

**ideastream**

Consolidated Financial Report  
September 30, 2020

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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, 2020, 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, 2020 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Meloney + Novotny LLC*

Cleveland, Ohio  
December 7, 2020

**Consolidated Statement of Financial Position**  
**September 30, 2020**  
**(With Comparative Totals for September 30, 2019)**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,019,673	\$ 1,429,207
Short-term investments	56,249	55,824
Accounts and contributions receivable, net	3,304,981	7,026,410
Prepaid expenses, deposits and other	<u>2,260,167</u>	<u>463,685</u>
<b>Total current assets</b>	<b>8,641,070</b>	<b>8,975,126</b>
Other assets:		
Marketable investments	19,472,711	18,977,275
Accounts and contributions receivable, net	-	412,321
Property, plant and equipment, net	3,365,574	3,664,223
Intangible asset - Radio Seaway, Inc.	2,420,000	2,420,000
Equity method investment and other	<u>8,612,797</u>	<u>9,543,248</u>
<b>Total other assets</b>	<b><u>33,871,082</u></b>	<b><u>35,017,067</u></b>
<b>Total assets</b>	<b><u>\$42,512,152</u></b>	<b><u>\$43,992,193</u></b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 558,853	\$ 873,445
Accrued liabilities and other	<u>1,670,841</u>	<u>1,419,022</u>
<b>Total current liabilities</b>	<b>2,229,694</b>	<b>2,292,467</b>
Long-term capital lease obligation	63,923	-
Net assets:		
Without donor restrictions	33,970,603	33,719,098
With donor restrictions	<u>6,247,932</u>	<u>7,980,628</u>
Total net assets	<b><u>40,218,535</u></b>	<b><u>41,699,726</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$42,512,152</u></b>	<b><u>\$43,992,193</u></b>

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

**Consolidated Statement of Activities**  
**Year Ended September 30, 2020**  
**(With Comparative Totals for Year Ended September 30, 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating revenues and support:				
Contributed revenue:				
Individual support	\$ 7,461,044	\$ 137,479	\$ 7,598,523	\$ 6,719,508
Foundation and corporate support	225,717	1,535,731	1,761,448	2,999,576
Underwriting	1,677,318		1,677,318	3,056,230
Government and other public media support	356,965	6,073,540	6,430,505	6,271,789
In-kind contributions	656,725		656,725	676,558
Other contributed revenue	9,334	31,231	40,565	137,163
Earned revenue:				
Spectrum lease revenue	1,219,440		1,219,440	1,219,440
Other earned revenue	230,876		230,876	610,095
Investment return appropriated for operations	175,939	275,647	451,586	622,189
Net assets released from restrictions	9,574,376	(9,574,376)	-	-
<b>Total operating revenues and support</b>	<b>21,587,734</b>	<b>(1,520,748)</b>	<b>20,066,986</b>	<b>22,312,548</b>
Operating expenses:				
Programming	14,806,373		14,806,373	15,846,526
General and administrative	3,177,942		3,177,942	2,485,434
Marketing and development	4,548,355		4,548,355	4,190,194
<b>Total operating expenses</b>	<b>22,532,670</b>		<b>22,532,670</b>	<b>22,522,154</b>
<b>Change in net assets from operating activities before unusual revenue</b>	<b>(944,936)</b>	<b>(1,520,748)</b>	<b>(2,465,684)</b>	<b>(209,606)</b>
Paycheck Protection Program grant	2,265,100		2,265,100	-
<b>Change in net assets from operating activities</b>	<b>1,320,164</b>	<b>(1,520,748)</b>	<b>(200,584)</b>	<b>(209,606)</b>
Non-operating activities:				
Loss on equity method investments	(960,890)		(960,890)	(897,091)
Repack revenue		2,292	2,292	1,240,387
Depreciation	(750,756)		(750,756)	(709,439)
Loss on disposal of equipment			-	(7,945)
Equipment purchased for the management of state services	(258,500)		(258,500)	(642,611)
Net assets released from restriction for capital assets	47,992	(47,992)	-	-
Investment return, net of return appropriated for operations	853,495	(166,248)	687,247	(383,616)
<b>Change in net assets from non-operating activities</b>	<b>(1,068,659)</b>	<b>(211,948)</b>	<b>(1,280,607)</b>	<b>(1,400,315)</b>
<b>Total change in net assets</b>	<b>251,505</b>	<b>(1,732,696)</b>	<b>(1,481,191)</b>	<b>(1,609,921)</b>
Net assets, beginning of year	33,719,098	7,980,628	41,699,726	43,309,647
Net assets, end of year	\$33,970,603	\$ 6,247,932	\$40,218,535	\$41,699,726

