

ideastream

Consolidated Financial Report
September 30, 2019

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Independent Auditors' Report

Board of Trustees
ideastream
Cleveland, Ohio

We have audited the accompanying consolidated financial statements of **ideastream** (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **ideastream** as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **ideastream**'s 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Meloney + Novotny LLC

Cleveland, Ohio
December 11, 2019

Consolidated Statement of Financial Position
September 30, 2019
(With Comparative Totals for September 30, 2018)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,429,207	\$ 3,183,367
Short-term investments	55,824	139,624
Accounts and contributions receivable, net	7,026,410	6,051,274
Prepaid expenses, deposits and other	<u>463,685</u>	<u>509,017</u>
Total current assets	8,975,126	9,883,282
Other assets:		
Long-term investments	28,520,523	30,939,446
Accounts and contributions receivable, net	412,321	312,742
Property, plant and equipment, net	3,664,223	2,472,200
Intangible asset - Radio Seaway, Inc.	<u>2,420,000</u>	<u>2,420,000</u>
Total other assets	<u>35,017,067</u>	<u>36,144,388</u>
Total assets	<u>\$43,992,193</u>	<u>\$46,027,670</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 873,445	\$ 1,041,538
Accrued liabilities and other	<u>1,419,022</u>	<u>1,676,485</u>
Total current liabilities	2,292,467	2,718,023
Net assets:		
Without donor restrictions	33,719,098	33,580,347
With donor restrictions	<u>7,980,628</u>	<u>9,729,300</u>
Total net assets	<u>41,699,726</u>	<u>43,309,647</u>
Total liabilities and net assets	<u>\$43,992,193</u>	<u>\$46,027,670</u>

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

Consolidated Statement of Activities
Year Ended September 30, 2019
(With Comparative Totals for Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Operating revenues and support:				
Contributed revenue:				
Individual support	\$ 6,719,508		\$ 6,719,508	\$ 7,167,676
Foundation and corporate support	218,574	\$ 2,781,002	2,999,576	1,868,317
Underwriting	100,588	2,955,642	3,056,230	3,428,384
Government support	32,625	6,239,164	6,271,789	6,164,587
In-kind contributions	676,558		676,558	615,004
Other contributed revenue	18,513	118,650	137,163	495,336
Earned revenue:				
Spectrum lease revenue	1,219,440		1,219,440	1,219,440
Other earned revenue	610,095		610,095	797,521
Investment return appropriated for operations	101,756	520,433	622,189	145,000
Net assets released from restriction	13,245,072	(13,245,072)	-	-
Total operating revenues and support	<u>22,942,729</u>	<u>(630,181)</u>	<u>22,312,548</u>	<u>21,901,265</u>
Operating expenses:				
Programming	15,846,526		15,846,526	16,708,797
General and administrative	2,485,434		2,485,434	2,642,847
Marketing and development	4,190,194		4,190,194	4,122,236
Total operating expenses	<u>22,522,154</u>	<u>-</u>	<u>22,522,154</u>	<u>23,473,880</u>
Change in net assets from operating activities	420,575	(630,181)	(209,606)	(1,572,615)
Non-operating activities:				
Loss on equity method investments	(897,091)		(897,091)	(895,878)
Grants for capital expenditures			-	126,431
Repack revenue		1,240,387	1,240,387	1,017,864
Depreciation	(709,439)		(709,439)	(728,318)
Loss on disposal of equipment	(7,945)		(7,945)	-
Equipment purchased for the management of state services	(642,611)		(642,611)	(381,117)
Net assets released from restriction for capital assets	1,871,439	(1,871,439)	-	-
Investment return, net of return appropriated for operations	103,823	(487,439)	(383,616)	1,215,801
Change in net assets from non-operating activities	<u>(281,824)</u>	<u>(1,118,491)</u>	<u>(1,400,315)</u>	<u>354,783</u>
Total change in net assets	138,751	(1,748,672)	(1,609,921)	(1,217,832)
Net assets, beginning of year, restated	<u>33,580,347</u>	<u>9,729,300</u>	<u>43,309,647</u>	<u>44,527,479</u>
Net assets, end of year	<u>\$ 33,719,098</u>	<u>\$ 7,980,628</u>	<u>\$ 41,699,726</u>	<u>\$ 43,309,647</u>

