

Financial Statements and Report of
Independent Certified Public
Accountants

WNYE Channel 25

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To: Anne del Castillo
Head of Grantee/Chief Operating Officer of
WYNE Channel 25, New York

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities of WYNE Channel 25 (the "Station"), a divisional unit of The City of New York ("The City") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

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 opinion on these financial statements based on our audit. We conducted our audit 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 Station'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 Station'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 respective financial position of the governmental activities of the Station as of June 30, 2021 and 2020, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the accompanying financial statements present only those transactions attributable to the Station, a divisional unit of The City, and do not purport to, and do not, present fairly the financial position and changes in financial position of The City, as of and for the years ended June 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other matters***Required supplementary information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



New York, New York
February 11, 2022

WNYE Channel 25

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2021 and 2020
(unaudited)

The following is a narrative overview and analysis of the financial activities of WNYE Channel 25's (the "Station") financial performance, which provides information on the Station's financial activities for the years ended June 30, 2021 and 2020. It contains opinions, assumptions and conclusions by the Station's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements following this section and the notes to financial statements.

BACKGROUND

The Station is a noncommercial public television station of The City of New York ("The City"). The Station was owned and operated by the New York City Board of Education (the "Prior Licensee") until December 23, 2004.

In December 2004, Mayor Bloomberg announced by executive order the transfer of WNYE-TV and WNYE-FM from the New York City Department of Education (formerly known as "New York City Board of Education") to The City's Department of Information Technology & Telecommunications ("DOITT" or the "Licensee"), effectively giving DOITT the day-to-day management of the Federal Communications Commission ("FCC") broadcast licenses reaching over 7.3 million households in the New York Metro Region, including New York, New Jersey, Connecticut, and parts of Pennsylvania.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial statements consist of three parts: (1) management's discussion and analysis (this section), (2) the financial statements and (3) the notes to financial statements.

The statements of net position - presents the Station's total assets and total liabilities at the end of the fiscal year. The difference between the two is reported as net position, which represents the Station's net assets, or the residual of total assets over creditors' interests (total liabilities). Over time, increases or decreases in net position are a useful indicator as to whether the Station's financial health is improving or deteriorating.

The statements of revenues, expenses and changes in net position - shows how the Station's net position changed during the fiscal years. All changes in net position are reported on an accrual basis of accounting, which reports the event as it occurs, rather than when cash is exchanged.

The notes to financial statements - are an integral part of the financial statements, disclosing information which is essential to a full understanding of the financial statements.

FINANCIAL REPORTING ENTITY

The financial statements of the Station, which include the statement of net position and the statement of revenues, expenses and changes in net position, have been prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*, as amended by subsequent GASB statements. The financial statements of the Station have been prepared on the accrual basis of accounting. Accordingly, revenues are recorded when they are earned and expenses are recorded when the related liability has been incurred, regardless of the timing of the related cash flows.

WNYE Channel 25

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the years ended June 30, 2021 and 2020
(unaudited)

The Station is a non-commercial media organization supported by sponsorship/underwriting revenues, City funds, and Corporation for Public Broadcasting ("CPB") funding. The following paragraphs discuss the Station's business model:

- **Sources of Funding.** The Station is funded by The City as a division of DOITT. Along with cash and support from DOITT, the Station collects revenues from unique Ethnic and Community Lease Time Programmers. The Station also has access to cash held by The City in a fiduciary fund, which is restricted for the purchase of inventory and service contracts for the Station. The Station receives funds from Multiple System Operators to fund Station operations.
- **CPB Funding.** The Station receives grant funds from CPB, a private, non-profit corporation created by Congress in 1967 that promotes public telecommunications services for the American public (television, radio and online). CPB remains today the largest single source of funding for public television and radio programming, mainly through competitive grants. The CPB funding for public television is based primarily on each station's Non-Federal Financial Support.
- The Station's expenses have been allocated among four categories - Programming and Production, Broadcasting and Engineering, Program Information and Promotion, and Management and General. Each category contains both personnel service costs for City employees who dedicate effort to the Station, as well as other than personnel services expenses, including use of City facilities and equipment, supplies and contract services.