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

**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2020**  
**(With Comparative Totals for Year Ended September 30, 2019)**

				<b>2020</b>	
				<b>Total Operating</b>	
				<b>Expenses by</b>	
				<b>Natural</b>	
	General and	Marketing and		<b>Classification</b>	2019
	Programming	Administrative	Development		
Salaries and benefits	\$ 8,709,097	\$ 1,972,451	\$ 2,257,665	<b>\$12,939,213</b>	\$12,693,709
Program acquisition and affiliation fees	3,186,095			<b>3,186,095</b>	3,421,803
Contractors and professional services	1,432,651	244,402	1,172,665	<b>2,849,718</b>	2,766,353
Building lease expense	419,546	158,440	135,705	<b>713,691</b>	758,800
Utilities, telephone and ISDN lines	432,908	38,985	52,883	<b>524,776</b>	570,947
Maintenance, repairs and equipment	183,094	63,215		<b>246,309</b>	304,980
Premiums and premiums fulfillment	1,805		285,390	<b>287,195</b>	247,056
Printing, postage and shipping	4,852	10,347	224,989	<b>240,188</b>	234,224
Financial expenses	4,086	12,158	233,781	<b>250,025</b>	219,763
Supplies and equipment	157,199	256,140	5,047	<b>418,386</b>	200,490
Dues and subscriptions	77,458	64,144	18,178	<b>159,780</b>	191,354
Advertising	9,010	4,303	16,208	<b>29,521</b>	157,782
Hospitality	19,111	32,103	17,686	<b>68,900</b>	151,251
Equipment lease expense		119,275		<b>119,275</b>	134,425
Meetings and travel	28,543	31,839	9,270	<b>69,652</b>	127,541
Agency commissions			103,332	<b>103,332</b>	100,596
Software and hardware	78,277	84,471	2,295	<b>165,043</b>	72,951
Taxes and insurance		77,770		<b>77,770</b>	68,774
Miscellaneous	23,812	7,899	13,261	<b>44,972</b>	61,863
Tower rent	38,829			<b>38,829</b>	37,492
<b>Total operating expenses by function</b>	<u>14,806,373</u>	<u>3,177,942</u>	<u>4,548,355</u>	<u><b>22,532,670</b></u>	<u>22,522,154</u>
Depreciation	750,756			<b>750,756</b>	709,439
Equipment purchased for the management of state services	258,500			<b>258,500</b>	642,611
<b>Total expenses by function</b>	<u>\$15,815,629</u>	<u>\$ 3,177,942</u>	<u>\$ 4,548,355</u>	<u><b>\$23,541,926</b></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, 2020**  
**(With Comparative Totals for Year Ended September 30, 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$(1,481,191)	\$(1,609,921)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	750,756	709,439
Loss on disposal of equipment	-	7,945
Actuarial loss on gift annuity obligation	1,823	5,417
Net realized and unrealized (gains) losses on investments	(759,178)	359,889
Amortization of discount on long-term contributions receivable	(15,942)	4,998
Loss on uncollectible contributions receivable	-	18,823
Loss on equity method investments	960,890	897,091
Changes in operating assets and liabilities:		
Accounts and contributions receivable	4,149,692	(1,098,536)
Prepaid expenses, deposits and other	(1,796,482)	45,332
Accounts payable, accrued liabilities and other	(146,510)	(312,873)
<b>Net cash provided by (used in) operating activities</b>	<b>1,663,858</b>	<b>(972,396)</b>
Cash flows from investing activities:		
Capital expenditures	(307,130)	(1,584,843)
Capital contributions to equity method investments	(27,974)	(40,299)
Proceeds from sale of asset	-	14,493
Purchase of investments	(6,156,849)	(5,416,789)
Proceeds from the sale of investments	6,432,271	6,245,674
<b>Net cash used in investing activities</b>	<b>(59,682)</b>	<b>(781,764)</b>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(13,710)	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,590,466</b>	<b>(1,754,160)</b>
Cash and cash equivalents:		
Beginning	<u>1,429,207</u>	<u>3,183,367</u>
Ending	<u>\$ 3,019,673</u>	<u>\$ 1,429,207</u>
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Assets acquired under capital lease	<u>\$ 95,687</u>	<u>\$ -</u>
Assets acquired included in accounts payable	<u>\$ 49,290</u>	<u>\$ 339,057</u>
Cash paid for interest	<u>\$ 2,996</u>	<u>\$ -</u>

