

MARYLAND PUBLIC BROADCASTING COMMISSION

AND

MPT FOUNDATION, INC.

JUNE 30, 2020

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.**

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of
Maryland Public Broadcasting Commission

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Maryland Public Broadcasting Commission (the "Commission") and MPT Foundation, Inc. (the "Foundation"), which comprise the combined statement of financial position - CPB basis as of June 30, 2020, and the related combined statements of activities and changes in net assets - CPB basis, functional expenses - CPB basis, and cash flows - CPB basis for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the Financial Reporting Guidelines (the "Guidelines") prescribed or permitted by the Corporation for Public Broadcasting (the "CPB"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
INDEPENDENT AUDITORS' REPORT (Cont'd.)**

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Commission and the Foundation as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with the Guidelines prescribed by the CPB described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the combined financial statements, which describes the basis of accounting. As described in Note 1 to the combined financial statements, the combined financial statements are prepared by the Commission in accordance with the financial reporting practices prescribed or permitted by the Guidelines of the CPB, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the CPB. Our opinion is not modified with respect to this matter.

Supplementary Combining Information

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

Restricted Use

This report is intended solely for the information and use of the commissioners and management of the Commission and the CPB, and is not intended to be, and should not be, used by anyone other than these specified parties.

Report on Summarized Comparative Information

We have previously audited the Commission's and the Foundation's June 30, 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated January 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Joy, Malone & Company, P.C.

Baltimore, Maryland
January 20, 2021

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION - CPB BASIS**

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,267,006	\$ 4,867,060
Encumbrance - State of Maryland	1,808,997	2,113,639
Contributions receivable, net	1,086,373	823,561
Accounts and grants receivable	2,606,326	1,134,908
Member pledges receivable	-	19,737
Inventory of supplies	225,286	268,055
Prepaid expenses	42,334	186,118
Licensed program rights	218,157	183,796
Investments	7,025,369	6,229,506
Property and equipment, net	22,789,185	17,674,398
Total assets	<u>\$ 40,069,033</u>	<u>\$ 33,500,778</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,048,355	\$ 1,117,225
Accrued salaries and vacations	1,946,829	1,613,452
Capital lease obligations	1,473,389	2,206,944
Deferred revenue	803,395	181,737
Refundable advances	55,000	55,000
Payroll Protection Program loan	87,662	-
Total liabilities	<u>6,414,630</u>	<u>5,174,358</u>
NET ASSETS		
Without donor restrictions	23,962,543	17,839,552
With donor restrictions	9,691,860	10,486,868
Total net assets	<u>33,654,403</u>	<u>28,326,420</u>
Total liabilities and net assets	<u>\$ 40,069,033</u>	<u>\$ 33,500,778</u>

The Notes to Combined Financial Statements are an integral part of these statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CPB BASIS**

	Year Ended June 30, 2020			Year Ended June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE				
Community Service Grants	\$ -	\$ 2,918,043	\$ 2,918,043	\$ 3,196,970
Other CPB grants	267,304	-	267,304	72,175
Public Broadcasting Service revenue	81,542	-	81,542	131,994
Federal revenue	1,861,681	-	1,861,681	2,171,887
Spectrum Repacking funds	4,527,799	-	4,527,799	1,334,435
Membership pledges and contributions	8,845,430	609,740	9,455,170	8,870,883
Underwriting and other telecasting revenue	5,436,612	490,767	5,927,379	5,944,711
Support from State of Maryland	11,750,644	-	11,750,644	12,920,586
Special fundraising activities	101,670	-	101,670	53,537
Investment revenue, net of fees	52,683	42,943	95,626	182,482
Net gain on investments	76,502	114,417	190,919	184,248
Other revenue	28,426	-	28,426	34,250
Net assets released from restrictions	4,970,918	(4,970,918)	-	-
Total revenue	<u>38,001,211</u>	<u>(795,008)</u>	<u>37,206,203</u>	<u>35,098,158</u>
EXPENSES				
Program services				
Programming and production	16,417,960	-	16,417,960	16,094,834
Broadcasting and engineering	2,124,611	-	2,124,611	2,179,747
Total program services	<u>18,542,571</u>	<u>-</u>	<u>18,542,571</u>	<u>18,274,581</u>
Supporting services				
Fundraising, solicitation and membership	5,785,333	-	5,785,333	5,313,829
Management and general	6,460,104	-	6,460,104	5,731,602
Depreciation	1,088,251	-	1,088,251	814,890
Loss on disposal of property and equipment	1,961	-	1,961	88,294
Total supporting services	<u>13,335,649</u>	<u>-</u>	<u>13,335,649</u>	<u>11,948,615</u>
Total expenses	<u>31,878,220</u>	<u>-</u>	<u>31,878,220</u>	<u>30,223,196</u>
CHANGE IN NET ASSETS	6,122,991	(795,008)	5,327,983	4,874,962
NET ASSETS				
Beginning of year	<u>17,839,552</u>	<u>10,486,868</u>	<u>28,326,420</u>	<u>23,451,458</u>
End of year	<u>\$ 23,962,543</u>	<u>9,691,860</u>	<u>\$33,654,403</u>	<u>\$ 28,326,420</u>

