Financial Reporting Guidelines

Fiscal Year 2023

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Corporation for Public Broadcasting
Financial Reporting Guidelines
for Preparing 2023 Financial Reports
April 2024

A portion of each Community Service Grant (CSG) is calculated on the recipient's non-federal financial support (NFFS). NFFS is defined in the Communications Act of 1934, 47 U.S.C. §396, et seq. (Communications Act or Act), and recipients report their NFFS to CPB using either an Annual Financial Report (AFR) or an annual Financial Summary Report (FSR). CPB reviews each report using the recipient's audited financial statements, or unaudited if allowed by CPB, to verify NFFS reported. These Financial Reporting Guidelines (Guidelines) describe the required components of the audited or unaudited financial statements in Part I, explain what a recipient may report as NFFS in Part II, and detail instructions on how to complete the AFR and FSR in Part III.

If a desk review or audit by CPB's Office of Inspector General or a representative reveals any errors in the CSG recipient's AFR or FSR, CPB may require the recipient to correct the errors and return any resulting CSG overpayment. Furthermore, under the CSG Non-Compliance Policy, misreporting may subject the CSG recipient to financial penalties.

PART I – Financial Statements

I. Financial Statements

A. Overview

CSG recipients must submit their annual financial statements to CPB. Those that file an AFR must provide CPB with their annual comparative audited financial statements. Radio recipients must provide CPB with their comparative audited financial statements unless they have total station revenues of less than $300,000. These recipients must provide either a comparative audited or unaudited financial statement[1]. CSG recipients that CPB authorizes, may submit financial statements that are not comparative if the following year they submit comparative statements. CSG recipients may elect to submit a biennially audited financial statement (see below).

The recipient's independent accountant, defined below, must submit its audited financial statements to CPB through its Integrated Station Information System, and recipients providing unaudited statements must email them to CPB at csg@CPB.org.

B. Definition of an Independent Accountant

CSG recipients required to provide CPB with their audited financial statement must undergo an annual audit by an Independent Accountant, i.e. a certified[2] public accountant (CPA)[3] or independent licensed public accountant certified or licensed by a regulatory authority of the state[4] in which the CSG recipient is located (collectively IA). An IA may be the following:

1. an IA firm or a sole practitioner;
2. an IA who donates his or her services to the CSG recipient;
3. an IA who works for an independent state audit agency directed by a person who is:
    i. elected by the citizens of the state;
    ii. elected or appointed by and reporting to the state legislature or a committee thereof; or
    iii. appointed by the governor and confirmed by and reporting to the state legislature;
4. an IA, who is an internal auditor employed within the licensee's organization, provided he is not responsible for nor involved in the CSG recipient's accounting operations, or developing any factors used to determine Indirect Administrative Support (IAS).

[1] §396 (l)(B)(ii)(II).
[2] Certification by the American Institute of Certified Public Accountants (AICPA).
[3] To conduct audits, a CPA must be licensed by the state Board of Accountancy where the CSG recipient is located.
[4] §396 (l)(3)(B)(ii).

C. IA's Qualification Statement

The following IAs must complete the Accountants Qualification Statement in CPB's Integrated Station Information System when submitting the CSG recipient's financial information to CPB.

1. auditors employed by a state audit agency; or

2. internal auditors.

D. Financial Statement Requirements

When preparing their financial statements, CSG recipients must comply with Generally Accepted Accounting Principles (GAAP) and the Principles of Accounting, May 2005, or the most current edition. In the event of a conflict, GAAP will control.

The recipient must use the revenues and expenses in its financial statement for the corresponding year's AFR or FSR. The AFR and FSR covers a 12-month period unless the recipient changes its fiscal year. If this change prevents the recipient from meeting the minimum NFFS set forth in the applicable year's General Provisions, the recipient may request that CPB waive the requirement for that year[5].

Joint licensees must maintain separate accounts for each CSG recipient. They may provide CPB with a financial statement that combines the financial information of two or more of those recipients as long as a supplemental schedule is attached showing a breakdown of the revenues and expenses attributed to each recipient. It is the CSG recipient's responsibility to ensure that the information on the supplemental schedule is accurate and that its IA conducts transaction tests that allow it to express an opinion on the supplemental schedule and provide the NFFS attestation.

A CSG recipient that consolidates its financial statement with another entity as a financially interrelated organization pursuant to GAAP must comply with the applicable requirements in *AICPA SOP 94-3, Reporting of Related Entities by Not-for-Profit Organizations (issued September 1994)* and GASBS No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment to GASB Statement No. 14, May 2002*.

[5] Submit the request to: csg@cpb.org.

Below is a summary of the information that must be included in the CSG recipient's audited financial statement.

Audited Financial Statement			
Required Information	**GASB**[6] State & Local Governments	**GASB** Public Colleges & Universities	**FASB**[7] Non-profit Community Organizations & Private Colleges and Universities
IA's Report – original signature on auditor's letterhead	√	√	√
Management Discussion and Analysis	√	√	
Statement of Net Assets i.e. Balance Sheet		√	
Statement of Financial Position			√
Statement of Activities			√
Statement of Cash Flows		√	√
Notes to Financial Statements	√	√	√
Statement of Functional Expenses[8]	Optional[9]	Optional	√
Statement of Revenues, Expenses and Changes in Fund Net Assets	√	√	
Government-wide (GW) Financial Statements: Statement of Net Assets	√		
GW Financial Statements: Statement of Activities	√		
Fund Financial Statements (FFS): Balance Sheet – Government Fund (GF)	√		
FFS, Reconciliation of GF Balance Sheet to GW Statement of Activities	√		
FFS Statement of Revenues, Expenditures and Changes in Fund Balances GF	√		
FFS Reconciliation of GF Statement of Revenues, Expenses and Changes in Fund Balance to GW Statement of Activities	√		

[6] Governmental Accounting Standards Board.
[7] Financial Accounting Standards Board.
[8] Required beginning fiscal year December 15, 2017, per *Accounting Standards Update (ASU) 2016-14.*
[9] Optional but encouraged.

Unaudited financial statements must include the information in the table below.

Required Information	FASB	GASB
Statement of Financial Position	√	
Statement of Activities	√	
Statement of Cash Flows	√	√
Statement of Net Assets and/or Balance Sheet		√
Statement of Revenues, Expenses & Changes in (Fund) Net Assets		√
Notes to Financial Statements	Optional	Optional
Statement of Functional Expenses	Optional	Optional
Management's Discussion & Analysis		Optional

II. Audit Opinions and NFFS Attestation

A. Audit Opinions

In addition to examining the CSG recipient's financial statement, the IA must also review its accounting system and related internal controls to ensure that the recipient's records are sufficient to provide one of the following opinions.

1. Unmodified Opinion. An unmodified opinion states that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the entity in conformity with GAAP. This opinion may include instances where explanatory language is added to the auditor's standard report.

2. Qualified Opinion. A qualified opinion states that, except for the effects of the matter(s) to which the qualification relates, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the entity in conformity with GAAP.

3. Adverse Opinion. An adverse opinion states that the financial statements do not present fairly the financial position, results of operations or cash flows of the entity in conformity with GAAP.

4. Disclaimer of Opinion. A disclaimer of opinion states that the auditor does not express an opinion on the financial statements.

If CPB identifies persistent errors in a CSG recipient's AFR or FSR, CPB reserves the right to reject the recipient's NFFS and require the recipient engage a new IA.

B. NFFS Attestation

The IA must conduct an attest examination of the CSG recipient's AFR or FSR[10] in accordance with attestation standards established by AICPA and attest to the reliability of amounts reported therein as NFFS. The examination must include tests to determine whether the amounts reported are in accordance with the Guidelines; for example, whether:

[10] Except radio stations exempted in the General Provisions.

1. the amounts reported as NFFS are accurate;
2. cash receipts were properly recorded;
3. IAS was calculated in accordance with these Guidelines; and
4. the valuation and documentation of in-kind contributions are accurate.

The IA must submit the attestation to CPB by executing the AFR or FSR Signature Page in CPB's Integrated Station Information System.

Alternatively, the IA may submit the attestation on its letterhead as long as the attestation language is consistent with that on the Signature Page and a PDF attachment of the attestation is uploaded, upon execution, into CPB's Integrated Station Information System.

III. Biennially Audited Financial Statements

Most CSG recipients choose to provide CPB with their annual audited financial statement, which CPB uses to verify their NFFS, to safeguard against underreporting NFFS. However, the Act permits recipients to file audited financial statement biennially[11], i.e. the audited financial statements must cover the current and prior unaudited year.

Those filing biennially must do so in odd-numbered years and notify CPB using the form titled "Election to File Audited Financial Statements Biennially" in CPB's Integrated Station Information System. If the audit finds that the prior year's NFFS was overstated and its CSG overpaid, CPB will recover the funds by adjusting the recipient's current year NFFS accordingly. If the audit finds that the prior year's NFFS was understated, CPB cannot make a retroactive adjustment to compensate the recipient for the understated CSG because CPB distributes 100% of available funds each year, i.e. there are no reserved funds from prior year appropriations.

Example: At the close of its FY 2023 fiscal year, a public radio station located in Indiana elected to file its audited financial statements biennially. Therefore, its CSG was calculated using unaudited numbers. The following year when the IA audited its FY 2023 and 2024 financial statements, it found that the station overreported its NFFS in 2023 by $150. To correct this, the station's 2024 NFFS must be reduced by $150, as shown in Example A in the table below.

However, if the audit found that the station underreported its 2023 NFFS by $90, as shown below in Example B, the station will not be able to make an adjustment for the understatement, because CPB has already distributed those funds.

Example	Unaudited NFFS	Audited	2024 NFFS ADJ
A	$710	$560	($150)
B	$710	$800	$0

[11] §396 (1)(3)(B)(ii).

PART II: NFFS

I. NFFS: Definition

NFFS is the total value of cash and the fair market value of property and services (including, to the extent provided in the second sentence of this paragraph, the personal services of volunteers) received—

A. as gifts, grants, bequests, donations, or other contributions for the construction or operation of noncommercial educational broadcast stations, or for the production, acquisition, distribution, or dissemination of educational television or radio programs, and related activities, from any source other than: (i) the United States or any agency or instrumentality of the United States; or (ii) any public broadcasting entity; or

B. as gifts, grants, donations, contributions, or payments from any State, or any educational institution, for the construction or operation of noncommercial educational broadcast stations or for the production, acquisition, distribution, or dissemination of educational television or radio programs, or payments in exchange for services or materials with respect to the provision of educational or instructional television or radio programs. Such term includes the fair market value of personal services of volunteers, as computed using the valuation standards established by the Corporation, but only, with respect to such an entity in a fiscal year, to the extent that the value of the services does not exceed 5 percent of the total non-Federal financial support of the entity in such fiscal year. 47 U.S.C §397 (9)

Neither CPB nor its Board of Directors may change the definition of NFFS, but the Board may adopt policies that identify the types of NFFS revenues that CPB will recognize when determining the amount of a CSG. The policies are typically the result of a CPB consultation with representatives from the public broadcasting system[12].

II. Contribution vs. Payment

Revenues are either a contribution or a payment, and must meet the recipient, form, source, and purpose criteria below to be reported as NFFS.

A. Contribution. A contribution is a gift, grant, bequest, donation or appropriation (i.e., the form criterion). For a contribution to be reported as NFFS, it must meet the following criteria.

1. **Recipient.** The contribution must be unconditionally provided to the CSG recipient. This includes contributions made indirectly, if Constructively Received[13].

2. **Source.** The contribution may be from any source except the United States, any agency or instrumentality of the United States (i.e. the federal government), or a public broadcasting entity.

   Funds are considered federal if they are provided by the federal government or any agency or instrumentality of the federal government to:

   i. the CSG recipient directly or indirectly, if Constructively Received; and

[12] 47 U.S.C §396 (k)(6)(B).

[13] Defined in Section VI.

ii. a non-federal organization that, in turn, provides the funds to a CSG recipient, with the stipulation that the funds retain their federal character when passed to other parties[14]; and

3. **Purpose.** The contribution must be provided to the CSG recipient to construct or operate a noncommercial educational broadcast station[15], or for the production, acquisition, distribution or dissemination of educational television or radio programs and related activities.

B. Payment. A payment is a reciprocal transfer of cash, goods and/or services (e.g. exchange transaction) and may be reported as NFFS, if it meets the criteria below.

1. **Recipient:** Public broadcasting entity or an organization that receives the revenue on its behalf.
2. **Form:** The payment must be in the form of an appropriation or contract payment.
3. **Source:** The payment must be made by a state[16] or any educational institution[17].
4. **Purpose.** The payment must be in exchange for services or materials with respect to the provision of educational or instructional television or radio programs.

C. Summary of Requirements: Contributions and Payments. Below is a summary of the requirements that revenues must meet to qualify as NFFS.

	Contributions	Payments & Exchange Transactions
Recipient	Public broadcasting entity or an organization that receives the revenue on its behalf[18].	Public broadcasting entity or an organization that receives the revenue on its behalf.
Form	Gifts, grants, bequests, donations, and appropriations.	An appropriation or contract payment.
Source	Any source except the federal government or a public broadcasting entity.	State (including local governments or agency thereof), or an educational institution.[19]
Purpose	Construction or operation of a noncommercial, educational broadcast station; or the production, acquisition, distribution, or dissemination of educational television or radio programs.	Cash, goods and/or services the CSG recipient received, in exchange for services or materials with respect to the provision, of educational or instructional television or radio programs.

[14] Federal funds rarely lose their federal character, even when they pass through an intermediary organization to a CSG recipient. To lose their federal character, federal funds must be provided to the original recipient without any restrictions on their use, and the original recipient cannot be required to report back to the provider for any reason. If there are any questions as to whether the funds are federal, please contact the appropriator or grantor. When revenues provided to the CSG recipient are from federal and non-federal sources, the non-federal portion may be reported as NFFS.
[15] Capital contributions to television stations are excluded, Part II, Section V.
[16] State includes local governments, state agencies, the District of Columbia, U.S. territories, public schools, and Native American Tribes as defined in the applicable year's General Provisions.
[17] Payments provided by educational institutions that are public broadcasting entities (i.e., the licensee of another public broadcasting station) may not be reported as NFFS because public broadcasting entities are ineligible sources.
[18] Constructive Receipt defined in Part II, Section VI.
[19] See footnote 17.

III. NFFS from Institutional Licensees

An institutional licensee is a state or local government, public or private college, or university or the government of a United States territory that holds a license for a radio and/or television station. Its activities do not have to be devoted exclusively to public broadcasting. CSG recipients may report the following revenues as NFFS if they were provided by their institutional licensees and not excluded as set forth in Part II, Section V.