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

**Notes to Consolidated Financial Statements**

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**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 be a trusted and dynamic multimedia source for illuminating the world around us. **ideastream** services include WVIZ/PBS, with five channels of public television service; 90.3 WCPN, Northeast Ohio's NPR news and information 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 3 million people in a typical month. **ideastream**'s free, trusted coverage focuses on areas identified as priorities by Northeast Ohioans: arts and culture, news and information, 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)

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**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, 2020 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 2020.

**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, 2020.

**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. Earned revenue for the year ended September 30, 2020 has been recognized at a point in time.

**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, 2020, \$609,475 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)

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**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, 2020, 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, 2020.

**Recently adopted accounting pronouncements:** In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance under accounting principles generally accepted in the United States of America. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The new guidance clarifies the definition of an exchange transaction and the criteria for evaluating whether contributions are unconditional or conditional. Effective October 1, 2019, **ideastream** adopted ASU 2014-09 using the modified retrospective method and ASU 2018-08 using the modified prospective method. The ASUs were adopted by **ideastream** in the current year and the effects are reflected in these consolidated financial statements with no restatement to opening net assets necessary.

**Functional allocation of expenses:** The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents 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, 2019, 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, 2020, through December 7, 2020, 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, 2020:

	Pledges Receivable	Foundation, Corporation and Government Contributions	Underwriting Contributions Receivable	Earned Revenue and Other Accounts Receivable	Total
Less than one year	<u>\$ 252,870</u>	<u>\$2,387,578</u>	<u>\$ 509,213</u>	<u>\$ 155,320</u>	<u>\$3,304,981</u>

**ideastream** is aware it is named as a beneficiary in a number of wills and life insurance policies totaling approximately \$3,544,500 at September 30, 2020. 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. For the year ended September 30, 2020 no allowance was deemed necessary. 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, 2020:

Short-term investments	
Fixed income securities	\$ 56,249
Marketable investments	
Money market funds	1,040,705
Equity securities	6,393,187
Mutual funds	7,738,969
Exchange traded funds	<u>4,299,850</u>
Total marketable investments	<u>\$19,528,960</u>
Equity method investments and other	
Investment in OPS Investors, Ltd.	8,032,685
Investment in 6600 Broadview, LLC	537,234
CSV life insurance	<u>42,878</u>
Total equity method investments and other	<u>\$ 8,612,797</u>

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, 2020:

Interest and dividends, net of fees	\$ 379,655
Realized and unrealized gains, net	<u>759,178</u>
	<u>\$ 1,138,833</u>

## Notes to Consolidated Financial Statements (Continued)

**Note 3. Investments (Continued)**

*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, 2020.

*Marketable investments:* Marketable 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.

*Equity method investments and other:* The equity method investments and other consist of investments in OPS Investors, Ltd. and 6600 Broadview, LLC are approximately 50% interests and are being accounted for on the equity method. Additionally, **ideastream** is the owner of a life insurance policy, which is valued at its cash surrender value. 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, 2020, the equity balance of the investment was \$8,032,685.

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, 2020, the equity balance of the investment was \$537,234.