The Notes to Combined Financial Statements are an integral part of these statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES - CPB BASIS**

	Year Ended June 30, 2020					Total
	Program services		Supporting services			
	Programming & Production	Broadcasting and Engineering	Fundraising	Management and General	Other	
Payroll expenses	\$ 7,799,804	\$ 1,302,627	\$ 2,199,081	\$ 4,041,955	\$ -	\$15,343,467
Travel, conferences, and meetings	73,688	1,375	118,986	112,016	-	306,065
Office expenses	45,511	89,875	242,713	332,753	-	710,852
Contract services	4,489,735	307,021	2,361,634	782,103	-	7,940,493
Occupancy	-	355,055	-	1,025,353	-	1,380,408
Supplies	302,494	23,081	572,474	89,921	-	987,970
Equipment	50,089	45,577	20,685	25,082	-	141,433
Dues, subscriptions, and licenses	3,656,639	-	269,760	50,921	-	3,977,320
Depreciation	-	-	-	-	1,088,251	1,088,251
Loss on disposal of equipment	-	-	-	-	1,961	1,961
	<u>\$16,417,960</u>	<u>\$ 2,124,611</u>	<u>\$5,785,333</u>	<u>\$ 6,460,104</u>	<u>\$1,090,212</u>	<u>\$31,878,220</u>

	Year Ended June 30, 2019					Total
	Program services		Supporting services			
	Programming & Production	Broadcasting and Engineering	Fundraising	Management and General	Other	
Payroll expenses	\$ 7,638,978	\$ 1,277,818	\$ 1,980,799	\$ 3,496,434	\$ -	\$14,394,029
Travel, conferences, and meetings	110,476	7,231	178,250	137,531	-	433,488
Office expenses	51,193	69,771	220,342	171,865	-	513,171
Contract services	4,059,771	287,547	2,334,113	662,487	-	7,343,918
Occupancy	-	459,210	-	1,007,060	-	1,466,270
Supplies	206,044	32,451	586,488	93,710	-	918,693
Equipment	67,033	44,029	9,343	30,360	-	150,765
Dues, subscriptions, and licenses	3,961,339	1,690	4,494	132,155	-	4,099,678
Depreciation	-	-	-	-	814,890	814,890
Loss on disposal of equipment	-	-	-	-	88,294	88,294
	<u>\$16,094,834</u>	<u>\$ 2,179,747</u>	<u>\$5,313,829</u>	<u>\$ 5,731,602</u>	<u>\$ 903,184</u>	<u>\$30,223,196</u>

The Notes to Combined Financial Statements are an integral part of these statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS - CPB BASIS**