A. direct revenues, i.e. cash, including appropriations (collectively Direct Revenues);

B. expenses incurred or absorbed by the station's institutional licensee that directly benefits the station; and

C. IAS (see Part II, Section XII).

IV. NFFS from Radio Capital Campaign Contributions

Radio CSG recipients may report as NFFS contributions they receive from capital campaigns and from other sources (e.g. its institutional licensee), provided the funds are used for any of the following:

A. the acquisition or construction of facilities and facility improvements;

B. equipment purchases;

C. the acquisition of equipment for broadcast or operations;

D. national productions;

E. to repay debts incurred to acquire a station's license;

F. to increase the distribution of a station's news and information service; or

G. to engage in other projects that support programming.

V. NFFS: Excluded Revenues

Revenues from any of the sources below may not be reported as NFFS (see Exhibit A). However, this list is not exhaustive.

A. Public broadcasting entities. Public broadcasting entities include but are not limited to:

1. CPB;

2. any licensee or permittee of a public broadcasting station;

3. any nonprofit institution primarily in the production, acquisition, distribution, or dissemination of educational and cultural television or radio programs., including but not limited to:

i. American Public Television;

ii. National Public Radio;

iii. Public Broadcasting Service;

iv. Public Radio Exchange;

v. American Public Media;

vi. National Educational Telecommunications Association;

vii. Sesame Workshop; and

viii. Fred Rogers Productions.

B. Federal funds.

C. CPB grants.[20]

D. Ready to Learn (RTL) and Next Generation Warning System (NGWS) grants that CPB awards to CSG recipients.[21]

E. Federal Work Study (FWS) Programs. A FWS program is a campus-based program administered by the financial aid office at the participating school. For the student working at a public broadcasting station, FWS covers the cost of the student's wages by making payments directly to the station. Because the station has no discretion over what portion of the student's salary FWS will pay, the funds retain their federal character and may not be reported as NFFS.

F. Presenting Station Fees. A presenting station fee is the fee often charged by an independent program producer to introduce a program into distribution among public broadcasters. The fee may be charged directly to and paid directly by the independent producer or retained by the public broadcasting entity from assets that it solicited or received from third-party underwriters on the producer's behalf. For clarification, the fee that a station receives or retains when introducing a program into public broadcasting distribution is a payment.

G. Capital Assets: Television CSG Recipients. Revenues received directly or as in-kind contributions by a television CSG recipient that are restricted at the time of the donation to support any of the activities below:

1. the acquisition of capital investments;

2. the construction of facilities, facility improvements, new construction, or other similar activities;

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[20] Except for Ready to Learn (RTL) and Next Generation Warning System (NGWS) grants, funds provided by CPB (including those for indirect costs) are not federal awards and, therefore, are not subject to the federal Uniform Guidance (Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards).

[21] Stations receiving RTL and NGWS grants (including funds for indirect costs) must comply with the federal financial reporting and government audit requirements, including the federal Uniform Guidance (Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants).

3. equipment purchases; or

4. the acquisition of equipment for broadcasting or operations.

H. Spectrum Auction and Repacking Revenues. Revenues television and radio CSG recipients receive as a result of a spectrum incentive auction conducted by the Federal Communications Commission (FCC) and funds the FCC provides to recipients as reimbursement for repacking costs, including interest and dividends earned and/or received on the same.

I. Rental Revenues. Revenues that a CSG recipient receives as rent for an asset, including revenue from leases for tower space, unused spectrum, and building space.

J. Advertising Revenues. The Act does not prohibit public broadcasting stations from transmitting advertisements via the internet or other non-over-the-air broadcast media.

The FCC defines an advertisement as "any message or other programming material which is broadcast or otherwise transmitted in exchange for any remuneration, and which is intended:

1. to promote any service, facility, or product offered by any person who is engaged in such offering for profit;

2. to express the views of any person with respect to any matter of public importance or interest; or

3. to support or oppose any candidate for political office."[22]

CPB considers the term "otherwise transmitted" to include messages that are distributed through any method other than an over-the-air broadcast, such as via the internet.

K. Premiums. Premiums are thank-you gifts of significant value that CSG recipients often provide to donors in exchange for membership contributions. Therefore, the recipient must deduct the fair market value of the premium from the donation. The remainder may be reported as NFFS consistent with the IRS rules[23] that recognize the tax-deductible portion of donations involving premiums. Recipients must ensure that they comply with all IRS rules and regulations concerning these issues.

L. Other Revenues may include:

1. gains on the sale of assets and realized and unrealized investment gains and losses;

2. revenues from a wholly or partially owned for-profit subsidiary, regardless of the nature of the subsidiary's work;

3. revenues from a wholly or partially owned non-profit subsidiary which is not engaged in telecommunications work;

[22] 47 U.S.C. § 399(B)(a).

[23] Charitable Contributions-Substantiation and Disclosure Requirements, IRS Publication 1771 (Rev. 3-2016).

4. refunds, rebates, and reimbursements;

5. income classified as unrelated business income; and

6. insurance settlements and proceeds.

VI. NFFS: Underwriting Revenues

The FCC[24] and the Communications Act[25] allow public broadcasting stations to broadcast underwriting credits which may also be referred to as sponsorships but prohibit them from broadcasting advertisements. Underwriting revenues are contributions to a CSG recipient primarily to support its programming or activities in exchange for underwriting credit. CSG recipients may report revenues they receive for broadcasting underwriting credits as NFFS. An underwriting credit acknowledges the contributor's support but does not promote its goods or services and may not contain any of the following:

A. a call to action;

B. qualitative or descriptive language;

C. comparative language;

D. price or value information;

E. inducements to buy, sell, rent, or lease;

F. endorsements; or

G. demonstrations of consumer satisfaction.

Underwriting revenues may be provided directly or indirectly to the CSG recipient. For those provided indirectly, the CSG recipient must "constructively receive" the revenues. Constructive Receipt exists when there is a written agreement between the recipient and the third party that authorizes the third party to receive the underwriting revenues on the CSG recipient's behalf (Constructive Receipt or Constructively Received). Below are examples.

Example #1: Donation. Oil Company donates $200,000 to Station X to underwrite a television program it broadcasts about British royalty. Station X may report $200,000 as NFFS.

Example #2: Constructive Receipt. Station X enters into a written contract with Sponsorship Placement Organization. Under the contract, the Organization agrees to secure and receive the underwriting on Station X's behalf. If Organization secures $200,000 in underwriting revenues from Oil Company on Station X's behalf, Station X may report $200,000 as NFFS. Station X does not have to reduce the donation by the amount of Organization's fee.

Example #3: Lack of Constructive Receipt. Oil Company enters into a written contract with Advertising Agency to place underwriting donations on its behalf. Under the contract, Oil Company will donate $200,000 to underwrite a television program in a major market from which Advertising

[24] 37 C.F.R. §73.503(d) and §73.621(e)
[25] 47 U.S.C. §399(b)

Agency will receive a fee of $25,000. Advertising Agency secures underwriting on public television Station X. There is no written agreement between Advertising Agency and Station X. Therefore, Station X may report $175,000 as NFFS, even if the documentation provided by Advertising Agency or Oil Company identifies the donation as $200,000.

VII. NFFS: In-kind Contributions

In-kind contributions are contributions other than cash (such as property, professional services, materials, supplies and the use of assets), a donor provides to a CSG recipient, if they are reported on the recipient's audited financial statement as a contribution[26] and they are not excluded by CPB policy. The recipient may report them as NFFS at their fair market value at the time the contribution was made consistent with GAAP[27],

A. Professional Services. For professional services to qualify as an in-kind contribution, they must also meet the criteria below. The fair market value of professional services may be based on the usual and customary fee the donor would charge a paying customer for equivalent goods and/or services. Professional services:

    1. create or enhance non-financial assets, or requires specialized skill; and

    2. are performed by someone that in the normal course of its business, provides the same or similar services to a paying customer, such as attorneys, tax professionals, architects, carpenters, doctors, electricians, nurses, plumbers, teachers, financial advisors and other professionals and craftsmen.

        Example. Goldie graduated from college with a degree in digital media and web technology and makes a living as a consultant, creating websites for local businesses. Goldie donates her time to assist a public radio station in developing and maintaining its website, approximately 10 hours a month. The station may report the fair market value of those services as NFFS. If Goldie donated her time to act as a host or to answer phones, the CSG recipient could not report the fair market value of her time as NFFS.

B. Underwriting Trades. An underwriting trade exists when a donor contributes goods and/or services, i.e. something other than cash, to a station in exchange for underwriting credit. Underwriting credits may either be made on-air or online. The CSG recipient may report the fair market value of those goods and/or services as NFFS.

    If the CSG recipient provides the donor with anything in addition to the underwriting credit (e.g. production services or studio time) the transaction is an exchange transaction, and the contribution reported as NFFS must be reduced by the value of what was provided the donor. However, NFFS may not be less than zero.

    Example: The donor provides the CSG recipient with promotional spots on its website equal to $10,000. In exchange, the CSG recipient provides the donor with $2,500 in studio time and underwriting credits. The CSG recipient may report as NFFS $7,500 ($10,000 - $2,500). However, if the studio time provided to the donor was worth $15,000, the CSG recipient would report $0 NFFS.

    CSG recipients must obtain the documentation that meets the criteria below in paragraph C. Trade underwriting agreements or contracts may not be used to document the value of a contribution because they represent the donor's intent and are not evidence that the trade took place.

    Regarding advertising provided as an in-kind donation to a CSG recipient, it may be reported by the recipient as NFFS if it primarily advertises the recipient's station activities. Otherwise, only the portion that

[26] Statement of Financial Accounting Standards 116, paragraph 9.

[27] Accounting Standards Codification (ASC) paragraph 958-605.

promotes the station's activities may be reported as NFFS.

C. Documentation. The CSG recipient must have documentation from the donor that:

1. was prepared at the time the contribution is made;
2. is printed on the donor's business stationery or an invoice that prominently displays the donor's name, address, business logo, and contact information;
3. describes the contribution;
4. shows the date the contribution was provided to the CSG recipient;
5. identifies the fair market value of the contribution using a clearly measurable and objective valuation method (e.g. lawyer's hourly rate multiplied by the number of hours worked) pursuant to GAAP;
6. states the donor's intent to donate or trade the goods and/or services; and
7. includes the signature, name, and title of the donor or its representative.

To ensure that the necessary information is obtained from the donor, the CSG recipient may use these customizable templates, which consist of a cover letter explaining the documentation request and a form for the donor to complete.

VIII. NFFS from In-kind Contributions Combined with Exchange Transactions or Payments

If a CSG recipient receives an in-kind contribution and provides the donor goods and/or services in exchange (Exchange Transaction), the amount the CSG recipient may report as NFFS is calculated by deducting the fair market value of the goods and/or services the CSG recipient provided from the fair market value of the contribution it received.

Example #1: Exchange Transaction. An attorney donates legal services with a fair market value of $5,000 to the station. In return, the station records the attorney's new hip-hop song at its studios. The production services have a fair market value of $5,000. In this case, the station may not report any NFFS because this is an Exchange Transaction.

Example #2: Combine In-kind Contribution with an Exchange Transaction. A jewelry appraiser donates her time to appraise the value of jewelry bequeathed to the station. The fair market value of her services is $10,000. In return, she received $4,000 worth of underwriting credits and production services to produce a commercial for her business with a fair market value of $6,000. The station may report $4,000 as NFFS. It cannot report the remaining $6,000 as NFFS because the production services are an Exchange Transaction.

IX. NFFS from In-Kind Contributions: Educational Television and Radio Programs & Related Activities

CSG recipients may report as NFFS in-kind contributions they receive for the "production, acquisition, distribution, or dissemination of educational television or radio programs, and related activities."[28] Nonetheless,

[28] 47 U.S.C. §397 (9).

if the CSG recipient is a television station, the contribution may not be reported as NFFS if it is used to purchase new equipment or facilities, or to expand existing facilities as set forth in Part II, Section (V)(G).

CSG recipients that provide an educational or instructional television service to classrooms (ITV service) via over-the-air broadcasts, cable distribution, prerecorded materials, podcasts, DVDs, etc., may report in-kind contributions as NFFS if the recipients maintain managerial and operational control over those contributions and the ITV service (such control may not be held by the recipient's licensee), and the ITV service directly benefits the station's mission as an educational broadcaster. The following in-kind contributions may be reported as NFFS:

1. study and teacher guides that support or are related to its ITV service, provided they are not contributed by the CSG recipient's licensee;

2. the services of a utilization specialists, hired by the educational entity that receives the ITV service, time spent coordinating the use of that service in the classroom and serves as a liaison with the station (a utilization specialist is someone with specialized education and skills in curriculum development and standards rather than a classroom teacher);

3. the time a curriculum committee spent advising the CSG recipient on the ITV service. The committee may include a reasonable number of people, appointed by the educational entity and tasked with advising on the ITV service and supporting materials. The committee's services must be an integral part of that service, without which the CSG recipient would be required to secure elsewhere;

4. the services faculty members donate to assist the CSG recipient in developing the ITV services, provided the faculty are not compensated by the recipient or any third party and they meet the criteria for professional donated services;

5. educational television and radio programs and broadcast rights purchased by a state agency that are used in the CSG recipient's ITV services; and

6. the expenses incurred by an educational nonprofit entity to promote courses offered by the CSG recipient through its ITV service, if the promotion highlights the recipient's involvement.

To clarify, for ITV services, the following is a partial list of costs and items excluded from NFFS.

- The salaries and benefits of classroom teachers using the ITV service;

- The cost of receiving or playback equipment located at the educational or instructional facility; and

- Donated programs, including local productions and national programs regardless if produced for instructional use and/or distributed as part of the CSG recipient's instructional programs.

X. Other In-kind Contributions Excluded from NFFS.

Below are other in-kind contributions that may not be reported as NFFS.

A. Exchange Transaction(s).

B. Non-professional Donated Services.

C. Miscellaneous Electronic Items. Electronic files, flash drives, prerecorded compact discs, records, tapes, cassettes, film libraries and other similar items.

D. Fundraising-related contributions, i.e., all in-kind contributions intended for or used to raise funds. Examples of fundraising-related activities include the following:

   1. donated space to warehouse auction goods;

   2. refreshments or catering services provided for fundraising volunteers;

   3. donations of advertising including commercial broadcasting stations simulcasting the CSG recipient's fundraising event; and

   4. goods and/or services donated for "thank you" events, such as a reception or dinner for major underwriters and contributors, which are an extension of a fundraising activity. "Thank you" events may be for the donor's support or continued support. They are excluded from NFFS regardless of whether they were solicited by the CSG recipient.

E. Promotional items. Promotional items are the items or events the CSG recipient gives or holds for listeners or the public as an incentive to listen longer or more often to its station, or to increase station audience awareness. These include but are not limited to the following:

   1. tickets to performances

   2. T-shirts, mugs

   3. mouse pads

   4. dinners

   5. other events or items

F. Local production support. In-kind contributions supporting a local production include but are not limited to performers' fees (e.g. musicians, instrumentalists, actors and singers), the on-air broadcast services of volunteer hosts, any off-air writing or research related to producing the program, equipment rentals, lodging, transportation, catering and other activities related to the production.