As of September 30, 2020, 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	\$25,405,122	\$ 1,157,023
Liabilities	9,339,753	60,627
Net results of operations	(1,750,745)	(143,502)

**Note 4. Fair Value Measurements**

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC) 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, 2020:

	Level 1	Level 2	Level 3	Total
Short-term investments:				
Fixed income securities		\$ 56,249		\$ 56,249
Long-term investments:				
Money market funds		1,040,705		1,040,705
Equity securities	\$ 6,393,187			6,393,187
Mutual funds	7,738,969			7,738,969
Exchange traded funds	4,299,850			4,299,850
	<u>\$18,432,006</u>	<u>\$ 1,096,954</u>	<u>\$ -</u>	<u>\$19,528,960</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.

## Note 5. Net Assets

**ideastream's** governing board has designated, from net assets without donor restrictions of \$33,970,603, net assets for the following purposes as of September 30, 2020:

Board-designated endowment, including accumulated earnings	\$17,170,613
Operations of Ohio Governmental Telecommunications	796,412
Operations of Statehouse News Bureau	<u>447,269</u>
	<u>\$18,414,294</u>

**ideastream****Notes to Consolidated Financial Statements (Continued)**

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**Note 5. Net Assets (Continued)**

Net assets with donor restrictions were as follows as of September 30, 2020:

Subject to expenditure for specified purpose:

Local production support	\$ 1,458,052
Broadcast support and program acquisition	310,534
Campaign for Community	355,769
Capital projects	27,645
Education programs	274,968
Other	91,635
	<u>2,518,603</u>

Subject to the passage of time:

For periods after September 30, 2020	1,902,472
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Subject to **ideastream's** spending policy and appropriation:

Investment in perpetuity (including amounts above original gift amount of \$1,126,414), which, once appropriated, is expendable to support:

Program acquisition, production and development	927,450
General operations	355,364
Term endowment - local production and broadcast support	544,043
	<u>1,826,857</u>

**Total net assets with donor restrictions** \$ 6,247,932

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.

Purpose restrictions accomplished:

Local production support	\$ 2,233,871
Broadcast support and program acquisition	197,860
Campaign for Community	41,140
Capital projects	47,992
Education programs	467,512
Other	126,596
	<u>3,114,971</u>

Time restrictions expired:

Passage of specified time	6,231,750
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Release of appropriated endowment amounts without purpose restrictions	7,758
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Release of appropriated endowment amounts with purpose restrictions	<u>267,889</u>
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**Total restrictions released** \$ 9,622,368

**Notes to Consolidated Financial Statements (Continued)**

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**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 restrictions 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**

**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 **ideastream** 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 **ideastream's** endowment funds as of September 30, 2020.

## Notes to Consolidated Financial Statements (Continued)

## Note 6. Endowment Funds (Continued)

Endowment asset composition by type of fund at September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:			
"In memorium" and estate gifts fund	\$ 2,122,658		\$ 2,122,658
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		\$ 1,126,414	1,126,414
Term endowment fund		544,043	544,043
Accumulated investment gains	<u>4,047,955</u>	<u>156,400</u>	<u>4,204,355</u>
	<u>\$17,170,613</u>	<u>\$ 1,826,857</u>	<u>\$18,997,470</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.

Changes in endowment assets for the year ended September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$16,413,217	\$ 1,993,105	\$18,406,322
Investment return, net	1,011,736	109,399	1,121,135
Appropriation of endowment assets for expenditure	(379,854)	(275,647)	(655,501)
Other changes:			
Transfers to board-designated endowment funds	<u>125,514</u>	<u>          </u>	<u>125,514</u>
Endowment assets, end of year	<u>\$17,170,613</u>	<u>\$ 1,826,857</u>	<u>\$18,997,470</u>

Of the \$655,501 of appropriations for the year ended September 30, 2020, \$451,586 was allocated to operations and \$203,915 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 \$432,064 for the year ended September 30, 2020.

## Notes to Consolidated Financial Statements (Continued)

**Note 8. Line of Credit**

**ideastream** has available a line of credit with a local financial institution, which expires in April 2021. 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, 2020, 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 are as follows:

2021	\$ 722,319
2022	722,319
2023	677,319
2024	662,319
2025	662,319
Thereafter	6,678,385

For the year ended September 30, 2020, **ideastream** recognized rent expense of \$832,965.