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

Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

	General and Programming	Administrative	Marketing and Development	Total Operating Expenses by Natural Classification
Salaries and benefits	\$ 9,387,760	\$ 1,387,995	\$ 1,917,954	\$12,693,709
Program acquisition and affiliation fees	3,421,803			3,421,803
Contractors and professional services	1,435,554	332,607	998,192	2,766,353
Building lease expense	465,824	148,621	144,355	758,800
Utilities, telephone and ISDN lines	387,665	153,508	29,774	570,947
Maintenance, repairs and equipment	288,014	16,966		304,980
Premiums and premiums fulfillment			247,056	247,056
Printing, postage and shipping	6,209	13,792	214,223	234,224
Financial expenses	2,377	12,305	205,081	219,763
Supplies and equipment	134,585	35,484	30,421	200,490
Dues and subscriptions	67,349	76,646	47,359	191,354
Advertising	12,112	5,158	140,512	157,782
Hospitality	39,013	29,716	82,522	151,251
Equipment lease expense	2,619	131,806		134,425
Meetings and travel	68,607	39,497	19,437	127,541
Agency commissions			100,596	100,596
Software and hardware	64,431	8,448	72	72,951
Taxes and insurance		68,774		68,774
Miscellaneous	25,112	24,111	12,640	61,863
Tower rent	37,492			37,492
Total operating expenses by function	<u>15,846,526</u>	<u>2,485,434</u>	<u>4,190,194</u>	<u>22,522,154</u>
Depreciation	709,439			709,439
Equipment purchased for the management of state services	642,611			642,611
Total expenses by function	<u>\$17,198,576</u>	<u>\$ 2,485,434</u>	<u>\$ 4,190,194</u>	<u>\$23,874,204</u>

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

Consolidated Statement of Cash Flows
Year Ended September 30, 2019
(With Comparative Totals for Year Ended September 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$(1,609,921)	\$(1,217,832)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	709,439	728,318
Loss on disposal of equipment	7,945	-
Actuarial loss on gift annuity obligation	5,417	-
Net realized and unrealized losses (gains) on investments	359,889	(1,015,539)
Amortization of discount on long-term contributions receivable	4,998	32,857
Loss on uncollectible contributions receivable	18,823	45,280
Loss on equity method investments	897,091	895,878
Contributions restricted for capital	-	(126,431)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(1,098,536)	1,613,184
Prepaid expenses, deposits and other	45,332	167,347
Accounts payable, accrued liabilities and other	(312,873)	324,443
Net cash (used in) provided by operating activities	(972,396)	1,447,505
Cash flows from investing activities:		
Capital expenditures	(1,584,843)	(1,343,380)
Capital contributions to equity method investments	(40,299)	(47,880)
Proceeds from sale of asset	14,493	-
Purchase of investments	(5,416,789)	(2,377,085)
Proceeds from the sale of investments	6,245,674	3,630,045
Net cash used in investing activities	(781,764)	(138,300)
Cash flows from financing activities:		
Contributions restricted for capital	-	126,431
Net (decrease) increase in cash and cash equivalents	(1,754,160)	1,435,636
Cash and cash equivalents:		
Beginning	<u>3,183,367</u>	<u>1,747,731</u>
Ending	<u>\$ 1,429,207</u>	<u>\$ 3,183,367</u>

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

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of operations: **ideastream** is an Ohio nonprofit corporation. Publicly supported and locally owned, **ideastream**'s mission is to strengthen our communities. **ideastream** is the consolidation of WVIZ/PBS, with five channels of public television service; 90.3 WCPN, Northeast Ohio's NPR news and public affairs radio station; WCLV 104.9, Northeast Ohio's classical music radio station; **ideastream** Education, with educational resources, services and the award-winning children's series NewsDepth; and management of The Ohio Channel and the Ohio Public Radio and Television Statehouse News Bureau on behalf of all Ohio's public broadcasting stations. Through television, radio, online and in-person experiences, **ideastream** engages with 2.8 million people in a typical month. **ideastream**'s free, trusted coverage focuses on areas identified as priorities by Northeast Ohioans: arts and culture, community affairs, health and science, the State of Ohio and education. **ideastream** is sustained primarily through community fundraising, and grants and service contracts from federal and state agencies.