CONDENSED FINANCIAL INFORMATION

The following sections discuss the significant accounts in the Station's financial position for the years ended June 30, 2021 and 2020. It should be noted that for purposes of the Management's Discussion and Analysis, summaries of the financial statements presented are extracted from the Station's financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America. Following is a summary of the assets, liabilities, net position, revenue, expenses and changes in net position.

Summary of Net Position:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total current assets	\$ 618,638	\$ 617,137	\$ 706,441
Total current liabilities	<u>19,988</u>	<u>25,302</u>	<u>73,026</u>
Total net position	<u>\$ 598,650</u>	<u>\$ 591,835</u>	<u>\$ 633,415</u>

June 30, 2021 compared to June 30, 2020:

- The Station's total assets exceeded total liabilities by \$598,650, which represents net position. The \$598,650 of net position is considered restricted net position for future qualifying expenditures of the Station.
- The Station's current assets increased by \$1,501 (0.2%) mainly due to spending of restricted cash on the Station's qualifying costs, offset by interest received.
- The decrease in total liabilities of \$5,314 (21%) is a result of decreases in accounts payable due as of June 30, 2021.

WNYE Channel 25

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**For the years ended June 30, 2021 and 2020
(unaudited)**

June 30, 2020 compared to June 30, 2019:

- The Station's total assets exceeded total liabilities by \$591,835, which represents net position. The \$591,835 of net position is considered restricted net position for future qualifying expenditures of the Station.
- The Station's current assets decreased by \$89,304 (13%) mainly due to spending of restricted cash on the Station's qualifying costs, offset by interest received.
- The decrease in total liabilities of \$47,724 (65%) is a result of decreases in accounts payable due as of June 30, 2020.

Summary of Revenues, Expenses and Changes in Net Position:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total operating revenues	\$ 2,601,595	\$ 2,609,097	\$ 2,662,979
Total operating expenses	<u>17,163,236</u>	<u>17,856,047</u>	<u>19,300,707</u>
Operating loss	(14,561,641)	(15,246,950)	(16,637,728)
Nonoperating income	<u>14,568,456</u>	<u>15,205,370</u>	<u>16,591,732</u>
Change in net position	<u>\$ 6,815</u>	<u>\$ (41,580)</u>	<u>\$ (45,996)</u>

June 30, 2021 compared to June 30, 2020:

- Operating revenues for the Station decreased by \$7,502, from \$2,609,097 in 2020 to \$2,601,595 in 2021. The Station's revenue from programming partners decreased in 2021, as COVID-related financial stress continued to affect programmers in 2021.
- Operating expenses decreased by \$692,811 (3.9%) due to decreases of \$130,751 in Management and General Expense, \$482,174 in Programming and Production, \$65,957 in Broadcasting and Engineering, and \$13,929 in Program Information and Promotion. The decrease in operating expenses is the result of COVID-related reductions in original programming, headcount, and general operating costs associated with the Station.
- Non-operating income decreased by \$636,914 (4%) primarily as a result of a decrease in The City appropriation of \$756,855, and interest income of \$12,248, partially offset by an increase in the Corporation for Public Broadcasting grant of \$132,189.

June 30, 2020 compared to June 30, 2019:

- Operating Revenues for the Station decreased by \$53,882, from \$2,662,979 in 2019 to \$2,609,097 in 2020. The Station's revenue from programming partners decreased in 2020, as COVID-related financial stress affected programmers in 2020.
- Operating Expenses decreased by \$1,454,660 (7.5%) due to an increase of \$95,203 in Management and General Expense, offset by decreases of \$872,418 in Programming and Production, \$402,389 in Broadcasting and Engineering, and \$265,056 in Program Information and Promotion. The decrease in operating expenses is the result of COVID-related reductions in original programming, headcount, and general operating costs associated with the Station.

WNYE Channel 25

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**For the years ended June 30, 2021 and 2020
(unaudited)**

- Non-operating income decreased by \$1,386,362 (8.4%) primarily as a result of a decrease in The City appropriation of \$1,557,042, partially offset by increases in the Corporation for Public Broadcasting grant of \$170,427 and interest income of \$253.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Station's finances. Questions concerning any data provided in this report or requests for additional information should be directed to Mr. John Winker, Associate Commissioner Financial Services, 15 Metro Tech, 18th Floor, Brooklyn, New York 11201.