	Year Ended June 30,	
	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 5,327,983	\$ 4,874,962
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	1,088,251	814,890
Loss on disposal of property and equipment	1,961	88,294
Amortization of licensed program rights	164,347	151,297
Net gain on investments	(190,919)	(184,248)
Contributions restricted for long-term purposes	(603,240)	(525,000)
In-kind contribution	(1,641,263)	(595,457)
Encumbrance - State of Maryland	304,642	(2,113,639)
Changes in operating assets and liabilities		
Contributions receivable	(262,812)	650,381
Accounts and grants receivable	(1,471,418)	1,512,082
Member pledges receivable	19,737	35,620
Inventory of supplies	42,769	(5,717)
Prepaid expenses	143,784	(146,429)
Licensed program rights	(198,708)	(198,708)
Accounts payable and accrued expenses	931,130	681,633
Accrued salaries and vacations	333,377	113,683
Deferred revenue	621,658	(552,158)
Refundable advances	-	(20,000)
Net cash provided by operating activities	4,611,279	4,581,486
INVESTING ACTIVITIES		
Purchase of investments	(3,795,758)	(3,188,416)
Decrease in investments - short-term	(44,655)	(117,088)
Proceeds from sales of investments	3,235,469	2,128,191
Additions to property and equipment	(4,563,736)	(1,323,538)
Net cash used in investing activities	(5,168,680)	(2,500,851)
FINANCING ACTIVITIES		
Principal payments under capital lease obligations	(733,555)	(616,736)
Contributions restricted for long-term purposes	603,240	525,000
Paycheck Protection Program Loan	87,662	-
Net cash used in financing activities	(42,653)	(91,736)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(600,054)	1,988,899
CASH AND CASH EQUIVALENTS		
Beginning of year	4,867,060	2,878,161
End of year	\$ 4,267,006	\$ 4,867,060
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 56,395	\$ 33,969
In-kind contributions - equipment purchased by Maryland	\$ 1,641,263	\$ 595,457

The Notes to Combined Financial Statements are an integral part of these statements.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying combined financial statements include the accounts of Maryland Public Broadcasting Commission, (the "Commission") and MPT Foundation, Inc. (the "Foundation"). The Commission and the Foundation are financially interrelated organizations. The Commission recognizes its right in the net assets held by the Foundation as an asset. The combined financial statements are prepared in accordance with the reporting requirements for public telecommunication entities as prescribed by the Corporation for Public Broadcasting (the "CPB"). All intercompany balances are eliminated.

The Maryland Public Broadcasting Commission

Nature of Organization

The Commission is an agency of the State of Maryland. The Commission is also referred to as Maryland Public Television ("MPT").

The Commission operates under the provisions of Title 24, Subtitle 2 of the Education Article of the Annotated Code of the State of Maryland and the Cumulative Supplements. The Governor appoints the eleven members of the Commission.

The Commission's mission is to educate, entertain and enlighten the people of Maryland and beyond through creative programs and services of the highest quality delivered through traditional public broadcasting and new multimedia technologies.

The Commission operates six noncommercial telecommunication stations in the State of Maryland. The following is a list of the call letters:

Digital Call Letters

- WMPB - DT in Baltimore
- WMPT - DT in Annapolis
- WCPB - DT in Salisbury
- WWPB - DT in Hagerstown
- WGPT - DT in Oakland
- WFPT - DT in Frederick

Cash and Cash Equivalents

Cash and cash equivalents of the Commission consist of a checking account and funds on deposit in the State of Maryland central accounts.

Inventory of Supplies

Inventories are stated at the lower of cost or market using the first-in, first-out method.

Licensed Program Rights

Program series and other syndicated products are recorded at the lower of unamortized cost or estimated net realizable value. Generally, these programs and products are amortized on a straight-line basis over the period of the license agreement.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Property and Equipment

In accordance with the accounting policies of the State of Maryland, it is the policy of the Commission to capitalize property and equipment over \$50,000. Property and equipment are capitalized at cost, or if donated, at the approximate fair value at the date of donation and is depreciated over its estimated useful life in a systematic and rational manner, unless they are inexhaustible assets. It has been the practice of the State of Maryland to fund equipment acquisition and replacements out of current operating funds and the State's general construction loan fund. Equipment held under the State's Master Lease Program is stated at the fair market value of the equipment at the inception of the lease or the present value of the total minimum lease payments, whichever is lower, and is amortized over the equipment's estimated useful life using the straight-line method.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of the recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as increases in net assets with donor restrictions until satisfaction of the time or purpose restrictions, after which they are reported as a release from net assets with donor restrictions and an increase in net assets without donor restrictions.