Principles of consolidation: These financial statements include the accounts of **ideastream** and Radio Seaway, Inc., a wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis for presentation: The consolidated financial statements have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America. **ideastream** has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions: Net assets whose use has not been limited by donors for any period of time or for any specific purpose. Certain net assets without donor restrictions are designated for specific purposes by action of the governing board.

With donor restrictions: Net assets whose use by **ideastream** is subject to donor-imposed restrictions. Net assets with donor restrictions can either be spendable, where the donor-imposed restrictions can be fulfilled by actions of **ideastream** pursuant to those restrictions or that expire by the passage of time, or non-spendable, where the donor-imposed restrictions stipulate the net assets must be maintained permanently. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 from those estimates.

Operating and non-operating activities: For the purpose of the consolidated statement of activities, **ideastream** considers its changes in net assets without donor restrictions to be operational changes, except for net investment return on endowment investments which are reflected as non-operating activities. In addition, grants, contracts and investment return received or earned of a capital or endowment nature, that is, to be used for facilities and equipment or to be invested by **ideastream** to generate a return that will support operations, are included in non-operating activities and classified either as net assets without donor restrictions or net assets with donor restrictions.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: ideastream considers all highly liquid debt instruments with a maturity of 90 days or less to be cash equivalents. ideastream maintains cash and cash equivalents at financial institutions which, at times, may exceed federally insured amounts and may exceed statement of financial position amounts due to outstanding checks.

Prepaid expenses, deposits and other assets: Prepaid expenses, deposits and other assets represent cash payments prior to September 30, 2019 for which the related benefit will be recognized in future periods.

Property, plant and equipment: Property, plant and equipment is recorded at historical cost or, if contributed, estimated fair value at the date of the contribution, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful life of the related asset, which ranges from 3 to 40 years. Maintenance and repairs are charged to expense when incurred. ideastream reviews its investments in property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. There were no impairment losses recognized in 2019.

Intangible asset - Radio Seaway, Inc.: Intangible asset represents the appraised value of the radio station license owned by Radio Seaway, Inc. as of October 1, 2011. The station license is deemed to have an indefinite life and is not amortized but is subject to periodic impairment tests. Management reviews the station license annually for impairment; additional tests for potential impairment are performed if warranted by the occurrence of events or changes in circumstances between annual tests that indicate the station license may be impaired. There was no impairment recorded for the year ended September 30, 2019.

Revenue recognition: Revenue is recognized when deemed to be earned, based upon the characteristics of the revenue streams:

Contributed revenue: Contributions, including unconditional promises to give and government contracts or grants deemed to be contributions, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions are met. Contributions of services, or in-kind revenue, are not recognized unless the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Earned revenue: Revenue from exchange transactions is recognized as revenues in the period when they have been realized or are realizable and are deemed to have been earned by delivering or producing goods, rendering services or substantially accomplishing what must be done in order to be entitled to the benefits represented by the revenue.

In-Kind Revenue and Expense: In-kind contributions consist of donated material and professional services for exempt purposes. Revenues and expenses of contributed support are presented throughout the applicable revenue and expense categories for which the support was contributed in the consolidated statement of activities. For the year ended September 30, 2019, \$676,558 of in-kind contributions was recognized related to programming and production services.

Federal income tax: ideastream qualifies as an organization exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). As such, ideastream is generally not subject to federal or state income taxes except for amounts derived from unrelated business activities as defined by the IRC.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Federal income tax (Continued)

The Financial Accounting Standards Board (FASB) provides guidance for how uncertain income tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing **ideastream's** tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended September 30, 2019, management has determined there are no uncertain tax positions.

ideastream's wholly-owned company, Radio Seaway, Inc., is a taxable corporation for federal purposes, but operates as an Ohio not-for-profit for state and local tax purposes. There were no unrecognized tax benefits as of September 30, 2019.