WNYE Channel 25

STATEMENTS OF NET POSITION

As of June 30,

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Restricted cash	\$ 618,638	\$ 617,137
Total current assets	<u>618,638</u>	<u>617,137</u>
LIABILITIES		
Current liabilities		
Accrued expenses	<u>19,988</u>	<u>25,302</u>
Total current liabilities	<u>19,988</u>	<u>25,302</u>
Net position		
Restricted net position	<u>598,650</u>	<u>591,835</u>
Total net position	<u>\$ 598,650</u>	<u>\$ 591,835</u>

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

WNYE Channel 25

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the years ended June 30,

	<u>2021</u>	<u>2020</u>
Operating revenues		
Block grants	\$ 101,595	\$ 109,097
In-kind revenue	2,500,000	2,500,000
	<u>2,601,595</u>	<u>2,609,097</u>
Operating expenses		
Programming and production	6,810,571	7,292,745
Broadcasting and engineering	5,960,967	6,026,924
Program information and promotion	410,739	424,668
Management and general	3,980,959	4,111,710
	<u>17,163,236</u>	<u>17,856,047</u>
Total operating expenses	<u>17,163,236</u>	<u>17,856,047</u>
Operating loss	<u>(14,561,641)</u>	<u>(15,246,950)</u>
Nonoperating income		
The City of New York appropriation	11,980,985	12,737,840
Interest income	1,501	13,749
Corporation for Public Broadcasting grant	2,585,970	2,453,781
	<u>14,568,456</u>	<u>15,205,370</u>
Total nonoperating income	<u>14,568,456</u>	<u>15,205,370</u>
CHANGE IN NET POSITION	6,815	(41,580)
Net position - beginning of year	<u>591,835</u>	<u>633,415</u>
Net position - end of year	<u>\$ 598,650</u>	<u>\$ 591,835</u>

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

WNYE Channel 25

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION

WNYE Channel 25 (the "Station"), a noncommercial public television station of The City of New York ("The City"), is a divisional unit within the New York City Department of Information Technology & Telecommunications ("DOITT" or "Licensee") and is included in the General Fund of The City. The Station was owned and operated by the New York City Board of Education (the "Prior Licensee") until December 23, 2004. Thereafter, the Station license was transferred by the Federal Communications Commission ("FCC") to The City, which has designated Station management to DOITT.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in conformity with Generally Accepted Accounting Principles ("GAAP") for state and local governments in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The Station is a special purpose governmental entity, engaged only in a single government-type activity. The government-wide financial statements and the fund financial statements required by GAAP are combined and presented as a single set of statements.

The financial statements of the Station have been prepared using the flow of economic resources measurement and the accrual basis of accounting.

Revenue

The Station's revenues are derived from a number of different sources. Operating revenues result from the receipt of reimbursements from unique Ethnic and Community Lease Time Programmers for expenses incurred in the broadcasting of programmer content as well as in-kind transactions (Note 3). Nonoperating revenues include grants from the Corporation for Public Broadcasting ("CPB"), other public broadcasting entities, underwriters (grantors), as well as amounts appropriated by The City and interest income. The appropriations are provided by The City to DOITT and other city agencies that support the operations of the Station. Revenues are recorded when they are earned.

Expenses

The Station's operating expenses, including both direct and indirect costs have been allocated among four categories: Programming and Production, Broadcasting and Engineering, Program Information and Promotion, and Management and General. Each category contains both personnel service costs for city employees, other than personnel services expenses paid from the fiduciary account ("Trust & Agency"), as well as direct and indirect support from the Licensee calculated on a headcount basis, as approved by CPB.

Included in operating expenses are costs associated with the use of The City's facilities for the Station's operations as well as other costs related to the Station's operations that are incurred by The City, including overhead costs allocated to the Station by DOITT and other city central service agencies, as well as in-kind transactions (Note 3). These indirect cost allocations are calculated using estimates of The City's Cost Allocation Plan ("CAP") methodology that has been accepted by the U.S. Department of Health and Human Services, The City's cognizant agency. Any changes in the approved methodology, such as using actual expenses when available, are also reflected in the Station's operating expenses.

The New York City Central Service CAP calculations form the basis of two components of costs reported by the Station in these annual financial statements.