   A local production is one that is produced locally by or for the CSG recipient, regardless of whether the production is distributed nationally, or whether the production is broadcast. It includes the recipient's:

   1. exclusive airings;

   2. public performances;

   3. station exclusives, which are events held at the CSG recipient's studio or another location, for the sole purpose of producing a television or radio program, including studio recordings; and

   4. broadcast pick-ups, which are performances or events that the CSG recipient holds in a public place with a general audience, where television or radio broadcast coverage is

incidental.

G. Third party production payments. Payments of production expenses made by a third party on behalf of a CSG recipient and expenses a CSG recipient's production partner incurs to create or deliver a production.

H. Nationally distributed programs.

I. Program supplements. Program supplements are syndicated information announcements, including, traffic reports, weather reports, stock reports, ski reports, and agricultural reports.

J. Licensee in-kind contributions. In-kind contributions made by the licensee to the station.

XI. NFFS from In-kind Contributions: State Appropriation Exceptions

CSG recipients that receive in-kind contributions funded by a state appropriation, such as from the Florida Department of Education (FL-DOE) or Ohio Broadcast Educational Media Commission (Ohio BEMC), may report them as NFFS.

XII. Indirect Administrative Support (IAS).

IAS is the value of services an institutional licensee provides to its station for facilities and administrative costs (F&A) and occupancy value (OV), as defined below.

- F&A: are general administration costs (also known as institutional support) and operations and maintenance costs (also known as physical plant support).
- OV: is the value of a station's pro-rata share of the annual depreciation of a licensee-owned building or land associated with tower facilities that is fully or partially occupied by the station.
- Institutional licensee: is the entity with a valid renewable licensee from the United States Government to operate a full-power, noncommercial, educational radio or television station and the entity's operations are not devoted primarily to said station's operations, such as public and private colleges and universities, state, and local governments.[29]

To report IAS, radio and television CSG recipients that file an AFR must use the standard method worksheet on Schedule B. However, with prior approval from CPB, a station operated by a state or local government may use a grantee-developed method worksheet to calculate IAS if its licensee's audited financial statement lacks sufficient details to identify F&A[30]. In addition, radio CSG recipients that submit an FSR to CPB must use the grantee-developed method.

XIII. NFFS from Interrelated Organizations Must Meet NFFS Criteria

When the CSG recipient's financial statement is consolidated with another entity as a financially interrelated organization pursuant to GAAP, that entity's revenue must meet the source, form and purpose criteria for the recipient to report it as NFFS.[31] Common interrelated organizations are fundraising

[29] State and local governments include U.S. territories and tribal entities as defined in the General Provisions.
[30] Grantees must notify CPB no later than April 1 of the applicable year.
[31] Subject to the exclusions in Part II, Section V, NFFS: Excluded Revenues.

organizations, e.g. friends' groups and university foundations; affiliated stations and subsidiaries.

A CSG recipient may not report as NFFS its related organization's general operational costs or overhead. CSG recipients must confer with their IA to determine whether consolidating is appropriate. If not, the recipient may report direct revenues[32] that the related organization provides it as NFFS, as well as the items below, provided the recipient obtains the required documentation.

A. Programs purchased for and given to the station;

B. expenses incurred to print and distribute the station's program guide;

C. expenses incurred for the station's staff salaries and benefits; and

D. for radio CSG recipients, property and equipment purchased and legally transferred to it.

XIV. Allocating Capital Assets & Large Gifts

A radio CSG recipient that receives in-kind donations of capital assets and/or gifts to purchase capital assets may allocate these over a period of up to five years. The allocation must begin in the year the donation is reported on the station's AFR and audited financial statement and the recipient must advise CPB of the same by completing and submitting the "Capital Asset Allocation" form.

A television CSG recipient with current year base NFFS and a five-year average NFFS of less than $35 million[33] that receives a donation equal to ten percent or more of NFFS in its most recent fiscal year, may allocate the donation over a period of up to three years. The allocation must begin the year the revenues are reported on the station's AFR and audited financial statement. The recipient must notify CPB of its intent to exercise this option by completing and submitting the "Large Gift Allocation" form to CPB.

XV. AFR and FSR: Filing and Penalties

CSG recipients may request two filing extensions from CPB. The first is 45 days and, if requested prior to the CSG recipient's original deadline, is granted automatically. The second extension is 30 days. It must be requested before the expiration of the first, include a detailed justification signed by the CSG recipient's head of grantee and IA (if an audit is required), and is subject to CPB's approval. Both extensions requests must be made in CPB's Integrated Station Information System.

CSG recipients that fail to file reports by the due dates (including extensions) will be subject to late filing penalties as described in the relevant year General Provisions. To file an amended AFR or FSR, the recipient must submit a request (to csg@cpb.org) no later than May 15 and file the revised AFR or FSR no later than May 31 of that year.

XVI. AFR & FSR: Components

CSG recipients submitting an AFR must complete schedules A, E, and F. Schedules B, C, and D are required if the specified revenue is received. CSG recipients submitting an FSR must submit parts 1, 2, 3, and 4 when submitting audited financial statements; and parts,1,2, and 3 when submitting an unaudited financial

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[32] Must meet the source, form, and purpose criteria.

[33] The five-year average is calculated using NFFS for the current fiscal year and the four prior fiscal years.

statement.

Section	AFR Schedule	FSR Part
Direct Revenues	A	1
IAS (if applicable)	B	1
In-kind Contributions (if applicable)	C & D	1
NFFS Exclusions	A, C & D	3
Expenses	E	2
Reconcile to Audited Financial Statements	F	4

PART III – AFR AND FSR LINE ITEM INSTRUCTIONS

Completing AFR Schedule A - Direct Revenue

This schedule is used to report all direct revenue recognized in the audited financial statements for the reporting year. Direct revenue includes gifts, grants, contributions of cash, payments for services, dividends on investments, royalty payments, etc. For institutional stations, direct revenue may also consist of expenses incurred or absorbed by the licensee specifically for the operations of the station.

Do not report in-kind contributions of any type on Schedule A. All in-kind contributions, including those received through underwriting trade agreements, are to be reported on Schedules C and D only.

Unexpended funds returned to a grantor or other payor that were previously recognized as revenue and reported as NFFS in a prior financial reporting period should have been netted against current year financial statement revenues so that NFFS is properly reduced in the current reporting period. If returned funds were not netted against revenues in the financial statements it must be netted against the revenues reported on Schedule A and presented as a reconciling item on Schedule F, Lines 3 and 4.

Schedule A requires that you report your revenues in two broad categories - Source and Form. Revenues by source are reported on Lines 1 through 12. For Lines 3 through 9, grantees are required to breakdown the source categories by transaction type, paying particular attention to NFFS eligibility. Additional revenues by form (or type) are reported on Lines 13 through 21.

Line Item Instructions:

Line 1 - Amounts provided directly by federal government agencies

Federal funds are reported on this line and will be forwarded to Line 23 to be excluded from NFFS. It is the grantees responsibility to properly identify all federal funds it receives, both directly and indirectly, and to report them correctly on the AFR.

A. Grants for Facilities and Other Capital Purposes
Use this line to enter grants received from federal agencies for facilities and other capital purposes.

B. Department of Education
Use this line to enter funds received that originate from the Department of Education.

C. Department of Health and Human Services
Use this line to enter funds received that originate from the Department of Health and Human Services.

D. National Endowment for the Arts and Humanities
Use this line to enter funds received that originate from the National Endowment for the Arts and Humanities

E. National Science Foundation
Use this line to enter funds received that originate from the National Science Foundation.

F. Other Federal Funds
Use this line to enter funds received that originate from federal sources other than those listed in Lines 1A - 1E and funds provided through the Paycheck Protection Program that are recognized as revenue when the loans are forgiven.

Line 2 - Amounts provided by Public Broadcasting Entities
Public broadcasting funds are reported on this line and will be forwarded to Line 24 to be automatically excluded from NFFS.

A. CPB - Community Service Grants
Use this line to report the TV and Radio CSG funds received.

B. CPB - all other funds from CPB
Use this line to report all non-CSG funds provided by CPB, including but not limited to RTL, NGWS, programming/production grants, and CARES Act and American Rescue Plan Act funds.

C. PBS - All payments except copyright royalties and other pass-through payments Use this line to report all PBS revenues except copyright royalties and other pass-through payments. Payments that represent copyright royalties should be reported on Line 15C, rather than 2C. These are considered pass-through funds generated from copyright user fees, and they may be included as NFFS.

Revenue distributions from PBS National Datacast, Inc. are not received from a public broadcasting entity and should not be reported on Line 2. They should be reported on Schedule A, Line 9 – Business and Industry and excluded from NFFS because they do not meet the source criteria for payments.

Distributions from PBS National Satellite Service are revenues from a public broadcasting entity and should be reported on Line 2C.

D. NPR - All payments except pass-through payments
Use this line to report all NPR revenues except pass-through payments. Payments that represent copyright royalties should be reported on Line 15C, rather than 2D. These are considered pass-through funds generated from copyright user fees, and they may be included as NFFS.

Interest rebates from NPR for early payment of dues should also be reported on Line 2D.

E. Public broadcasting stations - All payments
Use this line to report all funds received that originate from public broadcasting stations.

F. Other PBE funds
Use this line to report all funds received that originate from public broadcasting sources other than those listed on Lines 2A – 2E.

Line 3 - Local boards and departments of education or other local government or agency sources
Use Lines 3.1 and 3.2 to report all contributions, grants, payments, appropriations, and other revenues received from local governmental agencies, including city, county, and tribal governmental support.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions:
Payments received in exchange transactions that do not satisfy the recipient, form, source, and purpose criteria for NFFS must be excluded from NFFS using Lines 3.2A to 3.2E.

3.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Use this line to report direct appropriations, transfers, and payments from a station's institutional licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Review the appropriation for potential exclusions from NFFS, i.e., federal funds, spectrum incentive auction funds, and direct revenues from the licensee that are restricted for facilities and equipment purposes based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Unallowable NFFS included in the appropriation should be reported on Line 3.2E. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 3.1D and 3.2D based on grantee type.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for facilities and equipment purposes.

F. Other income eligible as NFFS

Use this line to report all other direct revenue received from local government or agency sources that is eligible as NFFS but is not appropriate for Lines 3.1A to 3.1E.

3.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS

Use this line to report all other direct revenue received from local government or agency sources that does not meet NFFS criteria but is not appropriate for Lines 3.2A to 3.2D.

Line 4 - State boards and departments of education or other state government or agency sources

Use Lines 4.1 and 4.2 to report all contributions, grants, payments, appropriations, and other revenues received from state agencies and governmental sources, including state public broadcasting agencies or networks.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using lines 4.2A to 4.2E.

4.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Use this line to report direct appropriations, transfers, and payments from an institutional licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Review the appropriation for potential exclusions from NFFS, i.e., federal funds, spectrum incentive auction funds, and direct revenues from the licensee that are restricted for facilities and equipment purposes based on the grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Unallowable NFFS included in the appropriation should be reported on Line 4.2E. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 4.1D and 4.2D based on grantee type.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for facilities and equipment purposes.

F. Other income eligible as NFFS

Use this line to report all other direct revenue received from state government or agency sources that is eligible as NFFS but is not appropriate for Lines 4.1A to 4.1E.

4.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS

Use this line to report all other direct revenue received from state government or agency sources that does not meet the NFFS criteria but is not appropriate for Lines 4.2A to 4.2D.

Line 5 - State colleges and universities

Use Lines 5.1 and 5.2 to report all contributions, grants, payments, appropriations, and other revenues received from state colleges and universities. Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source, and purpose criteria for NFFS must be excluded from NFFS using Lines 5.2A to 5.2E.

5.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee

Use this line to report direct appropriations, transfers, and payments from an institutional licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Review the appropriation for potential exclusions from NFFS, i.e., federal funds, spectrum incentive auction funds, and direct revenues from the licensee that are restricted for facilities and equipment purposes based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Unallowable NFFS included in the appropriation should be reported on Line 5.2E. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 5.1D and 5.2D based on grantee type.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for facilities and equipment purposes.

F. Other income eligible as NFFS

Use this line to report all other direct revenue received from state college and university sources that is eligible as NFFS but is not appropriate for Lines 5.1A to 5.1E.

5.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS

Use this line to report all other direct revenue received from state college and university sources that does not meet the NFFS criteria but is not appropriate for Lines 5.2A to 5.2D.

Line 6 - Other state-supported colleges and universities

Use Lines 6.1 and 6.2 to report all contributions, grants, payments, appropriations and other revenue from other tax-supported colleges and universities, including community colleges.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 6.2A to 6.2E.

6.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting
Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee
<u>Institutional stations</u>: Use this line to report direct appropriations, transfers, and payments from the licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Review the appropriation for potential exclusions from NFFS, i.e., federal funds, spectrum incentive auction funds, and direct revenues from the licensee that are restricted for facilities and equipment purposes based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Unallowable NFFS included in the appropriation should be reported on Line 6.2E. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 6.1D and 6.2D based on grantee type.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)
Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment
Use this line to report revenues received through a capital campaign but not restricted for facilities and equipment purposes.

F. Other income eligible as NFFS
Use this line to report all other direct revenue received from other state-supported college and university sources that is eligible as NFFS but is not appropriate for Lines 6.1A to 6.1E.

6.2 NFFS Ineligible Revenues
A. Rental Income
Use this line to report rental income that does not meet <u>all</u> of the NFFS criteria.

B. Fees for services
Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)
Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)
Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS
Use this line to report all other direct revenue received from other state-supported college and university sources that does not meet the NFFS criteria but is not appropriate for Lines 6.2A to 6.2D.

Line 7 - Private colleges and universities
Use Lines 7.1 and 7.2 to report all contributions, grants, payments, appropriations, and other revenues received from private colleges and universities or private educational institutions.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions:
Payments received in exchange transactions that do not satisfy the recipient, form, source, and purpose criteria for NFFS must be excluded from NFFS using Lines 7.2A to 7.2E.

7.1 NFFS Eligible Revenues
A. Program and production underwriting
Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting
Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Appropriations from the licensee
Use this line to report direct appropriations, transfers, and payments from an institutional licensee, as well as any *direct* costs incurred or absorbed by the licensee specifically for the station. Review the appropriation for potential exclusions from NFFS, i.e., federal funds, spectrum incentive auction funds, and direct revenues from the licensee that are restricted for facilities and equipment purposes based on grantee type. If the licensee provides an appropriation to the station for pension expense, report as NFFS only the actual contribution to the plan made in a given fiscal year. Unallowable NFFS included in the appropriation should be reported on Line 7.2E. Direct revenues from the licensee that are restricted for facilities and equipment purposes should be reported on 7.1D and 7.2D based on grantee type.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)
Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Gifts and grants received through a capital campaign but not for facilities and equipment
Use this line to report revenues received through a capital campaign but not restricted for facilities and equipment purposes.

F. Other income eligible as NFFS
Use this line to report all other direct revenue received from private college and university sources that is eligible as NFFS but is not appropriate for Lines 7.1A to 7.1E.