**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, 2020 consists of the following:

Equipment and software	\$ 24,320,710
Leasehold improvements	<u>237,451</u>
	24,558,161
Less accumulated depreciation	<u>(21,192,587)</u>
Property, plant and equipment, net	<u>\$ 3,365,574</u>

**ideastream** obtained funding from the state of Ohio for Ohio Government Telecommunications Service which enables **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. For the year ended September 30, 2020, **ideastream** utilized property and equipment with a cost of \$258,500.

## Notes to Consolidated Financial Statements (Continued)

**Note 11. Property, Plant and Equipment (Continued)**

**ideastream** leases certain equipment and software under agreements that are classified as capital leases. At September 30, 2020, the cost of equipment under capital leases is \$95,687 with accumulated amortization of \$14,568, reflected as property, plant and equipment, net, in the consolidated statement of financial position. Amortization of assets under capital leases is included in depreciation expense. The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments at September 30, 2020 are as follows:

2021	\$22,883
2022	22,883
2023	22,883
2024	22,883
2025	<u>4,996</u>
Total minimum lease payments	96,528
Less: amounts representing maintenance and interest	<u>(14,551)</u>
Present value of net minimum lease payments	<u>\$81,977</u>

**Note 12. Paycheck Protection Program**

On April 24, 2020, **ideastream** received funding under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides funding to qualifying businesses and nonprofit organizations as a direct incentive to keep their workers on the payroll during the covered period. The funding, including any accrued interest, is forgivable as long as the borrower uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels during the covered period. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP funding is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

In accordance with guidance from the American Institute of Certified Public Accountants, **ideastream** views this funding as, in substance, a grant and accounted for it in accordance with FASB ASC 958-605 as a conditional contribution. During its covered period, **ideastream** used \$2,265,100 of the proceeds for purposes consistent with the PPP and maintained personnel and salary levels as required. Therefore, all barriers were overcome at the conclusion of the covered period. As this contribution is unusual and infrequent in nature, the revenue is reflected as operating revenue after a sub-total for changes in net assets from operating activities before unusual revenue in the consolidated statement of financial activities.

**Note 13. 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:

## Notes to Consolidated Financial Statements (Continued)

**Note 13. Liquidity and Availability (Continued)**

Financial assets as of September 30:

Cash and cash equivalents	\$ 3,019,673
Accounts and contributions receivable, net	3,304,981
Marketable investments	<u>19,528,960</u>
<b>Total financial assets</b>	<b>25,853,614</b>

Less amounts not available within one year for general expenditures:

Endowment corpus, restricted in perpetuity	(1,126,414)
Board-designated endowment funds, net of estimated appropriation for next 12 months (\$770,000)	(16,400,613)
Net assets restricted by donor for either purpose or time, net of estimated releases for next 12 months (\$4,763,000)	<u>(358,518)</u>

**Total financial assets available for general expenditures over next 12 months**

**\$ 7,968,069**

In addition to financial assets available to meet general expenditures over the next 12 months, **ideastream** operates with a balanced budget with a \$1,320,164 and \$420,575 positive change in net assets from unrestricted operating activities for the years ended September 30, 2020 and 2019, respectively. **ideastream** 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, 2020.

**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 \$17,170,613 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.

**Note 14. COVID-19 Global Pandemic**

On March 11, 2020, The World Health Organization declared the outbreak of the novel strain of the coronavirus ("COVID-19") a global pandemic. The pandemic has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report. As an essential news and information service, **ideastream** has maintained operations and service levels throughout the pandemic. Significant resources have been invested in technology, facilities and equipment to allow safe and socially-distanced operations. Most **ideastream** staff began working remotely on March 18, 2020, with the exception of those staff performing essential tasks which can only be done in studio and control rooms. For staff working on-site, social distancing and mandatory mask policies are in place along with rigorous cleaning protocols.

**ideastream** is closely monitoring its revenue, investments and liquidity and is actively working to minimize the impact of the pandemic on its financial operations. The extent of the impact of COVID-19 on **ideastream**'s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on **ideastream**'s donors, employees, and vendors, all of which at present are being managed to ensure continuing service to the community.