Recently adopted accounting pronouncement: In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The objective of this statement is to improve the current net asset classification requirements and information presented in the consolidated financial statements and notes about **ideastream's** liquidity, financial performance and cash flows. This statement was adopted by **ideastream** in the current year and the effects are reflected in these consolidated financial statements.

The provision of the ASU has been adopted retrospectively during the year ended September 30, 2019 and **ideastream** adjusted the presentation these consolidated financial statements. The cumulative effect on the opening balances was restating \$1,454,129 from without donor restriction to with donor restrictions.

Reclassifications: Certain amounts from the 2018 consolidated financial statements have been reclassified to conform to the current year presentation.

Functional allocation of expenses: The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy on a square footage basis, with the remaining expenses which are allocated on the basis of estimates of time and effort.

Comparative information: The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with **ideastream's** consolidated financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Subsequent events: **ideastream** has evaluated all events subsequent to the consolidated statement of financial position of September 30, 2019, through December 11, 2019, which is the date these consolidated financial statements were available to be issued and has determined that no events have occurred which require disclosure.

ideastream**Notes to Consolidated Financial Statements (Continued)****Note 2. Receivables**

The balances of the various receivables based on anticipated collection are as follows for the year ended September 30, 2019:

	Pledges Receivable	Foundation, Corporation and Government Contributions	Underwriting Contributions Receivable	Earned Revenue and Other Accounts Receivable	Total
Less than one year	\$ 470,361	\$5,051,508	\$1,303,045	\$ 215,638	\$7,040,552
One year to four years	43,050	386,675			429,725
	<u>513,411</u>	<u>5,438,183</u>	<u>1,303,045</u>	<u>215,638</u>	<u>7,470,277</u>
Less allowance for uncollectible accounts	(14,142)				(14,142)
Less discount on receivables	<u>(1,462)</u>	<u>(15,942)</u>			<u>(17,404)</u>
Total receivables	<u>\$ 497,807</u>	<u>\$5,422,241</u>	<u>\$1,303,045</u>	<u>\$ 215,638</u>	<u>\$7,438,731</u>

ideastream is aware it is named as a beneficiary in a number of wills and life insurance policies totaling approximately \$3,764,500 at September 30, 2019. Because a will or life insurance policy can be modified at any time prior to death, **ideastream** deems these to be intentions to give and, as such, are not reflected in the consolidated financial statements of **ideastream**.

ideastream uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts is based on historical experience, present market conditions and an evaluation of the outstanding receivables at the end of the year. Pledges and contributions receivable which have a due date of greater than one year are shown at present value using a discount rate of one month LIBOR + 2.25%.

Note 3. Investments

Investments consisted of the following at September 30, 2019:

Short-term investments	
Fixed income securities	\$ 55,824
Long-term investments	
Money market funds	493,734
Equity securities	5,211,942
Mutual funds	8,923,399
Exchange traded funds	4,341,324
Investment in OPS Investors, Ltd.	8,925,224
Investment in 6600 Broadview, LLC	577,610
Invested cash	6,876
CSV life insurance	<u>40,414</u>
	<u>\$28,576,347</u>

Notes to Consolidated Financial Statements (Continued)

Note 3. Investments (Continued)

Investment income, excluding activities related to the investment in OPS Investors, Ltd. and 6600 Broadview, LLC, was comprised of the following for the year ended September 30, 2019:

Interest and dividends, net of fees	\$ 598,462
Realized and unrealized losses, net	<u>(359,889)</u>
	<u>\$ 238,573</u>

Short-term investments: Short-term investments consist of various liquid investments such as certificates of deposit and corporate bonds with a maturity of one year or less at the date of purchase. These investments are carried at cost which approximates market at September 30, 2019.