Membership Pledges and Contributions Revenue

The Commission engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Commission for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. Contributions, including unconditional promises to give and membership receipts, are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. An allowance for uncollectible member pledges is provided based upon management's judgment including such factors as prior collection history and type of pledge.

Unconditional contributions, which include unconditional contributions receivable, are recognized as support at the earlier of the period received or when the promise is made.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Underwriting and Other Telecasting Revenue

The Commission receives contributions and grants from entities to underwrite the cost of some of its programs and productions. In such instances, the Commission recognizes the total contribution and grant as revenue upon receipt of the gift and are included within net assets with donor restrictions. When the donor restriction expires through performance and/or lapse of time, the contribution and grant are transferred from net assets with donor restrictions to net assets without donor restrictions.

The Commission recognizes revenue on the percentage of completion method of accounting for the production of series programs. Excess of revenue on the production of series programs is recorded on the basis of the Commission's estimates of the percentage of completion of individual series programs. That portion of the total revenue is accrued on the basis of expenditures incurred and work performed.

Indirect Administrative Support

Indirect support from other State of Maryland agencies consists of allocated institutional support and physical plant costs incurred by the State for which the Commission receives benefits. The fair value of this support is recognized in the statements of activities as support and as expense.

MPT Foundation, Inc.

Nature of Organization

The Foundation is a not-for-profit foundation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to support and promote the objectives of the Commission in the following ways:

To facilitate fundraising programs and contributions from private sources to foster and promote the general welfare of the Commission;

To promote, sponsor and implement educational, scientific, charitable, and cultural activities for the benefit of the Commission; and

To accumulate and provide funds to be invested and to utilize the principal and income thereof for activities that enhance and further the mission of the Commission.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The Foundation reports investment securities at fair value with gains and losses included in the statement of activities.

Contributions

Contributions are considered available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as revenue with donor restrictions that increase net assets with donor restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as revenue without donor restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Income Taxes

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code on all income except unrelated business income. Certain income related to sale of advertising space is considered unrelated business income. Since related expenses exceed the income, no provision for income taxes has been reported. The Foundation's management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's policy is to reflect interest and penalties related to uncertain tax positions as part of its income tax expense, when and if they become applicable.

The Commission and Foundation

Basis of Presentation

Information regarding the financial position and activities is reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Prior Year Information

The 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 reporting requirements prescribed by the CPB. Accordingly, such information should only be read in conjunction with the combined financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recently Adopted Accounting Pronouncements

During the year ended June 30, 2020, the Commission and the Foundation adopted the requirements of the Financial Accounting Standards Board (the "FASB") Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The update clarifies revenue recognition of grants and contributions; distinguishing exchange transactions and contributions; and whether contributions are conditional or unconditional. As a result of implementation, there were no material changes to the Commission's financial statements however, the remaining expected payments of several of the Foundation's conditional promises to give were discounted and recorded as restricted revenue and receivables in the amount of \$392,990 at June 30, 2020.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2014-09 one more year, making it effective for fiscal years beginning after December 15, 2019. The Commission is evaluating the effect that implementation will have on its financial position.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard is effective for the Commission for fiscal years beginning after December 15, 2020, with early adoption permitted. The Commission is evaluating the effect that implementation will have on its financial position.

In March 2019, the FASB issued ASU 2019-02, *Entertainment - Films - Other Assets - Film Costs (Subtopic 926-20) and Entertainment - Broadcasters - Intangibles - Goodwill and Other (Subtopic 920-350)*. This ASU aligns the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization; requires estimates of the use of a film for a film in a film group and account for changes prospectively; and requires that film or license agreements for program material within the scope of Subtopic 920-350 be tested for impairment at a film group level when the film or license agreement is predominantly monetized with other films and/or license agreements as well as addressing presentation, disclosure, and cash flow classification for license agreements. This ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Commission is evaluating the effect that implementation will have on its financial position.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), which requires enhancements to the presentation and disclosure of contributed nonfinancial assets. The new standard is effective for fiscal years beginning after June 15, 2021. The Commission and Foundation are evaluating the effect that implementation will have on its financial position.