WNYE Channel 25

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The first portion of the CAP costs are those incurred within DOITT and are allocated to other agencies, including the Station. These “internal” allocations of DOITT costs are readily available and included in the Station’s financial statements.

The second portion of the CAP costs are estimates of those incurred by The City’s other central service agencies on behalf of DOITT. These indirect costs are accumulated from 13 other city agencies and are allocated individually based on allocation statistics, and using multiple bases of allocation for various costs within a single central service agency.

Restricted Cash

On behalf of the Station, The City holds cash in a fiduciary fund. This cash was generated by an agreement with Cablevision Systems Corp. (“Cablevision”) to “Not Carry” Channel 25 on its cable system’s channel 25 (it is carried on channel 21 instead of channel 25). Cablevision is required to carry (“Must Carry”) WNYE Channel 25 on its system under The City’s franchise agreements. This agreement to “Not Carry” Channel 25 on Cablevision’s cable system was negotiated by the Board of Education prior to the Station’s transfer to The City. These funds are categorized as restricted cash that are held in a fiduciary fund and set aside for the purchase of inventory and service contracts.

Capital Assets

The Station’s policy is to capitalize equipment and facility improvements with a minimum initial cost of \$35,000 per item and a minimum estimated useful life of five years or more. All capital assets reported were being depreciated using the straight-line method and an estimated five-year life, and are fully depreciated as of June 30, 2021 and 2020. The production, broadcast, and office facilities of the Station are owned by The City and are therefore not included as capital assets of the Station.

Current Liabilities

The current liabilities reported for the Station are accounts payable. The accounts payable include telephone, repairs and other charges.

Net Position

GASB Statement No. 34 requires net position to be divided into three major categories. The first category, invested in capital assets, reports the Station’s net equity in property, plant and equipment. The Station has no debt related to its capital assets, although The City may have outstanding debt related to the Station’s capital assets. The second category is restricted net position, which contains net position, the use or purpose of which is restricted by an external source or entity. The third category is unrestricted net position. As a divisional unit within DOITT and The City, the Station has no unrestricted net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

WNYE Channel 25

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Litigation

The Station is subject to litigation in the normal course of business. The Station’s management does not believe that the Station is party to any pending litigation which would have a material adverse effect on its financial statements or future operations.

CUNY

The Station has an agreement with The City University of New York (“CUNY”), whereby CUNY built a master control facility for the Station’s use. In return for the use of this facility, the Station provided CUNY the full use of one of its digital broadcast stations (25.3) and one of its PEG channels. The fair value of the use of the facility, which the Station has estimated to be \$2.5 million per year, is reflected in both the Station’s operating revenue and expenses, and is allocated as appropriate among the four operating expense categories.

Use of City-Owned Space

The Station occupies several floors at 1 Centre Street, The City’s Municipal Building. The value of this occupied spaced is determined by an independent appraiser, and is reflected in the Station’s operating expenses and in The City of New York appropriation nonoperating revenue.

Operating Leases

On June 4, 2007, The City, acting through DOITT, signed a lease agreement for the property located at Four Times Square, New York for the purpose of operating its television broadcast transmission system. The fixed Base Annual License fees installment is \$18,955 per month for FY2021. The lease expires November 30, 2023.

On March 16, 2015, The City, acting through the Department of Citywide Administrative Services, signed a lease agreement for office space for the Mayor’s Office of Media and Entertainment. The portion of this space allocated to the Station calls for monthly rent of \$7,170 for FY2021. The lease expires July 31, 2024.

As of June 30, 2021, the Station had future minimum payments under operating leases for future fiscal years of:

2022	\$ 321,690
2023	330,252
2024	193,518
2025	<u>7,848</u>
	<u>\$ 853,308</u>

NOTE 4 - COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce, and financial markets globally. The Station has been and continues to closely monitor the COVID-19 pandemic and its impact on the Station. Though the full impact of COVID-19 and the scope of any impact on the Station’s operations and financial conditions cannot be determined fully at this time, potential and adverse consequences to the Station of COVID-19 may include a decline in programming and other revenues, and appropriations from The City if the pandemic continues for a significant amount of time.

WNYE Channel 25

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 5 - SUBSEQUENT EVENTS

The Station has evaluated its June 30, 2021 financial statements for subsequent events through February 11, 2022, the date these financial statements were issued. The Station is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements, other than as disclosed herein.