Long-term investments: Long-term investments consist of securities with maturities of over one year. Investments in exchange traded funds, equity securities, mutual funds, and money market funds are recorded at market value, based on quoted market prices. The investments in OPS Investors, Ltd. and 6600 Broadview, LLC are approximately 50% interests and are being accounted for on the equity method.

Investments in limited liability companies: In 2005, **ideastream** invested in OPS, LLC to partner with Playhouse Square Foundation in the redevelopment and joint occupancy of what is now known as the Idea Center at Playhouse Square (Idea Center). In 2017, the interest in OPS, LLC was exchanged for an interest in OPS Investors, Ltd. As of September 30, 2019, the equity balance of the investment was \$8,925,224.

In 2009, **ideastream** invested in 6600 Broadview, LLC with another local television station, to build, equip and operate a shared broadcasting tower. As of September 30, 2019, the equity balance of the investment was \$577,610.

As of September 30, 2019, the assets, liabilities and net results of operations of OPS Investors, Ltd. and 6600 Broadview, LLC were as follows:

	OPS Investors, Ltd.	6600 Broadview, LLC
Assets	\$25,719,567	\$ 1,235,079
Liabilities	7,869,120	56,283
Net results of operations	(1,632,300)	(168,654)

Note 4. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted market prices in active markets for identical assets and liabilities

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs in which little or no market data exists

Notes to Consolidated Financial Statements (Continued)

Note 4. Fair Value Measurements (Continued)

The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. **ideastream's** assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The following table sets forth by level within the fair value hierarchy **ideastream's** financial assets and liabilities that were accounted for at a fair value on a recurring basis as of September 30, 2019:

	Level 1	Level 2	Level 3	Total
Short-term investments:				
Fixed income securities		\$ 55,824		\$ 55,824
Long-term investments:				
Money market funds		493,734		493,734
Equity securities	\$ 5,211,942			5,211,942
Mutual funds	8,923,399			8,923,399
Exchange traded funds	4,341,324			4,341,324
	<u>\$18,476,665</u>	<u>\$ 549,558</u>	<u>\$ -</u>	19,026,223
Invested cash				<u>6,876</u>
				<u>\$19,033,099</u>

Fixed income securities: Fixed income securities in the short-term category consist of investments in money market accounts and certificates of deposit, which are valued based upon observable interest rates for similar instruments and are classified as Level 2.

Money market funds: Money market funds consist of investments in various bank money market funds which are valued at \$1 per share, as quoted by the fund managers, and are classified as Level 2.

Equity securities: Equity securities represent investments in common stock of domestic and international corporations in a variety of industries, which are valued using quoted prices in active markets, and are classified as Level 1.

Mutual funds: Mutual funds represent investments in publicly traded mutual funds and exchange traded funds which focus on a variety of industries and strategies, which are valued using quoted prices in active markets, and are classified as Level 1.

Exchange traded funds: Exchange traded funds focus on a variety of industries and strategies, which are valued using quoted prices in active markets, and are classified as Level 1.

Notes to Consolidated Financial Statements (Continued)

Note 5. Net Assets

ideastream's governing board has designated, from net assets without donor restrictions of \$33,719,098, net assets for the following purposes as of September 30, 2019:

Board-designated endowment, including accumulated earnings	\$16,413,216
Operations of Ohio Governmental Telecommunications	604,675
Operations of Statehouse News Bureau	<u>399,018</u>
	<u>\$17,416,909</u>

Net assets with donor restrictions were as follows as of September 30, 2019:

Subject to expenditure for specified purpose:	
Local production support	\$ 2,075,240
Broadcast support and program acquisition	29,046
Campaign for Community	404,710
Capital projects	91,699
Education programs	<u>296,785</u>
	2,897,480
Subject to the passage of time:	
For periods after September 30, 2019	3,090,043
Subject to ideastream's spending policy and appropriation:	
Investment in perpetuity (including amounts above original gift amount of \$1,126,415), which, once appropriated, is expendable to support:	
Program acquisition, production and development	892,620
General operations	342,030
Term endowment - local production and broadcast support	<u>758,455</u>
	<u>1,993,105</u>
Total net assets with donor restrictions	<u>\$ 7,980,628</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Notes to Consolidated Financial Statements (Continued)