NOTE 2 - CONCENTRATION OF CREDIT RISK

In the ordinary course of business, the Commission and the Foundation may have funds held by financial institutions in excess of Federal insurance limits. The Foundation generally maintains mutual fund balances in financial institutions in excess of the SIPC limitations.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable reflect unconditional donor pledges receivable as of June 30, 2020 and 2019.

	2020	2019
Receivable in less than one year	\$ 856,408	\$ 868,902
Receivable in one to five years	300,000	-
	<u>1,156,408</u>	<u>868,902</u>
Allowance for doubtful accounts	(33,025)	(45,341)
Unamortized discount	(37,010)	-
	<u>\$ 1,086,373</u>	<u>\$ 823,561</u>

Contributions receivable due in more than one year are discounted at 4%. Amortization of the discount will be included in restricted revenue in future years.

Conditional promises to give are not recorded as income until they are received. Promises to give are considered conditional when donors have a right to rescind. At June 30, 2020, the Foundation had a conditional promise to give of \$15,000.

NOTE 4 - INVESTMENTS

Investments reported at fair value are classified based on inputs used to determine the value as follows:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets in active markets;
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, and;
- Level 3 - Unobservable inputs, such as reporting entity's data.

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2020 and 2019. The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020 and 2019:

	June 30, 2020		June 30, 2019	
	Level 1	Total	Level 1	Total
Mutual funds	<u>\$ 7,025,369</u>	<u>\$ 7,025,369</u>	<u>\$ 6,229,506</u>	<u>\$ 6,229,506</u>

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 4 - INVESTMENTS (Cont'd.)

The Foundation's investments in mutual fund securities are reported at their fair value determined using quoted market prices in active markets and consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
General		
Large blend equity mutual fund	\$ 1,530,749	\$ 1,493,876
Endowment		
Cash equivalents	173,836	328,262
Exchange traded products	-	1,461,871
Mutual funds - international	502,075	363,721
Mutual funds - bonds	1,664,831	1,123,093
Mutual funds - equity	3,153,878	1,458,683
Total endowment	<u>5,494,620</u>	<u>4,735,630</u>
	<u>\$ 7,025,369</u>	<u>\$ 6,229,506</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 631,366	\$ 631,366
Buildings and improvements	26,713,696	20,181,407
Equipment	22,985,303	23,160,330
Capital projects in progress	4,180,499	4,535,511
	<u>54,510,864</u>	<u>48,508,614</u>
Less: Accumulated depreciation	31,721,679	30,834,216
	<u>\$ 22,789,185</u>	<u>\$ 17,674,398</u>

NOTE 6 - CAPITAL LEASE OBLIGATIONS

The Commission leases broadcasting equipment under the State of Maryland's Master Lease Program. The leases contain a purchase option upon expiration. Maintenance and insurance costs are not included in the lease payments but must be provided by the Commission. Equipment held under lease obligations amounted to \$3,732,848 for each of the years ended June 30, 2020 and 2019.

Future minimum lease payments under capital leases are as follows:

Year ending June 30:	
2021	\$ 635,250
2022	518,137
2023	268,966
2024	<u>110,957</u>
Total minimum lease payments	1,533,310
Amount representing interest	<u>(59,921)</u>
Present value of total minimum lease payments	<u>\$ 1,473,389</u>

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 7 - ENDOWMENT FUNDS

The Foundation established a charitable endowment that is comprised of several specific funds and one general fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of gifts designated by donors to be restricted in perpetuity as not subject to appropriation. The Foundation classifies the original value of contributions that have been designated by donors to one of the specific funds as well as all income on these endowment funds as subject to specified purpose or time period based on donor intent. In the absence of a purpose restriction on the use of endowment fund income, donor restrictions on the income will lapse only when and to the degree that management appropriates an amount for expenditure in a manner consistent with UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020			
Donor-restricted endowment funds	\$ -	\$ 4,081,064	\$ 4,081,064
Board-designated endowment funds	1,413,556	-	1,413,556
Total funds	<u>\$ 1,413,556</u>	<u>\$ 4,081,064</u>	<u>\$ 5,494,620</u>
June 30, 2019			
Donor-restricted endowment funds	\$ -	\$ 3,758,370	\$ 3,758,370
Board-designated endowment funds	977,260	-	977,260
Total funds	<u>\$ 977,260</u>	<u>\$ 3,758,370</u>	<u>\$ 4,735,630</u>

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 7 - ENDOWMENT FUNDS (Cont'd.)

