outside the typical life cycle of general expenditures. Availability of the financial assets from the fund are subject to the approval of the governing body.

Furthermore, beginning in fiscal year 2019, AETC moved forward with a plan to invest in additional TV programming focused on expanded national programming provided by PBS, expanded local TV production, and access to the video-on-demand system for PBS programming called Passport. As supported by research, this plan was intended to expand AETC's commitment to the local community, broaden and diversify the viewing audience, and strengthen revenue over time. Recognized as an important step for the future, initial supplemental funding for the first several years of the new programming, to the extent that annual costs exceed annual revenue, would come from reserves accumulated as part of AETC's undesignated net assets. AETC's Board and management made this investment decision, budgeting for expenses \$260,000 over anticipated revenue, after determining that reserves are sufficient to satisfy on-going operating and capital requirements as well as the additional investment in TV programming. The final outcome required more support from reserves than budgeted. AETC encountered unanticipated challenges that reduced membership revenue during transition to a new donor base management system. In addition, underwriting revenue was negatively impacted by unanticipated short-term fluctuations, and there was a substantial increase in expenses, totaling \$206,535, in the annual charge paid to the Atlanta Public Schools.

**Notes to the Financial Statements, Continued**

**Note 7 – Donated Goods and Services**

The value of donated goods and services included as in-kind contribution revenues and the corresponding program expenses in the accompanying statements of activities, are as follows for the years ended June 30:

	<u>2019</u>		<u>Total</u>
	<u>Television</u>	<u>Radio</u>	
Broadcast Facilities	\$ 439,757	\$ 508,501	\$ 948,258
Goods and Services	198,394	593,303	791,697
Food and Beverage	<u>11,480</u>	<u>31,993</u>	<u>43,473</u>
 Total	 <u>\$ 649,631</u>	 <u>\$ 1,133,797</u>	 <u>\$ 1,783,428</u>

  

	<u>2018</u>		<u>Total</u>
	<u>Television</u>	<u>Radio</u>	
Broadcast Facilities	\$ 448,162	\$ 511,610	\$ 959,772
Goods and Services	64,920	13,571	78,491
Food and Beverage	<u>5,325</u>	<u>5,325</u>	<u>10,650</u>
 Total	 <u>\$ 518,407</u>	 <u>\$ 530,506</u>	 <u>\$ 1,048,913</u>

**Note 8 – Retirement Plans**

AETC 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 AETC's sole discretion. After completing six months of employment, AETC 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. AETC's contributions amounted to \$157,303 and \$152,459 for the years ended June 30, 2019 and 2018, respectively.

AETC 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 AETC's sole discretion. AETC does not contribute to the 457(b) plan. At June 30, 2019, the 457(b) plan has \$348,493 in Plan Assets, and \$346,148 in Plan Liabilities.

## Notes to the Financial Statements, Continued

### Note 9 – Welfare Benefit Plan

AETC 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 AETC on behalf of the executive is treated for legal, tax and financial purposes as a loan from AETC to the executive. These premium loans are established as a long-term note receivable on the financial statements of AETC. The receivable is required to be repaid by the executive. Accordingly, AETC 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 AETC. 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 AETC over and beyond the loan repayment and contractually agreed upon interest.

### Note 10 – Operating Lease Commitments

AETC 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, 2019:

2020	\$	321,552
2021		331,199
2022		341,135
2023		351,369
2024		241,273
Thereafter		2,642,911
	\$	<u>4,229,439</u>

### Note 11 – Related Party Transactions

During fiscal year 2018, AETC has one vendor where a member of the Board of Directors is an owner. This vendor provided services to AETC in the amount of approximately \$96,000 for June 30, 2018.

## SUPPLEMENTARY INFORMATION

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

SUPPLEMENTARY SCHEDULE OF STATEMENT OF ACTIVITIES BY CPB LICENSEE  
FOR THE YEAR ENDED JUNE 30, 2019

	TV	Radio	Combined
Public Support and Revenues:			
Public broadcasting entities	\$ 800,222	\$ 912,781	\$ 1,713,003
Grants	150,150	197,697	347,847
Contributions, subscription membership fees	2,061,634	5,425,265	7,486,899
Underwriting contributions	289,728	4,062,580	4,352,308
In-kind contributions, excluding APS support	209,874	625,296	835,170
APS Indirect financial support	439,757	508,501	948,258
Rental income	369,004	162,954	531,958
Investment return, net	137,108	137,109	274,217
Other revenue	5,121	50,658	55,779
Total Public Support and Revenues	<u>4,462,598</u>	<u>12,082,841</u>	<u>16,545,439</u>
Expenses:			
Program services			
Programming and production	2,361,065	5,038,131	7,399,196
Broadcasting	956,538	1,559,496	2,516,034
Program information and promotion	502,988	820,049	1,323,037
Depreciation	94,468	154,016	248,484
Total Program Services	<u>3,915,059</u>	<u>7,571,692</u>	<u>11,486,751</u>
Support services			
Management and general	490,859	2,160,893	2,651,752
Fundraising and membership development	659,660	1,783,526	2,443,186
Underwriting and grant solicitation	89,148	1,184,398	1,273,546
Depreciation	45,693	74,496	120,189
Total Support Services	<u>1,285,360</u>	<u>5,203,313</u>	<u>6,488,673</u>
Total Expenses	<u>5,200,419</u>	<u>12,775,005</u>	<u>17,975,424</u>
Change in Net Assets	<u>\$ (737,821)</u>	<u>\$ (692,164)</u>	<u>\$ (1,429,985)</u>