7.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet all NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet all NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS

Use this line to report all other direct revenue received from other state-supported college and university sources that does not meet all NFFS criteria but is not appropriate for Lines 7.2A to 7.2D.

Line 8 - Foundations and nonprofit associations

Use Lines 8.1 and 8.2 to report all contributions, grants, payments and other revenues received from national, regional, or local foundations or nonprofit associations. Include underwriting revenue and payments for products and services. The term nonprofit is used to describe any not-for-profit corporation, foundation, or association that is not a public telecommunications entity, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source, and purpose criteria for NFFS must be excluded from NFFS using Lines 8.2A to 8.2E.

8.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting

Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

D. Gifts and grants received through a capital campaign but not for facilities and equipment

Use this line to report revenues received through a capital campaign but not restricted for facilities and equipment purposes.

E. Other income eligible as NFFS

Use this line to report all other direct revenue received from nonprofit and foundation sources that is eligible as NFFS but is not appropriate for Lines 8.1A to 8.1D.

8.2 NFFS Ineligible Revenues

A. Rental Income

Use this line to report rental income that does not meet the NFFS criteria.

B. Fees for services

Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)

Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)

Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS

Use this line to report all other direct revenue received from nonprofit and foundation sources that does not meet the NFFS criteria but is not appropriate for Lines 8.2A to 8.2D.

Line 9 - Business and Industry

Do not include in-kind contributions received through underwriting trade agreements. In-kind contributions are to be reported on Schedules C and D only.

Use this line to report all contributions, grants, payments, and other direct revenues received from all for-profit sources, including commercial stations, networks, and cable companies. Include underwriting revenue and payments for products and services.

NFFS Exclusions

Payments received in exchange transactions that do not satisfy the recipient, form, source and purpose criteria for NFFS must be excluded from NFFS using Lines 9.2A to 9.2E. In particular, note that in order to be eligible as NFFS, payments for services must be received from: 1) a qualifying source, which would be a state or local government or educational institution and, 2) a qualifying purpose, which would be that the payment was in exchange for materials or services with respect to the provision of educational television or radio programs.

9.1 NFFS Eligible Revenues

A. Program and production underwriting

Use this line to report direct contributions for underwriting purposes. This includes revenues received for general underwriting, spot/run of schedule, and those revenues received to underwrite the cost of producing or acquiring a program for which the donor receives on-air or printed credit.

B. Grants and contributions other than underwriting
Use this line to report direct grants, gifts, and contributions not for underwriting purposes.

C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)
Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

D. Gifts and grants received through a capital campaign but not for facilities and equipment
Use this line to report revenues received through a capital campaign but not restricted for facilities and equipment purposes.

E. Other income eligible as NFFS
Use this line to report all other direct revenue received from business and industry sources that is eligible as NFFS but is not appropriate for Lines 9.1A to 9.1D.

9.2 NFFS Ineligible Revenues
A. Rental Income
Use this line to report rental income that does not meet the NFFS criteria.

B. Fees for services
Use this line to report all income received as fees for services and payments in an exchange transaction that does not meet the NFFS criteria.

C. Licensing fees (not royalties – see instructions for Line 15)
Use this line to report all income received in exchange for licensing fees.

D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)
Use this line to report direct revenues restricted for facilities and equipment purposes. This includes revenues restricted by the donor for facilities and equipment purposes, as well as revenues solicited through a capital campaign that includes facilities and equipment purposes as a goal or objective of the campaign.

E. Other income ineligible as NFFS
Use this line to report all other direct revenue received from business and industry sources that does not meet the NFFS criteria but is not appropriate for Lines 9.2A to 9.2D.

Line 10 - Memberships and subscriptions (net of write-offs)
Do not report contributions to fund the acquisition of capital assets regardless of whether they are received in response to a formal capital campaign program or not. Rather than this line use Line 18 to report all contributions intended for this purpose.

Use this line to report revenues from memberships and subscriptions that are, in aggregate, less than $1,000 per individual donor for the reporting year. Individual membership contributions of $1,000 or more are considered major donor gifts and are to be reported on Line 19.

Also use this line to report matching funds and challenge grant funds if the donor received the benefits of station membership.

Allocating Memberships for Joint Licensees

Grantees that have both radio and TV operations but for which the donor has not specified a beneficiary for their gift, must establish a methodology to allocate the unrestricted membership revenues among the different station grantees. The allocation method should have a reasonable basis and be consistently applied each year. At the same time, the allocation methodology should be analyzed periodically to evaluate its reasonableness and appropriateness considering the most recent membership data.

Illustrated below is an example of an allocation methodology that allocates revenues that are not designated by the donors either to radio or television on the basis of the approximate proportion of members who expressed an association with television, radio or both when making a contribution. In this illustration, a ratio of two-thirds TV to one-third radio memberships would be used to allocate the membership revenues from both the 25,000 members who expressed an association with both television and radio and the 30,000 members who did not specify their association. (Note: This table is for illustration purposes only and should not be construed as a CPB endorsed recommendation.)

	TV	**Radio**	**Both**	**Unspecified**	**Total**
All members	50,000	15,000	25,000	30,000	120,00
Members of both	25,000	25,000	n/a	n/a	n/a
Totals	75,000	40,000	n/a	n/a	n/a
Percentage	65.20%	34.80%			

Additional Specific Line Instructions:

10.1 NFFS Exclusion - Fair Market Value of high-end premiums that are not of insubstantial value.

Grantees frequently provide “thank you gifts” (a.k.a. “premiums”) in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods or services (i.e. premiums). Thank you gifts may be anything of value from low-end premiums (e.g. coffee mugs and tee shirts bearing the stations call letters, name and/or brand) to high-end premiums (e.g. boxed set CDs or DVDs, coffee-table books, travel & lodging, gourmet foods & wines, tickets to performances, dinners or other events).

The IRS issues guidance on charitable contributions, including disclosure statements that must be provided to donors in instances where the premium is not of insubstantial value. The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium provided by the charitable organization. **For CPB’s purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS.** CPB expects that all grantees are compliant with IRS rules and regulations on these matters. However, CPB does not provide guidance beyond that provided by the IRS. Questions about compliance with these provisions should be addressed to your IPA or other tax practitioner or directly to the IRS. The method by which grantees track this information in order to be compliant is also the responsibility of each CSG grantee.

What do you need to do for AFR purposes? If the financial statements present membership revenues on a net basis (i.e. the contribution portion only), report the same amount on Line 10 (i.e. it is unnecessary to make any further adjustment). However, if the financial statements present membership revenues at their gross value (i.e. unadjusted for the non-contribution portion), you must enter the non-contribution amount on Line 10.1 NFFS Exclusion - Fair market value of premiums that are not of insubstantial value.

Although unusual, the fair market value of a premium may exceed the dollar amount of the contribution. If so, grantees must exclude an amount equal to the contribution. For example, if the contribution was for $500 and the premium had a fair market value of $600, the exclusion reported on Line 10.1 would be $500.

10.2 NFFS Exclusion - Bad Debt
Grantees must deduct bad debt expenses from NFFS revenues, including but not limited to pledges, underwriting, and membership, unless netted in Schedule A.

10.3 Total number of contributors
This line must be completed if Line 10 is greater than $0.

Use this line to report the number of unduplicated contributors providing the revenue reported on Line 10. The contributors need not donate the minimum required for full membership to be included in the count.

Line 11 - Revenue from Friends groups less any revenue included on Line 10
All revenue reported on this line must meet the appropriate source, form, purpose, and recipient criteria for inclusion as NFFS. If the revenue does not meet the NFFS criteria, report it on Line 20, and properly exclude the amount from NFFS.

Friends groups are primarily formed for the purpose of obtaining contributions for and otherwise supporting the operations and related activities of a grantee. Financial statement presentation dictates what amounts should be claimed as NFFS by the grantee.

If the grantee files consolidated financial statements with a friends' group, revenues received by the friends' group should be allocated to the other lines of the AFR the same as all other revenues received by the grantee. Line 11 should be used to report any direct transfers from friends' groups.

If the grantee does not file consolidated financial statements with a friends' group, use Line 11 to report only the cash actually transferred to the grantee except for direct transfers of membership contributions, which should be reported on Line 10.

11.1 Total number of contributors
If the funds directly transferred from a friends group includes membership contributions, then use this line to report the number of unduplicated contributors providing the revenue reported on Line 11.

Line 12 - Subsidiaries and other activities unrelated to public broadcasting
Grantees that operate subsidiary enterprises or engage in activities unrelated to public broadcasting should report total revenues from these activities on Line12. This will include revenue from wholly owned or partially owned subsidiary enterprises as well as other unrelated business income. CPB follows the IRS definition of Unrelated Business Income. For most organizations (CPB grantees included) an activity is an unrelated business if it meets **three** requirements: (1) it is a trade or business; (2) it is regularly carried on; and (3) it is not substantially related to furthering the exempt purpose of the organization. Each of these terms is further defined by the IRS.

A. Nonprofit subsidiaries involved in telecommunications activities
Use this line to report revenues from nonprofit subsidiaries involved in telecommunication activities. The revenue reported on this line must meet the NFFS criteria.

B. NFFS Ineligible - Nonprofit subsidiaries not involved in telecommunications activities
Use this line to report revenues from nonprofit subsidiaries that are not involved in telecommunications activities or do not meet the NFFS criteria.

C. NFFS Ineligible - For-profit subsidiaries regardless of the nature of its activities
Use this line to report revenues from for-profit subsidiaries.

D. NFFS Ineligible - Other activities unrelated to public broadcasting.
Use this line to report revenues from other activities unrelated to public broadcasting.

Line 13 - Auction Revenue (net)
This line represents the net revenue earned from auctioning goods or services. It is determined automatically by subtracting line 13B from line 13A.

Only net auction revenues are eligible as NFFS. If direct auction expenses are greater than gross auction revenues, the loss will not affect NFFS.

When a donor of auction items stipulates that a portion of auction proceeds must be returned to the donor, the grantee should subtract that share from NFFS. For example, an artist is paid a fixed amount or a percentage of the auction price the grantee receives from auctioning contributed work. Subtract the portion returned to the donor from NFFS.

Do not include any value for donated overbid incentives, premiums, and bonuses for early pick-up of auction items. These items are considered a cost of fundraising and should be reported as an expense.

A. Gross Auction Revenue
Use this line to report gross auction revenues. (Note: Do not report the fair market value of goods and services that were donated for the purpose of being auctioned to the bidder; rather, report the actual proceeds received from auctioning these donated items).

If, however, the total auction revenue is reported net of direct expenses in the audited financial statements, report the net auction revenue only on Line 13A. If you do this, the financial statements must be clear about this fact. For example, assume that gross revenue is $11K and direct expenses are $1K resulting in net revenue of $10K. If the financial statements show $10K as revenue, report $10K on Line 13A and $0 on Line 13B. In cases such as this the line item description in the financial statements should indicate that direct expenses have been netted against the revenues: Auction revenue, net of direct expenses of $1,000. The line item description could also refer to a Note in the financial statements that explains the accounting treatment of the direct auction expenses.

B. Direct Auction Expenses
Use this line to report the total direct auction expenses for producing the event. If, however, the total auction revenue is reported net of direct expenses in the audited financial statements, report $0 on Line 13B.

Line 14 - Special fundraising activities (net)
This line represents the net revenue earned from special fundraising activities. It is determined automatically by subtracting Line 14B from Line 14A. Only net special fundraising revenues (the gross special fundraising revenues less all direct, third-party expenses for the event) are eligible as NFFS. If direct special fundraising expenses are greater than gross special fundraising revenues, the loss will not affect NFFS.

Special fundraising events should be considered those events which are hosted, presented, or conducted to raise funds for the grantee and are explicitly promoted to the public as a benefit for the grantee. This would be different from concerts or lectures or any other events where the grantee is not the primary beneficiary. For example, if there is a play running at a local theater and the grantee gives away tickets to performances, promotes it on air, or is a sponsor of the play, the play performances would not be considered special fundraising events. However, if the theater decides to hold a special performance as a benefit for the grantee, and advertises it to the public as such, the special performance would be considered a special fundraising event. The distinction is that performances and events that are neither promoted nor intended principally as a grantee benefit would not be considered special fundraising events regardless of a grantee's participation; whereas events held for publicly expressed purposes of financially benefiting the station would be considered special fundraising events. Typical special fundraising activities include: vehicle donation programs, gaming activities, performances, benefits, dances, lectures, dinners, art exhibits, workshops, film festivals, tournaments, wine tasting parties and travel tours, etc.

Once it is determined that an event is special fundraising in nature, all the revenues raised at the event should be included in the gross revenue total for the NFFS calculation. This would include tickets or entry fees to attend the event, as well as other ancillary revenues like food and drink sales. For NFFS purposes these transactions should be treated differently from exchange transactions because the event is being held for the explicit purpose of benefiting the station. Therefore, implicit in all transactions that occur at the event is that the station is going to benefit to some degree.

A. Gross special fundraising revenues

Use this line to report the gross special fundraising revenues. (Note: Do not report the FMV of goods and services that were contributed to support fundraising activities, including donated tickets, donated catering services, donated auction items and donated sweepstakes items. These are to be reported on Schedule C (Line 5.D) and not Schedule A.

If, however, the total special fundraising revenue is reported net of direct expenses in the audited financial statements, report the net special fundraising revenue only on Line 14A. If you do this, the financial statements must be clear about this fact. For example, assume that gross revenue is $11K and direct expenses are $1K resulting in net revenue of $10K. If the financial statements show $10K as revenue, report $10K on Line 14A and $0 on Line 14B. In cases such as this the line item description in the financial statements should indicate that direct expenses have been netted against the revenues: Special fundraising revenue, net of direct expenses of $1,000. The line item description could also refer to a Note in the financial statements that explains the accounting treatment of the direct special fundraising expenses.

B. Direct special fundraising expenses

Use this line to report the total direct special fundraising expenses for producing the event. If, however, the total special fundraising revenue is reported net of direct expenses in the audited financial statements, report $0 on Line 14B. Direct expenses include but are not limited to third-party payments for entertainment, space rental, prizes (pay-outs) provided to participants from sweepstakes, gaming, pull-tabs and bingo, and other contractual expenses. Direct expenses also include costs associated with self-contained gaming operations (e.g. Casinos), including salaries and benefits of gaming staff as well as overhead costs incurred to operate and maintain gaming premises.

Line 15 - Passive Income
Passive income derived from the use of property (e.g. from real estate and business investments in which the station is not actively involved, including limited partnerships). Do not include licensing fees from the sale of program rights. These fees should be reported by source on the appropriate line of Schedule A and excluded from NFFS.

Revenues received by stations resulting from the Spectrum Auction, including interest and dividends earned and/or received on auction revenues are not eligible as NFFS. This revenue should be reported on Schedule A, Line 21.

Payments from NPR earned for early payment of dues are not considered passive income. This revenue should be reported on Schedule A, Line 2D.