Changes in endowment net assets as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ 775,415	\$ 2,828,545	\$ 3,603,960
Contributions	170,057	763,775	933,832
Investment income	23,066	85,372	108,438
Net appreciation	32,834	121,523	154,357
Amounts appropriated for expenditure	<u>(24,112)</u>	<u>(40,845)</u>	<u>(64,957)</u>
Endowment net assets, June 30, 2019	977,260	3,758,370	4,735,630
Contributions	414,911	216,750	631,661
Investment income	14,874	42,944	57,818
Net appreciation	39,631	114,417	154,048
Amounts appropriated for expenditure	<u>(33,120)</u>	<u>(51,417)</u>	<u>(84,537)</u>
Endowment net assets, June 30, 2020	<u>\$ 1,413,556</u>	<u>\$ 4,081,064</u>	<u>\$ 5,494,620</u>

NOTE 8 - NONFEDERAL FINANCIAL SUPPORT (NFFS)

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received either as a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television and related activities; and (4) the recipient must be a public broadcasting entity. However, to eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the NFFS.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payments must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was \$20,636,062 and \$22,693,660 for June 30, 2020 and 2019, respectively.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 9 - RETIREMENT BENEFITS

Substantially all of the employees of the Commission are covered by one of the following plans in the State Retirement and Pension System of Maryland (the "System").

- Retirement Systems – retirement programs for substantially all employees who are not participants of the State Pension System, and;
- Pension Systems – retirement programs for employees hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement Systems.

The State's required contributions are based upon actuarial valuations. In accordance with the law governing the System, all benefits of the System are funded in advance. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7% or 5% depending on the retirement plan selected). Members of the Pension System are required to contribute to the System 5% of their regular salaries and wages which exceed the Social Security wage base. All contributions are deducted from each member's salary, and wage payments are remitted to the System on a regular, periodic basis.

Inasmuch as the Commission is an agency of the State of Maryland, a separate actuarial computation of the plan benefit obligations, net assets available for plan benefit, and the component parts of the current benefit expense for employees of the agency was not made. A full disclosure of selected data for the plans as a whole is presented in the Comprehensive Annual Report of the State of Maryland.

Pension expenditures by the Commission for the years ended June 30, 2020 and 2019 amounted to \$1,843,491 and \$1,644,426, respectively, in the aggregate for all programs.

NOTE 10 - INDIRECT ADMINISTRATIVE SUPPORT

The Commission utilizes facilities of the State of Maryland and has recorded occupancy cost, imputed based upon appraisal reports and methodology prescribed by the CPB, of \$500,642 and \$519,744 support from the State of Maryland and as management and general expense for the years ended June 30, 2020 and 2019, respectively.

The Commission recorded the administrative cost allocation from the State of Maryland of \$192,323 as support from the State of Maryland and as management and general expense for each of the years ended June 30, 2020 and 2019.

NOTE 11 - PAYROLL PROTECTION PROGRAM LOAN

In May 2020, the Foundation was awarded a loan in the amount of \$87,662 under the Small Business Administration's Payroll Protection Program (PPP). The loan bears interest at a rate of 1% per annum and is deferred until the ten month anniversary of the loan. Under PPP guidelines, loans will be forgiven if used to pay payroll, rent, mortgage interest, and utility expenses. Management received notice of forgiveness on December 9, 2020.

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose:		
Education	\$ 437,102	\$ 403,507
Regional programming and program acquisition	54,998	54,604
Arts programming	124,712	103,527
Artworks	85,361	84,239
	<u>702,173</u>	<u>645,877</u>
Subject to expenditure after specified time period:		
Underwriting contributions	490,767	632,775
Endowment contributions and earnings	373,673	317,526
	<u>864,440</u>	<u>950,301</u>
Original endowment gifts not subject to appropriation or expenditure		
General	1,390,217	1,259,967
Education	1,212,990	750,000
Arts programming	650,000	650,000
Artworks	145,000	135,000
	<u>3,398,207</u>	<u>2,794,967</u>
Total net assets with donor restrictions	<u>\$ 4,964,820</u>	<u>\$ 4,391,145</u>