Note 5. Net Assets (Continued)

Purpose restrictions accomplished:	
Local production support	\$ 2,263,853
Broadcast support and program acquisition	269,318
Campaign for Community	1,221,812
Capital projects	1,871,439
Engineering labor	92,207
Education programs	468,864
Special events	7,500
	<u>6,194,993</u>
Time restrictions expired:	
Passage of specified time	8,401,085
Release of appropriated endowment amounts without purpose restrictions	15,490
Release of appropriated endowment amounts with purpose restrictions	<u>504,943</u>
Total restrictions released	<u><u>\$15,116,511</u></u>

Note 6. Endowment Funds

ideastream's endowment consists of nine individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: ideastream's interpretation of The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is as follows:

The portion of a donor-restricted endowment fund that **ideastream** classifies in net assets with donor restrictions is the original gift value plus the value of subsequent gifts to the endowment. It is not reduced by losses on the investments, except to the extent required by the donor, or by appropriations from the endowment fund. The accumulated portion of a donor-restricted fund is considered to be with donor restriction until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

ideastream uses the following criteria, per UPMIFA and the Ohio Revised Code, to determine whether to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of **ideastream** and the donor-restricted fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The total return from income and appreciation of investments
6. Other resources of **ideastream**
7. The investment policies of **ideastream**

Notes to Consolidated Financial Statements (Continued)

Note 6. Endowment Funds (Continued)

Investment return objectives and risk parameters: ideastream has adopted investment and spending policies, approved by the Board of Trustees, that aim to provide a predictable source of funding to meet the Board approved spending policy and to increase the value of the invested funds to ensure that future needs can be met.

Strategies to achieve investment objectives: ideastream targets a diversified asset allocation with a focus on equity investments as the allocation to equities will be the driver for growth.

Spending policy and how the investment objectives related to the spending policy: The Board approved spending policy allows for ideastream to transfer up to 5%, annually, of the rolling 12-quarter average market value of the endowment funds, which will be used for operations and plant in order to allow for long-term growth of funds.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new contributions restricted in perpetuity have been received. No such deficiencies existed in the Organization's endowment funds as of September 30, 2019.

Endowment asset composition by type of fund at September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:			
"In memorium" and estate gifts fund	\$ 1,997,144		\$ 1,997,144
Plant fund	11,000,000		11,000,000
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor		\$ 1,126,415	1,126,415
Term endowment fund		758,455	758,455
Accumulated investment gains	<u>3,416,072</u>	<u>108,235</u>	<u>3,524,307</u>
	<u>\$16,413,216</u>	<u>\$ 1,993,105</u>	<u>\$18,406,321</u>

The board-designated endowment funds were established by the Board of Trustees to support current and future operations and capital needs of ideastream. Although ideastream does not intend to spend from these board-designated endowment funds (other than the amounts appropriated for general expenditure per the spending policy), these amounts could be made available if necessary.

ideastream**Notes to Consolidated Financial Statements (Continued)****Note 6. Endowment Funds (Continued)**

Changes in endowment assets for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$16,904,431	\$ 2,480,544	\$19,384,975
Investment return, net	208,770	32,994	241,764
Appropriation of endowment assets for expenditure	(732,113)	(520,433)	(1,252,546)
Other changes:			
Transfers to board-designated endowment funds	32,128		32,128
Endowment assets, end of year	<u>\$16,413,216</u>	<u>\$ 1,993,105</u>	<u>\$18,406,321</u>

Of the \$1,252,546 of appropriations for the year ended September 30, 2019, \$622,189 was allocated to operations and \$630,357 was allocated to capital.

Note 7. Retirement Plan

ideastream sponsors a retirement plan under Section 403(b) of the Internal Revenue Code through the Teachers Insurance and Annuity Association-College Retirement Equities Fund. The Plan is a defined contribution plan, which permits participant contributions and covers all full-time employees of **ideastream** meeting certain eligibility requirements. **ideastream** matches employees' contributions to the Plan up to 5% of their compensation. **ideastream's** contribution to the Plan was \$422,460 for the year ended September 30, 2019.