A. Interest and Dividends
Report interest and dividend income, except for earnings on endowment funds (see Line 17). Do not use this line to report realized and unrealized gains or losses on marketable securities (see instructions for Lines 16 and 17).

B. Royalties
Use this line to report royalty income, but not licensing fees. Report licensing fees by their revenue source and exclude them from NFFS.

C. PBS or NPR pass-through copyright royalties
Use this line to report amounts received as pass-through funds from NPR or PBS generated from copyright user fees.

Line 16 - Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)
Report gains from the sale or exchange of assets used in station operations and realized and unrealized gains or losses on investments (other than investments held as endowment funds-see Line 17), including actuarial gains and losses on charitable trusts and gift annuities. Book gains or losses resulting from the retirement, obsolescence, or other adjustment unrelated to the actual sale or exchange of property and equipment should not be reported.

These revenues on Lines 16A to 16C will forward to Line 27 and will be automatically excluded from NFFS.

A. Gains from sales of property and equipment
Use this line to report gains from the sale or exchange of property and equipment used in station operations. Losses from these transactions are considered an operating expense and should not be reported on this line.

B. Realized gains/losses on investments (other than endowment funds)
Use this line to report gains or losses realized from marketable securities transactions.

C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trust and gift annuities (other than endowment funds)
Financial Accounting Standards No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations (FAS 124), establishes standards for accounting for certain investments held by not-for-profit organizations. It requires that investments in equity securities with readily determinable fair market values and all investments in debt securities be reported at fair market value in the statement of financial position with gains and losses included in the statement of activities. Use this line to report unrealized gains or losses resulting from recording such investments at fair market value. Also use this line to report actuarial changes in the fair market

value of assets held in charitable trusts and gift annuities.

Line 17 - Endowment Revenue
Report all contributions to endowment fund principal regardless of the source or form of the amounts contributed. Also, report passive income (interest and dividends) derived from endowment funds and realized and unrealized gains or losses from investments held by endowment funds.

A. Contributions to endowment principle
Use this line to report contributions to endowment principal.

B. Interest and dividends on endowment funds
Use this line to report interest and dividends earned on endowment funds.

C. Realized net investment gains and losses on endowment funds
Use this line to report realized net investment gains and losses on endowment funds. Use a hyphen when entering a negative value on 17C, e.g. "-1,765".

The revenue reported on Line 17C will forward to Line 27 and will be automatically excluded from
NFFS.

D. Unrealized net investment gains and losses on endowment funds
Use this line to report unrealized net investment gains and losses on endowment funds. Use a hyphen when entering a negative value on 17D, e.g. "-1,765".

The revenue reported on Line 17D will forward to Line 27 and will be automatically excluded from
NFFS.

Line 18 – Capital fund contributions from individuals
Use Line 18 to report capital campaign contributions from individuals. Also use this line to report gifts and contributions from individuals when the donor has restricted the gift or contribution for purposes of acquiring new equipment, or for upgrading existing or building new facilities.

For NFFS reporting purposes, a restriction may be either explicitly applied by the donor or it may be considered implicitly applied based on how the capital campaign funds were solicited. In other words, if the capital campaign materials provided to potential donors in order to solicit funds indicate that some campaign funds may be used for the purposes of new facilities (land and structures), expansion of existing facilities, and / or the acquisition of new equipment, a portion of the campaign funds that do not have an explicit donor restriction must be reported on Line 18A.

For those funds that do not have an explicit donor restriction the allocation between Lines 18A and 18B must be made on a reasonable basis and should be supported by documentation, such as, but not limited to, an internal budget, which describes how the grantee intends to divide the capital campaign funds between facilities/equipment projects and non-facilities/equipment projects. In the absence of such documentation the grantee will be required to divide the capital campaign funds evenly between the different projects listed in the campaign promotional materials and then allocate the divided funds between Lines 18A and 18B as appropriate.

TV Grantees
To eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investment in digital TV broadcasting, the CPB Board of Directors adopted the recommendation of the 1998 TV CSG Task Force to exclude from NFFS all capital contributions restricted for facilities

and equipment improvements. This exclusion extends to ALL contributions (direct and in-kind) of, or for the purpose of acquiring new broadcast and operational equipment, as well as new facilities, new construction, and facilities upgrades and improvements. This includes gifts, grants, bequests or any contribution restricted by the donor for capital purposes, including any direct revenues raised through a formal capital campaign program that are restricted for the purposes defined herein.

CPB implemented this policy change beginning with the FY 2001 grant year (i.e., in the 1999 AFR reporting year).

Specific Line Instructions:

A. Facilities and Equipment

Use this line to report funds restricted for the construction of new facilities (land and structures), expansion of existing facilities, and acquisition of new equipment.

TV Grantees: Revenue designated or restricted for this purpose does not qualify for NFFS matching purposes. Therefore, for TV grantees only, the total amount reported on Line 18A will forward to Line 25 and will be automatically excluded from NFFS.

This restriction does not apply to capital contributions restricted for purposes other than those defined above. See Line 18B instructions for exceptions.

B. Other

Report funds contributed for purposes other than those reported on Line 18A. For instance, capital campaigns raise funds for a variety of purposes including, for example, funding of future national productions; repayment of indebtedness incurred to acquire a stations license; capital to increase distribution of a station's news and information service; and to engage in other programmatic projects.

Line 19 - Gifts and Bequests from Major Individual Donors

Use this line to report gifts and bequests from major individual donors, including estates, trusts, etc. For eligible gifts and bequests, use this line rather than Lines 10, 11, or 17 but use Line 18 rather than this line when the gift meets the definition of Line 18.

Major individual donors are herein defined as any individual donor who contributes an amount, in aggregate, equal to or greater than $1,000 for the reporting year. For example, donor Jane Doe gives two $500 gifts in the same fiscal year; Jane Doe has contributed $1,000 for the reporting year and is a major donor.

Additional Specific Line Instructions:

19.1 - Total number of major individual donors

This line must be completed if Line 19 is greater than $0.

Use this line to report the number of unduplicated major individual donors providing the revenue reported on Line 19.

Line 20 – Other

Line 20 is intended to capture revenue from sources or activities not previously listed.

Please note that "Other" and "Miscellaneous" are not acceptable descriptions for revenue that is intended to be included as NFFS. If the revenue is intended to be included as NFFS, use a description that sufficiently identifies the NFFS eligibility of the revenue.

To qualify as NFFS, revenue, whether a contribution or a payment, must meet the appropriate recipient, form, source and purpose criteria as outlined in Part II. If revenue item reported on Line 20 is ineligible for NFFS, exclude it by clicking the "NFFS X" link.

Examples of revenue and activities that should be reported on Line 20 and not eligible as NFFS:

- Sale of products and services to individuals
- Individual ticket sales/admission fees to live performances (except for the portion that may be a contribution)
- Sales of premiums
- Revenue from the use of an affinity card
- Revenue from long-distance phone services
- Rebates, refunds, reimbursements and insurance proceeds

Line 21 - Proceeds from the FCC Spectrum Incentive Auction, interest and dividends earned on these funds, channel sharing revenues, and spectrum leases

Spectrum Auction revenues do not qualify as NFFS including the following:

A. Proceeds from sale in spectrum auction
B. Interest and dividends earned on spectrum auction-related revenue
C. Payments from spectrum auction speculators
D. Channel sharing and spectrum leases revenues
E. Spectrum repacking funds

If an institutional licensee's appropriation to the station is comprised of spectrum auction revenues, report that amount on Line 21A.
Along with interest on Line 21B, report any dividends earned on auction proceeds.
Include VBI rental income on Line 21D.
Include revenues received for spectrum repacking on Line 21E.

Be sure to maintain discrete accounting to identify these funds, including interest and dividends, to properly exclude them from NFFS.

Line 22 - Total Direct Revenue

Line 22 will automatically total the revenues reported on Lines 1-21.

Determining NFFS on Schedule A

Lines 23-27 will deduct direct revenues ineligible as NFFS from the total revenue reported on Line 22.

Line 23 - Federal Funds

Federal funds reported on Line 1 will forward to Line 23.

Line 24 - Public Broadcasting Revenue

Public broadcasting revenues reported on Line 2 will forward to Line 24.

Line 25 - Capital Funds Exclusion (TV Only)

For TV grantees: Funds restricted for capital purposes reported on Lines 3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, and 18A will forward to Line 25.

Line 26 - Revenue on line 20 not meeting the source, form, purpose or recipient criteria

Line 26 will automatically total all NFFS exclusions executed using the "NFFS X" links on Schedule A, Line 20.

Line 27 - Other automatic subtractions from total revenue

This line is used to capture other revenues and activities that are ineligible as NFFS:

A. Auction expenses limited to the lesser of Lines 13a or 13b
B. Special fundraising event expenses limited to the lesser of Lines 14a or 14b
C. Gains from sales of property and equipment Line 16a
D. Realized gains/losses on investments (other than endowment funds) Line 16b
E. Unrealized investment and actuarial gains/losses (other than endowment funds) Line 16c
F. Realized and unrealized net investment gains/losses on endowment funds - Line 17c, Line 17d
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)
I. Licensing fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)
K. FMV of high-end premiums (Line 10.1)
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)
N. Proceeds from spectrum auction and related revenues from line 21

Line 28 - Total Direct NFFS

This line will automatically subtract the values on Lines 23-27 from the total reported Line 22. The amount reported on Line 28 is the Total Direct NFFS for the grantee for the reporting fiscal year. This value will forward to Line 1 of the NFFS Summary table on the Financial Reporting Main page and the Signature Page.

Completing AFR Schedule B – Indirect Administrative Support

Worksheet: Standard Method

CSG recipients must use the Standard Method to report IAS.[34]

To calculate IAS using the standard method, follow the five steps below, completing Schedule E before Schedule B.

The amount on Schedule E, Line 8 will automatically be populated in Schedule B (Tab 1), Step 2 "Station's Total Operating Expenses". After the IAS amount is calculated and posted to the station's financials, Schedule E will need to be updated. Then, the final IAS amount on Schedule B (Tab 3), Line 5 "Total Indirect Administrative Support" will need to be entered on Schedule B (Tab 1), Step 2 "Indirect Administrative Support" to deduct it from the updated total station operating expenses. Otherwise, station net direct expenses will be incorrect as will the IAS shown in Step 3 "Apply rate to base to calculate IAS".

Unless otherwise provided, AFS/AFR refers to licensee or grantee's FY2023 AFR/AFS.

Step 1: Compute the Rate

To compute the rate, divide grantee's licensee's indirect costs by its direct costs: Indirect Costs ÷ Direct Costs = Rate.

Licensee's indirect and direct costs must be taken from licensee's AFS, provided it is available.

If licensee's AFS is unavailable in time for grantee to meet its AFR submission deadline, grantee may use the licensee's most recently completed AFS. If licensee's AFS is unavailable because its financials are consolidated into a state's annual comprehensive financial report (CAFR), licensee's unaudited or published financial statements may be used.

Enter the costs on the appropriate lines and provide the AFS page number(s) from which the amounts were obtained. A copy of the licensee's AFS must also be uploaded.

A. Licensee's Indirect Costs (Numerator): Licensee's indirect costs are the sum of its institutional and physical plant support: Institutional Support + Physical Plant Support = Indirect Costs.

   Additional information and restrictions concerning Institutional and Physical Plant Support are set forth below.

   1. University Licensees. If a university licensee is part of a system and/or has multiple campuses, grantee must obtain this information from its licensee's system's financial statement.

   2. Benefit. Include only institutional and physical plant support if they benefit the station. Not all stations benefit from both.

[34] Exemption: State licensees with prior approval from CPB may use the Grantee-Developed Method form to report IAS.

3. Terminology. Indirect costs for institutional support are sometimes referred to as general administration and physical plant support is sometimes referred to as plant and services, operation and maintenance of plant or facilities, or plant services.

4. Functional Expenses. From functional expenses[35] in licensee's AFS, select only one institutional and one physical plant support category. Do not total amounts from multiple functions.

5. Additional Documentation. Attach the following documentation to the licensee's AFS, if required.

   - If licensee's AFS does not include expenses broken out by functional expenses create a document that identifies costs that fall within each functional expense categories. Licensee's financial office must review the document before submitting it to CPB, and totals must agree with the amounts on the licensee's AFS.

   - If physical plant support provided to the station is allocated across multiple functions in licensee's AFS, provide a summary of total operating expenses by functional categories (including a physical plant support category) that agrees to the total operating expenses in the licensee's AFS.

B. Licensee's Direct Costs (Denominator): Licensee's direct costs are calculated by reducing Licensee's total operating expenses by its institutional and physical plant support: Total Operating Expenses – (Institutional Support + Physical Plant Support) = Direct Costs.

   Additional information and restrictions concerning Direct Costs are set forth below.

   1. Required Reductions. Total operating expenses must be reduced by both institutional and physical plant support included in licensee's total operating expenses even if the station benefits from only one.

   2. Functional Expenses. From the functional expenses in licensee's AFS, select only one institutional and physical plant support category. Do not total amounts from multiple functions.

   3. Auxiliary Services. Grantee may not deduct auxiliary services or enterprises from licensee's Total Operating Expenses. Auxiliary services are provided by the licensee for a fee such as student services. Auxiliary enterprises include activities such as student housing, parking and transportation, and patient services provided by healthcare clinics or hospitals.

   4. University Licensees: If a university licensee has multiple campuses, grantee must obtain this information from its licensee's system's financial statement.

[35] Functional expense are expenses categorized by functions such as operations and maintenance, institutional support, research, instruction, etc.

Step 2: Identify the Base

The station's base is its net direct expenses.

The line item, "Station's Total Operating Expenses," is automatically populated from AFR Schedule E, Line 8.

If station's total operating expenses include the following indirect expenses, deduct them by entering these costs on the appropriate lines and provide the AFS page number(s) from which the amounts were obtained.

A. Depreciation. Depreciation and amortization.

B. In-kind Contributions and Donations. In-kind contributions and donated property and equipment reported as expenses.

C. IAS. IAS, if included in total operating expense reported in the AFS.

D. Unrelated Expenses. Expenses for non-broadcasting activities and unrelated business income taxes paid by the station.[36]

E. Unsupported Expenses. Expenses included in the station's AFS that are not supported by the licensee, i.e., a Friends Group, when its financial statement is consolidated with the stations as a financially interrelated organization pursuant to GAAP.

Step 3: Apply the Rate to the Base

This calculation is automatic.

Step 4: Compute Occupancy Value

Stations with OV may add that value to their IAS. OV must be computed using Schedule B, Tab 2, which will automatically populate the Tab 3 Summary.

The OV calculation has not been revised with the adoption of the standard method and must be calculated as explained below:

Land Associated with Tower Facilities

Location

Enter the location of the land used by station tower facilities.

Line 1 - Land Area (in acres)

Enter the total number of acres (to two decimal places) of licensee-owned land utilized by the station tower facilities. The land area is restricted to FCC requirements for the facility, unless local zoning requires additional land, in which case, the larger area may be used.