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Commission and Foundation regularly monitor liquidity required to meet annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure comprise the following at June 30, 2020:

Cash and cash equivalents	\$ 4,267,006
Receivables, net	3,429,709
Investments	<u>7,025,369</u>
Total financial assets at year-end	<u>14,722,084</u>
Less amounts not available to be used within one year	
Board designated funds	1,413,556
Donor restricted funds	<u>7,882,863</u>
Financial assets not available to be used for general expenditures	<u>9,296,419</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,425,665</u>

**MARYLAND PUBLIC BROADCASTING COMMISSION AND
MPT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - CPB BASIS (Cont'd.)**

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Commission receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that received the grant. As of June 30, 2020, the Commission estimates that no material liabilities will result from such audits.

During the year ended June 30, 2019, the State of Maryland funded the production of documentaries on the lives of Harriet Tubman and Frederick Douglas with an appropriation of \$3,000,000; provided that the entire \$3,000,000 was encumbered by June 30, 2019. Due to the requirement to encumber the entire amount by June 30, 2019, the Commission entered into contracts with various third parties totaling \$2,287,003 for the production of these documentaries. As of June 30, 2020, the Commission has incurred expenses of \$478,006 on these contracts. The remaining balance on these contracts and related encumbrance as of June 30, 2020 is \$1,808,997. In the event the production is cancelled, the Commission would be required to return the remaining encumbrance balance to the State of Maryland. The airing of the documentaries is scheduled for the year 2022.

NOTE 15 – UNCERTAINTIES

The Commission and Foundation's operations have been affected by the recent and ongoing global outbreak of COVID-19 which was declared a pandemic by the World Health Organization in March 2020. On March 23, 2020, the Governor of Maryland declared a health emergency and issued an order to close all nonessential businesses. The Commission and Foundation's offices remain closed with substantially all operations being conducted remotely; television production was temporarily stopped; a hiring freeze was in place; special events have been cancelled and/or postponed; and related revenue has been lost. The further extent to which the COVID-19 outbreak impacts the Commission and Foundation's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to contain it or treat its impact. In particular, the continued spread of COVID-19 could continue to adversely impact the Commission and Foundation's operations and workforce, including television production, state support, marketing activities, which in turn could have a continued adverse impact on business, financial conditions, results of operations, and cash flows.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2021, the date that the financial statements were available to be issued. Except as noted below, no recognized or non-recognized subsequent events were identified for recognition or disclosure in the financial statements.

Subsequent to year end, the Foundation's Payroll Protection Program loan was forgiven in full. See note 11.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION - CPB BASIS
YEAR ENDED JUNE 30, 2020**

	Maryland Public Broadcasting Commission	MPT Foundation, Inc.	Eliminations	Combined Total
ASSETS				
Cash and cash equivalents	\$ 2,807,893	\$ 1,459,113	\$ -	\$ 4,267,006
Encumbrance - State of Maryland	1,808,997	-	-	1,808,997
Net beneficial interest in MPTF	9,360,282	-	(9,360,282)	-
Contributions receivable, net	-	1,086,373	-	1,086,373
Accounts and grants receivable	2,606,326	-	-	2,606,326
Member pledges receivable	-	-	-	-
Inventory of supplies	225,286	-	-	225,286
Prepaid expenses	42,334	-	-	42,334
Licensed program rights	218,157	-	-	218,157
Investments	-	7,025,369	-	7,025,369
Property and equipment, net	22,789,185	-	-	22,789,185
Total assets	<u>\$ 39,858,460</u>	<u>\$ 9,570,855</u>	<u>\$ (9,360,282)</u>	<u>\$ 40,069,033</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,980,444	\$ 67,911	\$ -	\$ 2,048,355
Accrued salaries and vacations	1,946,829	-	-	1,946,829
Capital lease obligations	1,473,389	-	-	1,473,389
Deferred revenue	803,395	-	-	803,395
Refundable advances	-	55,000	-	55,000
Paycheck Protection Program loan	-	87,662	-	87,662
Total liabilities	<u>6,204,057</u>	<u>210,573</u>	<u>-</u>	<u>6,414,630</u>
NET ASSETS				
Without donor restrictions	23,962,543	4,395,462	(4,395,462)	23,962,543
With donor restrictions	9,691,860	4,964,820	(4,964,820)	9,691,860
Total net assets	<u>33,654,403</u>	<u>9,360,282</u>	<u>(9,360,282)</u>	<u>33,654,403</u>
Total liabilities and net assets	<u>\$ 39,858,460</u>	<u>\$ 9,570,855</u>	<u>\$ (9,360,282)</u>	<u>\$ 40,069,033</u>