Note 8. Line of Credit

ideastream has available a line of credit with a local financial institution, which expires in April 2020. The line of credit is secured by certain investments of **ideastream** and allows for maximum borrowings of \$1,500,000. The agreement provides that interest will be charged on the outstanding balance at a rate of the one-month LIBOR plus 2.25%. At September 30, 2019, there was no outstanding balance on the line of credit.

Note 9. Operating Lease

ideastream has an operating lease with OPS Investors, Ltd. to lease space in the Idea Center. The lease expires on October 31, 2030 and carries one additional five-year renewal option and requires a monthly base rent payment of \$37,504 plus a pro-rata share of operating costs determined annually. **Ideastream** also has a few operating leases for copiers and vehicles expiring in 2023. Minimum rental payments over the next five years are as follows:

2020	\$ 760,760
2021	750,194
2022	750,194
2023	750,194
2024	705,194
Thereafter	4,141,164

For the year ended September 30, 2019, **ideastream** recognized rent expense of \$758,800.

ideastream

Notes to Consolidated Financial Statements (Continued)

Note 10. Spectrum Lease Revenue

During 2007, **ideastream** entered into agreements to allow two different telecommunications organizations access to excess capacity on educational broadband spectrum licensed to **ideastream** by the FCC. Under the agreements, the telecommunications organizations made an initial payment with additional payments to be made for the next 21 years, with incremental increases every five years. Future minimum payments expected to be received over the next five years will be approximately \$8,132,384.

Note 11. Property, Plant and Equipment

Property, plant and equipment at September 30, 2019 consists of the following:

Equipment and software	\$ 24,260,142
Leasehold improvements	<u>237,451</u>
	24,497,593
Less accumulated depreciation	<u>(20,833,370)</u>
Property, plant and equipment, net	<u>\$ 3,664,223</u>

ideastream obtained funding from the state of Ohio for Ohio Government Telecommunications Service which allows **ideastream** to purchase property and equipment; however, **ideastream** does not own the equipment. As long as the equipment is used in accordance with the grant, **ideastream** is able to continue to use the property and equipment. As of September 30, 2019, **ideastream** utilized property and equipment with a cost of \$3,247,700.

Note 12. Liquidity and Availability

ideastream regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, **ideastream** considers all expenditures related to its ongoing activities of program services and development as well as the conduct of services undertaken to support those activities to be general expenditures. The following table shows financial assets held by **ideastream** reduced by the amounts unavailable to meet general expenditures due to contractual or donor restrictions:

Financial assets as of September 30:	
Cash and cash equivalents	\$ 1,429,207
Accounts and contributions receivable, net	7,438,731
Investments	<u>28,576,347</u>
Total financial assets	37,444,285
Less amounts not available within one year for general expenditures:	
Receivables, net	(412,321)
Illiquid investments in limited liability companies	(9,502,834)
Endowment corpus, restricted in perpetuity	(1,126,415)
Board-designated endowment funds, net of estimated appropriation for next 12 months (\$765,700)	(15,647,516)
Net assets restricted by donor for either purpose or time, net of estimated releases for next 12 months (\$5,650,000)	<u>(1,204,213)</u>
Total financial assets available for general expenditures over next 12 months	<u>\$ 9,550,986</u>

Notes to Consolidated Financial Statements (Continued)

Note 12. Liquidity and Availability (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, **ideastream** operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statement of cash flows which identifies the sources and uses of **ideastream's** cash for the fiscal year ended September 30, 2019.

ideastream's governing board has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated in the table above. The board-designated endowment of \$16,413,216 is subject to an annual maximum spending rate of 5% as described in Note 6. Although **ideastream** does not intend to spend from this board-designated endowment (other than the amounts appropriated for general expenditure per the spending policy), these amounts could be made available if necessary.

ideastream also has a line of credit available to meet short-term needs. See Note 8 for information about this arrangement.