[36] Some grantees operate subsidiary enterprises or engage in activities unrelated to public broadcasting. According to the IRS, for most organizations (CSG recipients included) an activity is an unrelated business if it meets three criteria: (1) it is a trade or business; (2) it is regularly carried on; and (3) it is not substantially related to furthering the tax exempt purpose of the organization.

Line 2 - Unit Value per Acre

Enter the per acre value of the licensee-owned land utilized by the station tower facilities as found in the appraisal.

Line 3 - Land Value

This line will automatically multiply the land area on Line 1 by the unit value per acre on Line 2. The result is the full land value.

Line 4 - Rate of Return on the Land

Enter the land rate of return (percentage, two decimal places), which is found in the appraisal documentation.

Line 5 - Annual Value before Deductions

This line will automatically multiply the land value on Line 3 by the rate of return on Line 4. The result is the annual value of the land before any necessary deductions.

Line 6 - Payments made to landowner as part of a lease or rental agreement

Enter the total of annual lease or rental payments made to the landowner, i.e. the licensee, for the reporting year.

Line 7 - Payments received from others as part of a sublease or rental agreement

Enter the total of annual lease or rental payments received from a third party for a sublease or rental agreement for the reporting year.

Line 8 - Annual value for NFFS purposes

This line will deduct the amounts on Lines 6 and 7 from Line 5. The result is the NFFS value of the licensee-owned land utilized by the station tower transmission facilities for the reporting year. The amount will forward to Tab 3, Line 2.

Appraiser Information

Grantees must enter the name of the appraiser that completed the last appraisal, the appraiser's certification, and the date of the appraisal. Grantees should obtain a new appraisal periodically, especially if market conditions suggest that the value of the land may have increased or decreased significantly since the last appraisal.

Building/Improvement Occupancy

Location

Enter the address of the licensee-owned building being occupied by the station.

Line 1 Record building at original cost or at fair market value at the time the station took possession

Enter the value at its original cost or at fair market value at the time the station took possession. Use the fair market value only if the original cost of the building is unknown.

Line 2 Total original cost of major improvements

Enter the total cost of major improvements. Use additional Building/Improvement forms to show only the cost of major improvements when improvements have been made over time.

Line 3 Subtract federal and CPB funds used in construction or improvements

Enter the value of any federal (such as PTFP) and/or CPB grants used in constructing or improving the building.

Line 4 Total non-federal value of buildings/improvements

This line will automatically add the original cost or fair market value on Line 1 with the total cost of major improvements on Line 2. The amount of federal and/or CPB funds reported Line 3 will then be subtracted from the total of Lines 1 and 2.

Line 5 Enter year constructed or acquired

Enter the year the building was constructed or acquired.

Line 6 Estimate useful life of building/improvements from date of acquisition or construction Enter the estimated useful life of the buildings and improvements from the date of acquisition or construction. Forty years is the most common useful life for this asset. Improvements are generally depreciated over the remaining useful life of a building.

Line 7 Remaining useful life of building (includes current reporting year)

This line will automatically determine the remaining useful life of the building in years based on the date of construction and acquisition on Line 5 and the estimated useful life on Line 6.

Line 8 Annual value

This line represents the annual depreciation value eligible as NFFS. This value is automatically calculated by dividing line 4 by line 6.

Line 9 Station's prorata use of building

Enter the percentage value (to two decimal places) of the amount of the building space occupied by the station.

Line 10 Annual prorated value

This line will automatically multiply the annual value of the building on Line 8 by the station's prorata share of the building on Line 9.

Line 11 Payments made to building owner as a part of a lease or rental agreement

Enter the annual amount of any lease or rental payments paid to the building owner, the licensee, during the reporting year.

Line 12 Payments received from others as part of a sublease or rental agreement

Enter the annual amount of any lease or rental payments received from a third-party for a sublease or rental agreement on the building for the reporting year.

Line 13 Annual value for NFFS purposes

This line will deduct the amounts on Lines 11 and 12 from Line 10. The result is the NFFS value of the space in the licensee-owned building occupied by the station for the reporting year. The amount will forward to Tab 3, Line 2.

Step 5: Deduct Fees Paid to the Licensee

Report fees that station paid directly to its licensee for overhead recovery, assessment, use fees, and management fees. Enter that amount on Schedule B, Tab 3, Line 3.

<u>Schedule B Summary (Tab 3):</u>

Line 1 Total support activity benefiting station

This line will automatically display the total indirect support reported in Schedule B Tab 1 "Determine Indirect Administrative Support".

Line 2 Occupancy value

This line will automatically display the occupancy values reported in Schedule B Tab 2 "Determine Occupancy Values".

Line 3 Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.

Enter any fees paid to the licensee for overhead recovery, assessment, use fees or management fees etc.

Line 4 Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements

Any excess of the values reported on lines 1 and 2 above that are greater than the values recognized as indirect administrative support revenues in the audited financial statements. Grantees cannot claim more NFFS than that is recognized as indirect administrative support revenues in the audited financial statements. If the indirect administrative support revenue per the audited financial statements is greater than the sum of lines 1 and 2 above, this may cause a reconciling item for Schedule F.

Line 5 Total indirect administrative support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)

This line reports the value that will be claimed as NFFS from indirect administrative support. This line will automatically calculate the total indirect administrative support as the sum of values reported on lines 1 and 2 above, less amounts reported on lines 3 and 4 above. This line is also forwarded to Line 2 of the Summary of Nonfederal Financial Support.

Line 6 Please enter an institutional type code for your licensee.

Select appropriate licensee donor code from the dropdown menu or list and finally save Schedule B as completed.

Completing AFR Schedule C - In-Kind Contributions of Services and Other Assets

Use Schedule C to report in-kind—i.e. non-cash—contributions of professional services, materials, supplies and the contributed use of assets (e.g. utilities and use of facilities and property to which the donor retains legal ownership). Use Schedule C to also report contributions of intangible assets such as a station grantee's broadcast license received from donors other than the licensee.

Institutional stations: Support from the grantee's licensee is limited to indirect administrative support (Schedule B) and direct support (Schedule A).

Schedule C Instructions

After entering a value on Lines 1, 2, 3 and 5 you must select the donor code which represents the source of the in-kind contributions entered on that line. If a value represents more than one source, please enter the donor code which represents the majority of the value.

<u>Donor Codes</u>
BS-business
FD-foundation
FG-federal government
G-local government
OT-other
PB-public broadcasting entity
PU-private university
SG-state government
SU-state university

<u>Line Item Instructions</u>

Line 1 - Professional Services (eligible as NFFS)

Professional Services provided as an in-kind contribution should be reported on Line 1

Line 1A – Legal

Use this line to report in-kind contributions of legal services that meet the NFFS eligibility criteria for professional volunteer services.

Line 1B – Accounting and/or auditing

Use this line to report in-kind contributions of accounting and/or auditing services that meet the NFFS eligibility criteria for professional volunteer services.

Line 1C – Engineering

Use this line to report in-kind contributions of engineering services that meet the NFFS eligibility criteria for professional volunteer services.

Line 1D – Other professionals (see specific line item instructions in Guidelines before completing)

Use this line to report in-kind contributions of services that meet the NFFS eligibility criteria for professional volunteer services and that do not fit into categories 1A-1C. Be specific when reporting the principal trades or professions for other professional services. The donor code, person's name or company name is never an acceptable description. Identify the professional service or discipline that the person is engaged in. Examples of acceptable descriptions for "Other Professionals" include: Web design and maintenance; Web domain host; grant writer; computer technician; digital editor; graphic arts/design consultant; IT consultant; marketing consultant; public relations/media consultant; corporate benefits consultant; illustrator; proofreader; photographer; appraiser; caterer (if not related to fund raising activities).

Line 2 - General Operational Services (eligible as NFFS)

Line 2A - Annual rental value of space (studio, offices, or tower facilities)

Use this line to report donations of the use of studio, office, or tower facility space. In keeping with the NFFS eligibility criteria for all in-kind contributions, donations of space must be valued by the donor at fair market value. This is determined by comparing the quality and quantity of the station's space to comparable space for which the donor charges a fee. If the donor does not rent comparable space, an independent appraisal must be done by a qualified appraiser (e.g. M.A.I., S.R.P.A., S.R.E.A. or A.S.A.).

Line 2B - Annual value of land used for locating a station-owned transmission tower

Use this line to report donations for the use of land used to locate a station-owned transmission tower. In keeping with the NFFS eligibility criteria for all in-kind contributions, donations of land use must be valued by the donor at fair market value. This is determined by comparing the quality and quantity of the station's space to comparable space for which the donor charges a fee. If the donor does not rent comparable space, an independent appraisal must be done by a qualified appraiser (e.g. M.A.I., S.R.P.A., S.R.E.A. or A.S.A.).

Line 2C - Station operating expenses

Use this line to report in-kind contributions of station operating expenses. This category includes the use of electrical, telephone and other utilities paid by a third party. It may also include consumable materials such as office supplies.

Line 2D - Other

Use this line to report in-kind contributions of other general operational services that do not fit into categories 2A-2C. Be specific—use a description that sufficiently identifies the NFFS eligibility of the services reported on this line.

Line 3 - Other Services (eligible as NFFS)

Line 3A - Instructional television and educational radio

Use this line to report in-kind contributions of ITV and/or educational radio services that are eligible as NFFS.

Line 3.B - State public broadcasting agencies

Use this line to report in-kind contributions from eligible state public broadcasting agencies. These are the only agency allocations accepted as NFFS:

- Florida Department of Education (FL-DOE)
- Ohio Broadcast Educational Media Commission (Ohio BEMC)

TV grantees: In-kind contributions for new or expanded facilities or equipment are not eligible as NFFS and must be reported on Schedule D.

Lines 3C - Local advertising

Use this line to report in-kind contributions of advertisements in local newspapers and magazines, on commercial television or radio, or over the internet. The advertising must be related to program or station promotion and not consist of merely printing or airing the station's programming schedule.

In cases where the grantee receives an in-kind donation of advertising for a production from a production underwriter, there is a concern that the contributed advertising and promotion have become of significant commercial value to the underwriter. This is especially the case when the underwriter's identity is featured prominently in the program promotion or when the program promotion is only a part of promotion for the underwriter's own business activities. This fact calls into question whether even substantiated value to the public broadcaster represents a contribution, an exchange, or some combination of both. Grantees should not recognize as a contribution or NFFS the portion of total value received that represents an exchange transaction with the underwriter.

Note: In-kind value of advertising provided to grantees as Google Ad Grants is an exchange transaction and must be excluded from NFFS. Report this amount on Line 5B. Google Ad Grants provide nonprofits with free online search advertising in exchange for sharing grantee's website user data with Google.

Line 3D - National advertising

Use this line to report in-kind contributions of advertisements in national newspapers and magazines, on commercial television or radio, or over the internet. The advertising must be related to program or station promotion and not consist of merely printing or airing the station's programming schedule.

In cases where the grantee receives an in-kind donation of advertising for a production from a production underwriter, there is a concern that the contributed advertising and promotion have become of significant commercial value to the underwriter. This is especially the case when the underwriter's identity is featured prominently in the program promotion or when the program promotion is only a part of promotion for the underwriter's own business activities. This fact calls into question whether even substantiated value to the public broadcaster represents a contribution, an exchange, or some combination of both. Grantees should not recognize as a contribution or NFFS the portion of total value received that represents an exchange transaction with the underwriter.

Line 4 - Total in-kind contributions - services and other assets eligible as NFFS

This line will total lines 1 through 3, which will forward to the Summary of Nonfederal Financial Support.

Line 5 - In-kind Contributions Ineligible as NFFS

Use this line to report in-kind contributions of services or the use of assets that are ineligible as NFFS.

Line 5A - Pre-recorded compact discs, records, tapes, cassettes and film libraries (including all historical broadcasting collections and intellectual property rights)

Line 5B - Exchange transactions

Line 5C - Federal or public broadcasting sources

Line 5D - Fundraising related activities

Line 5E - ITV or educational radio outside the allowable scope of approved activities

Line 5F - Local productions

Line 5G - Program supplements

Line 5H - Programs that are nationally distributed

Line 5I - Promotional items

Line 5J - Regional organization allocations of program services

Line 5K - State PB agency allocations other than those allowed on Line 3B

Line 5L - Services that would not need to be purchased if not donated

Line 5M - Other

Line 6 – Total in-kind contributions - services and other assets

This line totals the in-kind contributions eligible as NFFS reported on Line 4 with the in-kind contributions that are ineligible as NFFS reported on Line 5.

Completing AFR Schedule D - In-Kind Contributions: Property and Equipment

Introduction

Use Schedule D to report in-kind contributions of capitalized property and equipment from donors other than the licensee. Contributed property must be for continued use by the grantee. Do not count assets held for investment purposes. The contributions reported on Schedule D must meet the grantee's threshold for capitalization. That is, all property and equipment reported on Schedule D must be included as assets on the grantee's balance sheet. This includes donations of land used as a building or tower site, land improvements, buildings and building improvements, broadcast equipment, furniture and office equipment, vehicles etc. Use Schedule C to report in-kind contributions of the use of assets that the station is not taking ownership of, or for contributions of intangible assets. This is equally true for contributions that do not meet the station grantee's capitalization threshold.

Institutional stations: Support from the grantee's licensee is limited to indirect administrative support (Schedule B) and direct support (Schedule A).

Schedule D Instructions

After entering a value on Lines 1-5 and 7, you must select the donor code which represents the source of the in-kind contributions entered on that line. If a value represents more than one source, please enter the donor code which represents the majority of the value.

<u>Donor Codes</u>
BS-business
FD-foundation
FG-federal government
G-local government
OT-other
PB-public broadcasting entity
PU-private university
SG-state government
SU-state university

<u>Line Item Instructions</u>

Line 1 - Land

Use this line to report the appraised value of land donated to the station for its continued use. The station must take legal ownership of the land. The appraiser should use community zoning laws or local codes and base the land appraisal on vacant lot value.

Line 2 - Buildings

Use this line to report the appraised value of buildings donated to the station for its continued use. The station must take legal ownership of the building. The appraiser should use community zoning laws or local codes and base building appraisal on a vacant building without the cost of utilities.

Line 3 - Equipment

Use this line to report the fair market value of equipment and other depreciable assets donated to the station grantee for its continued use. The station must take legal ownership of the equipment.

Line 4 - Vehicle(s)

Use this line to report the fair market value of vehicles donated to the station for its continued use. The station must take legal ownership of the vehicle.

Line 5 - Other

Use this line to report the fair market value of in-kind contributions of other capitalized assets that do not fit into categories on Lines 1-5.

Line 6 - Total in-kind contributions – property and equipment eligible as NFFS

This line will total lines 1 through 5, which will forward to the Summary of Nonfederal Financial Support.

Line 7 - In-kind Contributions Ineligible as NFFS

Use this line to report in-kind contributions of capitalized assets that are ineligible as NFFS.