See Independent Auditors' Report.

**MARYLAND PUBLIC BROADCASTING COMMISSION
AND
MPT FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES - CPB BASIS
YEAR ENDED JUNE 30, 2020**

	Maryland Public Broadcasting Commission	MPT Foundation, Inc.	Eliminations	Combined Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUE				
Other CPB grants	\$ 267,304	\$ -	\$ -	\$ 267,304
Public Broadcasting Service revenue	81,542	-	-	81,542
Federal revenue	1,829,881	31,800	-	1,861,681
Spectrum repacking funds	4,527,799	-	-	4,527,799
Membership pledges and contributions	7,455,722	1,389,708	-	8,845,430
Underwriting and other telecasting revenue	3,804,103	2,026,330	(393,821)	5,436,612
Support from State of Maryland	11,750,644	-	-	11,750,644
Special fundraising activities, net	-	43,898	57,772	101,670
Investment revenue, net of fees	-	52,683	-	52,683
Net gain on investments	-	76,502	-	76,502
Other revenue	-	28,426	-	28,426
Net change in beneficial interest in MPTF without restrictions	2,911,488	-	(2,911,488)	-
Net assets released from restrictions	<u>4,286,726</u>	<u>684,192</u>	<u>-</u>	<u>4,970,918</u>
Total unrestricted revenue	<u>36,915,209</u>	<u>4,333,539</u>	<u>(3,247,537)</u>	<u>38,001,211</u>
EXPENSES				
Program services				
Programming and production	16,417,960	-	-	16,417,960
Broadcasting and engineering	<u>2,124,611</u>	<u>-</u>	<u>-</u>	<u>2,124,611</u>
Total program services	<u>18,542,571</u>	<u>-</u>	<u>-</u>	<u>18,542,571</u>
Supporting services				
Fundraising, solicitation and membership	4,894,222	1,079,199	(188,088)	5,785,333
Management and general	6,265,213	342,852	(147,961)	6,460,104
Depreciation	1,088,251	-	-	1,088,251
Loss on disposal of property and equipment	<u>1,961</u>	<u>-</u>	<u>-</u>	<u>1,961</u>
Total supporting services	<u>12,249,647</u>	<u>1,422,051</u>	<u>(336,049)</u>	<u>13,335,649</u>
Total expenses	<u>30,792,218</u>	<u>1,422,051</u>	<u>(336,049)</u>	<u>31,878,220</u>
CHANGE WITHOUT DONOR RESTRICTIONS	<u>6,122,991</u>	<u>2,911,488</u>	<u>(2,911,488)</u>	<u>6,122,991</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Community Service Grants	2,918,043	-	-	2,918,043
Member pledges and contributions	-	609,740	-	609,740
Underwriting and other telecasting revenue	-	490,767	-	490,767
Investment revenue, net of fees	-	42,943	-	42,943
Net gain on investments	-	114,417	-	114,417
Net change in beneficial interest in MPTF with donor restrictions	573,675	-	(573,675)	-
Net assets released from restrictions	<u>(4,286,726)</u>	<u>(684,192)</u>	<u>-</u>	<u>(4,970,918)</u>
CHANGE WITH DONOR RESTRICTIONS	<u>(795,008)</u>	<u>573,675</u>	<u>(573,675)</u>	<u>(795,008)</u>
CHANGE IN NET ASSETS	<u>\$ 5,327,983</u>	<u>\$ 3,485,163</u>	<u>\$ (3,485,163)</u>	<u>\$ 5,327,983</u>

See Independent Auditors' Report.