Line 7a - Exchange transactions

Line 7b - Federal or public broadcasting sources

Line 7c - TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment

Line 7d - Other

Line 8 - Total in-kind contributions – property and equipment

This line totals the in-kind contributions of capitalized assets eligible as NFFS reported on Line 6 with the in-kind contributions of capitalized ineligible as NFFS reported on Line 7.

Completing AFR Schedule E - Expenses

Grantees are required to report all expenses and investments in capital assets on Schedule E. The total expenses reported on Schedule E should match the total expenses (operating and non-operating) reported in the grantee's audited financial statements for the reporting year. Grantees are required to present this information by function, such as major programs or services and major classes of supporting services. Functional expense classifications may be reported either in the statement of activities, notes to the financial statements or as a supplemental schedule.

Expenses may consist of those directly incurred by the station; or they may be represented by the use of donated goods and services; or they may be in the form of indirect administrative support provided by an institutional station's licensee; or they may also be direct expenses incurred by a licensee on behalf or for the benefit of the station.

There are two types of functional expenses: Program Services and Support Services. The main difference between the two is that program services directly relate to the station's mission, such as delivering programs to listening or viewing audiences.

Support services, on the other hand, do not directly relate to the station's mission. Support services include management and general, fund raising and membership development, underwriting and grant solicitation and other activities that are indispensable to providing program services. As a general rule, in order to identify a service as a program cost, the following criteria should be applied:

- The service contributes directly to the achievement of the broadcasting entity's objectives, goals, or missions.
- The service requires a significant amount of the entity's resources.

Schedule E is designed to capture expenses by functional category only. When distributing and allocating costs it is not always possible to relate costs directly to one functional category. For example, an employee may work in both programming and broadcasting areas; also, equipment may be used for production and for broadcasting. In such cases, distribute or allocate costs among the various functions for which they are incurred.

Costs should be distributed when it is possible to identify the specific portions that relate to each function supported. For example, the total cost of an employee involved in several functions can be distributed if the time spent on each function is known. When the portion of total cost spent on each function cannot be specifically identified, allocate costs among functions based on measures that most closely match the way resources were used. Occupancy costs, for example, can be combined and allocated among functions based on area occupied or direct personnel costs of each function.

Costs that support more than one station should be allocated equitably among the stations. For example, staff that are resident at one of the stations may perform accounting services for several stations. The cost of the services could be summarized into a cost pool and then allocated among the stations. Allocation can be based on total costs of each station excluding the allocated services or based on direct personnel costs. The purpose of cost distribution and allocation is to provide a reasonable approximation of the total costs of each operating function. Allocation and distribution methods should be only as complex as necessary to provide approximations but should be consistent from year to year.

Allocations and distributions need not and cannot be exact; therefore, very costly or time-consuming methods need not be used. For more information on reporting expenses by functional (and natural) classification visit CPB's *Principles of Accounting*.

Biennial Filers of Audited Financial Statements
Grantees that elect to file audited financial statements biennially should complete Schedule E.

<u>Line Item Instructions</u>

<u>Reporting Expenses by Functional Classification</u>
<u>Report expenses exactly as they are reported in the audited</u> financial statements. Do not adjust expenses for any reason even if direct expenses for auctions and special fundraising activities are netted against revenues on Schedule A, lines 13 and 14 but reported gross in the financial statements. Enter zero ("0") if no expenses were reported for a specific category (the default value for each line of is zero). Biennial filers of audited financial statements should refer to the section below addressing their special circumstances.

Use the following functional classifications for reporting expenses on Schedule E:

PROGRAM SERVICES
Line 1 - Programming and production
Line 2 - Broadcasting and engineering
Line 3 - Program information and promotion

SUPPORT SERVICES
Line 4 - Management and general
Line 5 - Fund raising and membership development
Line 6 - Underwriting and grant solicitation
Line 7 - Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)
Line 8 – Total Expenses (sum of lines 1 to 7) must agree with audited financial statements

<u>Reporting CPB Grant Expenditures</u>
For each functional expense category on Lines 1 through 7, grantees must indicate the CPB and non-CPB funds used under the following categories.

For <u>Radio Grantees</u>:
- **A. Restricted Radio CSG**
- **B. Unrestricted Radio CSG**
- **C. Other CPB Funds**
- **D. All non-CPB Funds**

For <u>TV Grantees</u>:
- **A. TV CSG**
- **B. TV Interconnection**
- **C. Other CPB Funds**
- **D. All non-CPB Funds**

Note: CARES Act and American Rescue Plan Act funding provided to stations through CPB, RTL and NGWS expenses must be reported as "Other CPB Funds" expenses.

<u>Investment in Capital Assets</u>
Grantees must report direct and indirect investments in capital assets on Lines 9a through 9c.

Line 9 - Total capital assets purchased or donated

Line 9a – Land and buildings

Line 9b – Equipment

Line 9c – All other

Line 10 – Total expenses and investment in capital assets

This line will total the value of all expenses reported on Line 8 and all investments in capital assets reported on Line 9.

<u>ADDITIONAL INFORMATION</u>

Line 11 – Total expenses (direct only)

Use this line to report the total direct expenses—i.e. exclusive of donated goods and services and indirect administrative support—included on line 8. The total of Lines 11 and 12 must equal Line 8.

Line 12 – Total expenses (indirect and in-kind)

Use this line to report the total indirect and in-kind expenses—i.e. that represents donated goods and services and indirect administrative support—included on line 8. The total of Lines 11 and 12 must equal Line 8.

Line 13 – Investment in capital assets (direct only)

Use this line to report the total direct investments in capital assets—i.e. direct purchases, exclusive of donated capital assets—included on Line 9. The total of Lines 13 and 14 must equal Line 9.

Line 14 – Investment in capital assets (indirect and in-kind)

Use this line to report the total indirect and in-kind investments in capital assets—i.e. that represents donated capital assets—included on Line 9. The total of Lines 13 and 14 must equal Line 9.

Completing AFR Schedule F - Reconciliation of AFR with Audited Financial Statements

Introduction
A grantee's audited financial statements serves as the basis for the revenue and expense information reported in the AFR. Revenues and financial activities that are not recognized as revenue in the audited financial statements cannot be reported as revenue in the corresponding AFR. Therefore, grantees are required to reconcile the total revenue reported in the AFR with the total revenue reported in their audited financial statements.

Joint Licensees
Grantees that file combined financial statements for the reporting grantee and one or more other jointly licensed grantees may reconcile each grantee separately if the financial statements provide discrete information for each grantee. This may be accomplished by showing each grantee's financial data either in columnar format or in a supplemental schedule. Otherwise, follow the instructions below in the section labeled "Instructions for Joint Licensees Reconciling Two or More Grantees with Combined Audited Financial Statements".

Instructions for Reconciling One Grantee with Audited Financial Statements

Line 1

This line will automatically pull the revenue reported on Schedules A, B, C and D. The total revenue reported on Line 1e must match the total revenue reported in the audited financial statements.

Choose a Reporting Model

Grantees follow one of three accounting "Reporting models":

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB)
- Grantees licensed to public colleges and universities that follow proprietary enterprise-fund financial statements with business type activities (GASB)
- Grantees licensed to state and local governments that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities (GASB)

Select the radio-button for the financial statement Reporting Model that accurately reflects the grantee's audited financial statement presentation basis, then click the "Choose" button. The corresponding line item information will display:

FASB
Line 2a - Total support and revenue – without donor restrictions
Line 2b - Total support and revenue – with donor restrictions
Line 2c - Total support and revenue – other
Line 2d - Total from audited financial statements Lines 2a-2c

GASB Model A
Line 2a - Operating revenues
Line 2b - Non-operating revenues
Line 2c - Other revenue
Line 2d - Capital grants, gifts, and appropriations (if not included above)

Line 2e - Total from audited financial statements Lines 2a-2d

GASB Model B
Line 2a - Charges for services
Line 2b - Operating grants and contributions
Line 2c - Capital grants and contributions
Line 2d - Other revenues
Line 2e - Total from audited financial statements Lines 2a-2d

The chosen Reporting Model should match the format of the revenue page of the grantee's audited financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the "Choose" button.

Line 2

After selecting the appropriate reporting model, on each part of Line 2 enter the value for the category as found on the revenue page of the audited financial statements. The final part of Line 2 (2d for FASB; 2e for GASB Models A and B) will total the values entered on the other parts of Line 2. The total on Line 2 should match the total on Line 1e exactly. If not, proceed to Line 3.

Biennial Filers
Grantees that elect to submit their audited financial statements on a biennial basis must enter zero ("0") on each part of Line 2. This will result in a reconciling item equal to the full value of Line 1e on Line 3. On Line 4 indicate the election not to file audited financial statements for the current year. You must also complete a form "Election to File Audited Financial Statements Biennially".

Line 3

If the total entered on Line 2 does not match the total on Line 1e, the difference will forward to Line 3. If the difference is relatively small (less than about $100) the difference is likely due to a rounding error. Such a small difference is immaterial to NFFS and need not be corrected in the AFR. Instead, use Line 4 to identify the rounding error.

If however, the reconciling item is larger than $100 then a data entry error(s) has occurred either on the AFR, or on Line 2 of Schedule. Verify that the values entered on Schedule F, Line 2 match the audited financial statements exactly. If so, then you must go back into the AFR, find and correct the error(s).

Other than a small rounding error, an example of a valid reconciling item would be for GASB reporting institutional stations that were not able to include their indirect administrative support in the revenue statement of their audited financial statements (the indirect administrative support must still be reported in a footnote to the audited financial statements). In such a case the value of the indirect administrative support will show up as a reconciling item on Line 3. It must be properly identified on Line 4.

Line 4

In the case of a valid reconciling item(s), use Line 4 to identify the reconciling item(s). Each reconciling item must be detailed and in the aggregate, must sum to the amount shown as the difference on line 3, and the sign of that number matters. If a negative difference is calculated, the reconciling items must sum to the same negative number.

When all reconciling items have been entered and the values for lines 3 and 4 equal, select the "Yes: radio button following the question, "Have you completed Schedule F?" Then click the "Save" button. A pop-up window will appear with the message *"This grantee has now* *completed all Schedules. Please return to the Financial Forms Main screen to follow instructions to route and submit the AFR package."*

Instructions for Joint Licensees Reconciling Two or More Grantees with Combined Audited Financial Statements

Each grantee must file a separate AFR, but jointly licensed grantees are permitted to file audited financial statements that reflect the combined financial activities and position of more than one grantee.

When a group of two or more grantees do so, Grants Administrators for all the involved grantees involved must coordinate their filings very carefully, so that reconciliations between the single set of audited financial statements and each of the AFRs are handled correctly.

You may change from one jointly licensed grantee to another without logging out from the system. This feature is accessible from both the main Summary Page and the Financial Reporting Main page.

First, for each of the grantees represented in a single set of combined financial statements, complete and save all data in the AFR, Schedules A through E, for each grantee sequentially, i.e. one grantee at a time. Access to Schedule F for each grantee is dependent upon completing the required AFR Schedules. Once you have done this, the Schedule F status on the Financial Reporting Main page will change from "Not Available" to "Available".

Second, Grants Administrators for all the grantees involved must choose one of the grantees to be treated as the "parent" grantee. The remaining grantee(s) will be treated as "children". This distinction is purely technical, so choosing a parent grantee can be arbitrary. It has no substantive meaning and no impact on the distribution of grant funds. From a procedural standpoint, however, it is very important to be consistent throughout the process, and to take certain actions only for the designated parent grantee, which will act on behalf of all grantees included in the consolidation process.

From Schedule F of the parent grantee:

1. Check the box for each grantee that will be included in the reconciliation (see illustration).
2. Click on the yellow "Consolidate" button.
3. Click on the "Save" button at the bottom of Schedule F.

If the consolidation process has been completed correctly, Line 1 will automatically update with the revenue information for all the consolidated grantees.

After consolidating the grantees, you will then complete Schedule F for the parent grantee only. The child grantees will update automatically once Schedule F of the parent grantee has been completed.

Line 1

This line will automatically pull the revenue reported on Schedules A, B, C and D of all the consolidated grantees. The total revenue reported on Line 1e must match the total revenue reported in the combined audited financial statements.

Choose a Reporting Model

Grantees follow one of three accounting "Reporting models":

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB)
- Grantees licensed to public colleges and universities that follow proprietary enterprise-fund financial statements with business type activities (GASB)
- Grantees licensed to state and local governments that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities (GASB)

Select the radio-button for the financial statement Reporting Model that accurately reflects the Grantee's audited financial statement presentation basis, then click the "Choose" button. The corresponding line item information will display:

FASB
Line 2a - Total support and revenue - without donor restrictions
Line 2b - Total support and revenue - with donor restrictions
Line 2c - Total support and revenue - other
Line 2d - Total from audited financial statements Lines 2a-2c

GASB Model A
Line 2a - Operating revenues
Line 2b - Non-operating revenues
Line 2c - Other revenue
Line 2d - Capital grants, gifts, and appropriations (if not included above)
Line 2e - Total from audited financial statements Lines 2a-2d

GASB Model B
Line 2a - Charges for services
Line 2b - Operating grants and contributions
Line 2c - Capital grants and contributions
Line 2d - Other revenues
Line 2e - Total from audited financial statements Lines 2a-2d

The chosen Reporting Model should match the format of the revenue page of the grantee's audited financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the "Choose" button.

Line 2

After selecting the appropriate reporting model, on each part of Line 2 enter the value for the category as found on the revenue page of the audited financial statements. The final part of Line 2 (2d for FASB; 2e for GASB Models A and B) will total the values entered on the other parts of Line 2. The total on Line 2 should match the total on Line 1e exactly. If not, proceed to Line 3.

<u>Biennial Filers</u>
Grantees that elect to submit their audited financial statements on a biennial basis must enter zero ("0") on each part of Line 2. This will result in a reconciling item equal to the full value of Line 1e on Line 3. On Line 4 indicate the election not to file audited financial statements for the current year. You must also complete a form "Election to File Audited Financial Statements Biennially".

Line 3

If the total entered on Line 2 does not match the total on Line 1e, the difference will forward to Line 3. If the total is relatively small (less than about $100) the difference is likely due to a rounding error. Such a small difference is immaterial to NFFS and need not be corrected in the AFR. Instead, use Line 4 to identify the rounding error.

If, however, the reconciling item is larger than $100 then a data entry error(s) has occurred either on the AFR, or on Line 2 of Schedule. Verify that the values entered on Schedule F, Line 2 match the audited financial statements exactly. If so, then you must go back into the AFR, find and correct the error(s).

Other than a small rounding error, an example of a valid reconciling item would be for GASB reporting institutional stations that were not able to include their indirect administrative support in the revenue statement of their audited financial statements (the indirect administrative support must still be reported in a footnote to the audited financial statements). In such a case the value of the indirect administrative support will show up as a reconciling item on Line 3.

Line 4

In the case of a valid reconciling item(s), use Line 4 to identify the reconciling item(s). Each reconciling item must be detailed and, in the aggregate, must sum to the amount shown as the difference on line 3, and the sign of that number matters. If a negative difference is calculated, the reconciling items must sum to the same negative number.

When all reconciling items have been entered and the values for lines 3 and 4 equal, select the "Yes" radio button following the question "Have you completed Schedule F?" then click the "Save" button. A pop-up window will appear with the message *"This grantee has now completed all Schedules. Please return to the Financial Forms Main screen to follow instructions to route and submit the AFR package."*

Annual Financial Summary Report (FSR) - Line Item Instructions

The FSR is a short-form version of the AFR. The reporting period for the FSR must be consistent with the grantees fiscal reporting period covered by its financial statements.

All revenue and support reported on the FSR must also be recognized as revenue in the grantee's financial records and reflected in its financial statements. Stations that had total revenue of $300,000 or more in their reporting year must also file audited financial statements. Stations that had total revenue of less than $300,000 may submit either audited or unaudited financial statements. For institutional stations, the audited financial statements must be for the grantee's operations, not those of its licensee.

Whether a grantee is required to file audited financial statements with its FSR, CPB reserves the right to audit all financial and other information reported on the FSR.

Before completing the FSR you must determine the NFFS eligibility of the revenue you are about to report.

Line Item Instructions

Part 1 – Revenue

Use Part 1 to report all revenue received and recognized as revenue in the grantee's financial statements the reporting fiscal year.

Line 1 - Federal Government Agencies

Use this line to report all direct revenues received from federal government agencies or sources, such as the National Endowment for the Arts, the Department of Education, Paycheck Protection Program loans reported as revenues, when forgiven, etc. These funds will forward to Line 13 and be automatically excluded from NFFS.

Line 2 - Corporation for Public Broadcasting (CPB)

Use this line to report all funds received from CPB, including Community Service Grants, programming and production grants, CARES Act and American Rescue Plan Act, NGWS grants, etc. The funds will forward to Line 13 and be automatically excluded from NFFS.

Line 3 - All other public broadcasting entities

Use this line to report all direct revenues received from public broadcasting entities other than CPB, such as NPR, PBS, other public broadcasting stations, etc. These funds will forward to Line 13 and be automatically excluded from NFFS.

Line 4 - State and local boards and departments of education of other state and local government or agency sources

Use this line to report all contributions, grants, payments, appropriations, and other revenues received from state agencies, including state public broadcasting agencies or networks. Unspent funds returned to a granting agency must be excluded from NFFS using Part 3 of the FSR.

Line 4.1 - Amount on Line 4 that represents appropriations and other direct support from the licensee

State and local government institutional stations: Use Line 4.1 to indicate how much of the total on Line 4 represents the amount of direct support from the licensee. This includes appropriations of cash and other direct transfers to the station, as well as any direct costs incurred or absorbed by the licensee specifically for the station. Do not include indirect administrative support on here; instead, report indirect administrative support on Line 16C.

Line 5 - Colleges and Universities

Use this line to report all contributions, grants, payments, appropriations and other revenues received from state and other tax supported colleges and universities, including community colleges, and private colleges and universities or private educational institutions. Unspent funds returned to a granting agency must be excluded from NFFS using Part 3 of the FSR.

Institutional stations: report any direct costs incurred or absorbed by the licensee specifically for the station.

Line 6 - Foundations and Nonprofit Associations

Use this line to report all contributions, grants, payments and other revenues received from national, regional, or local foundations or nonprofit associations. Include underwriting revenue and payments for products and services. The term nonprofit is used to describe any not-for-profit corporation, foundation, or association that is not a public telecommunications entity, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

NFFS Exclusions

Payments (not contributions) entered on this line that represent exchange transactions that do not satisfy the recipient, form, source or purpose criteria for NFFS must be excluded from NFFS by entering the value in Part 3 "NFFS Exclusion Worksheet", line W12.

Line 7 - Business and Industry

Use this line to report all contributions, grants, payments, and other direct revenues received from all for-profit sources, including commercial stations, networks, and cable companies. Include underwriting revenue and payments for products and services.

NFFS Exclusions

All payments (not contributions) entered on this line in exchange for goods or services are ineligible as NFFS and must be excluded from NFFS by entering the value on the appropriate line of Part 3 "NFFS Exclusion Worksheet".

Line 8 - Membership and Subscriptions

Use this line to report revenues from memberships and subscriptions received in the reporting year.

Also use this line to report matching funds and challenge grant funds if the donor received the benefits of station membership.

NFFS Exclusion – Bad Debt

Grantees must deduct bad debt expense from NFFS revenues, including but not limited to pledges, underwriting and membership, unless it is netted against revenue in the financial statements or elsewhere in FSR. If the bad debt expense is not netted against revenues, you must report it in Part 3, line W.18.

<u>Quid Pro Quo Contributions</u>

Grantees frequently provide "thank you gifts" (a.k.a. "premiums") in exchange for membership contributions. The Internal Revenue Service describes a quid pro quo contribution as a payment a donor makes to a charity partly as a contribution and partly for goods or services (i.e. premiums). Thank you gifts may be anything of value from low-end premiums (e.g. coffee mugs and tee shirts bearing the stations call letters, name and/or brand) to high-end premiums (e.g.

boxed set CDs or DVDs, coffee-table books, travel & lodging, gourmet foods & wines, tickets to performances, dinners or other events).

The IRS issues guidance on the required disclosure statement that must be provided to donors in instances where the premium is not of insubstantial value. The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium(s) provided by the charitable organization.

For CPB's purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS. CPB expects that all grantees are compliant with IRS rules and regulations on these matters. However, CPB does not provide guidance beyond that provided by the IRS. Questions about compliance with these provisions should be addressed to your IPA or other tax practitioner or directly to the IRS. The method by which grantees track this information in order to be compliant is also the responsibility of each CSG grantee.

What do you need to do for FSR purposes? If the financial statements present membership revenues on a net basis (i.e. the contribution portion only), report the same amount on line 8 (i.e. it is unnecessary to make any further adjustment). However, if the financial statements present membership revenues at their gross value (i.e. unadjusted for the non-contribution portion), you must use Part 3, line W.18 of the FSR to enter the non-contribution amount.

Although unusual, the fair market value of a premium may exceed the dollar amount of the contribution. If so, grantees must exclude an amount equal to the contribution. For example, if the contribution was for $500 and the premium had a fair market value of $600, the exclusion reported on Line 10.1 would be $500.

Line 9 - Net Revenue from Auctions and Other Special Fund-Raising Activities

Use this line to report direct revenue from auctions and other special fundraising activities herein defined as: vehicle donation programs, gaming activities, performances, benefits, dances, lectures, dinners, art exhibits, workshops, film festivals, tournaments, wine tasting parties and travel tours, etc. All in- kind contributions of goods and services associated with auctions and other fundraising activities, including donated tickets, donated catering services, donated auction items and donated sweepstakes items, are ineligible as NFFS and are to be reported on Line 16b.

Only net auction and other special fundraising revenues (net of direct special fundraising expenses) are eligible as NFFS. Direct costs include but are not limited to payments to third parties for entertainment, rental of space, other contractual expenses, and prizes (pay-outs) provided to participants from sweepstakes, gaming, pull-tabs and bingo. Direct expenses also include all costs associated with self-contained gaming operations, including salaries and benefits of gaming staff and overhead costs incurred to operate and maintain gaming premises. In the event that direct auction expenses are greater than gross auction revenues, resulting in a loss for the auction, enter zero on this line so that the loss will not affect NFFS.

Line 10 - Passive Income

Passive income is derived solely from the use of property, and the station must not exert any effort to earn passive income. Report income received from interest, dividends and royalties on this line. Also include amounts received as pass through funds from NPR generated from copyright user fees. Payments from NPR earned for early payment of dues are not considered passive income and should not be reported here but rather on line 3. Also, realized and unrealized gains or losses on investments are not considered passive income and should not be reported here but rather on line 11.

Line 11 - Other / Miscellaneous

Report revenue from sources not previously listed. Click on the “Add” button to open a table in which you will itemize values to be reported on this line. Make as many entries as necessary. Revenues and activities that are ineligible as NFFS must be excluded using Part 3 of the FSR.

Examples include:

- Gains or (losses) on sale of assets
- Realized and unrealized gains or (losses) from investments (including endowment funds)
- Endowment revenue (contributions only)
- Capital Campaigns
- Contributions and appropriations designated for capital use
- Gifts and bequests from major individual donors
- Sales of goods and services to individuals (see note below)
- Sales of premiums
- Revenue from the use of an affinity card
- Revenue from long-distance phone services
- Rebates, refunds, reimbursements and insurance proceeds

Note: Sales of goods and services to any entity other than individuals should be reported by the appropriate source on lines 4 through 7.

Line 12 - Total Direct Revenue

This will automatically total Lines 1-11.

Line 13 - Federal and Public Broadcasting Exclusions to NFFS

The values reported on Lines 1-3 will automatically forward to this line. These funds will automatically be excluded from NFFS.

Line 14 - Other Revenue Not Meeting NFFS Criteria

The total of NFFS ineligible revenues reported on W19 of Part 3 (see instructions for Part 3 below) will forward to this line (see below) to be excluded from NFFS.

Line 15 - Total Direct NFFS

This line will automatically display the result from subtracting Lines 13 and 14 from Line 12; this is the total direct NFFS of the FSR.

Line 16 - In-Kind Contributions and Indirect Administrative Support

Use this line to report both in-kind contributions—i.e. noncash contributions—received, as well as the value on indirect administrative support provided by the licensee. Remember, you should only enter in-kind contributions and indirect administrative support that qualify for revenue recognition in your financial statements.

Line 16a - In-kind contributions allowable as NFFS

Line 16b - In-kind contributions unallowable as NFFS

Line 16c - Indirect administrative support

Line 17 - Total Revenue

This line will total the values reported on Lines 12, 16a-16c.

Part 2: Expenses

Grantees are required to report all expenses and investments in capital assets on Part 2 of the FSR. The total expenses reported on Part 2 should match the total expenses (operating and non-operating) reported in the grantee's financial statements for the reporting year. Grantees are required to present this information by function, such as major programs or services and major classes of supporting services. Functional expense classifications may be reported either in the statement of activities, notes to the financial statements or as a supplemental schedule.

Expenses may consist of those directly incurred by the station; or they may be represented by the use of donated goods and services; or they may be in the form of indirect administrative support provided by an institutional stations' licensee; or they may also be direct expenses incurred by a licensee on behalf or for the benefit of the station.

There are two types of functional expenses: Program Services and Support Services. The main difference between the two is that program services directly relate to the station's mission, such as delivering programs to listening or viewing audiences.

Support services, on the other hand, do not directly relate to the station's mission. Support services include management and general, fund raising and membership development, underwriting and grant solicitation and other activities that are indispensable to providing program services. As a general rule, in order to identify a service as a program cost, the following criteria should be applied:

- The service contributes directly to the achievement of the broadcasting entity's objectives, goals, or missions.
- The service requires a significant amount of the entity's resources.

Part 2 is designed to capture expenses by functional category only. When distributing and allocating costs it is not always possible to relate costs directly to one functional category. For example, an employee may work in both programming and broadcasting areas; also, equipment may be used for production and for broadcasting. In such cases, distribute or allocate costs among the various functions for which they are incurred.

Costs should be distributed when it is possible to identify the specific portions that relate to each function supported. For example, the total cost of an employee involved in several functions can be distributed if the time spent on each function is known. When the portion of total cost spent on each function cannot be specifically identified, allocate costs among functions based on measures that most closely match the way resources were used. Occupancy costs, for example, can be combined and allocated among functions based on area occupied or direct personnel costs of each function.

Costs that support more than one station should be allocated equitably among the stations. For example, staff that is resident at one of the stations may perform accounting services for several stations. The cost of the services could be summarized into a cost pool and then allocated among the stations. Allocation can be based on total costs of each station excluding the allocated services or based on direct personnel costs. The purpose of cost distribution and allocation is to provide a reasonable approximation of the total costs of each operating function. Allocation and distribution methods should be only as complex as necessary to provide approximations but should be consistent from year to year.

Allocations and distributions need not and cannot be exact; therefore, very costly or time-consuming methods need not be used. For more information on reporting expenses by functional (and natural) classification visit CPB's *Principles of Accounting*.

Biennial Filers of Audited Financial Statements

Grantees that elect to file audited financial statements biennially should complete Part 2.

<u>Specific Line Item Instructions</u>

Use the following functional classifications for reporting expenses on the FSR.

PROGRAM SERVICES

Line 18 - Programming and Production
Line 19 - Broadcasting and Engineering
Line 20 - Program Information and Promotion

SUPPORT SERVICES

Line 21 - Management and General
Line 22 - Fund Raising and Membership Development
Line 23 - Underwriting and Grant Solicitation
Line 24 - Depreciation and Amortization (if not allocated to other line items)

Line 25 - Total Expenses
This line will automatically total lines 18 through 24 automatically. This line must agree with the financial statements. It is important that the total for Lines 25A, 25B and 25C do not exceed the total CPB revenues reported on Line 2.

<u>Reporting CPB Grant Expenditures</u>
For each functional expense category on Lines 18 through 24, grantees must indicate the CPB and non-CPB funds used under the following categories:

- **A. Restricted Radio CSG**
- **B. Unrestricted Radio CSG**
- **C. Other CPB Funds**
- **D. All non-CPB Funds**

Note: Funds provided by CPB including CARES Act and American Rescue Plan Act) and NGWS expenses must be reported as "Other CPB Funds" expensed.

Line 26 - Cost of Capital Assets Purchased or Donated

Line 26a - Land and buildings
Use this line to report the value of purchased or donated land and buildings that were both capitalized and received in the reporting year.

Line 26b - Equipment
Use this line to report the value of purchased or donated equipment that were both capitalized and received in the reporting year.

Line 26c - All other
Use this line to report the value of all other purchased or donated capitalized assets that were both capitalized and received in the reporting year.

<u>Part 3: NFFS Exclusion Worksheet</u>

Revenues and activities that do not satisfy the criteria to be included as NFFS must be excluded from NFFS using this worksheet.

<u>Line Items Instructions</u>
Report revenues that do not qualify as NFFS.

Line W1 - Producing, taping, or other broadcast related activities

Line W2 - Telecasting production / teleconferencing

Line W3 - Foreign rights

Line W4 - Rentals of membership lists

Line W5 - Rentals of studio space, equipment, tower, parking space

Line W6 - Leasing of SCA, VBI, ITFS channels

Line W7 - Sale of programs or program rights for public performance

Line W8 - Sale of rental of program transcripts or recording for other than performance, including private use

Line W9 - Gains or losses on sale of assets and securities transactions (realized or unrealized)

Line W10 - Sale of premiums

Line W11 - Royalty income from licensing fees

Line W12 - Other revenue not listed above and excluded by definition

Line W13 - A wholly owned or partially owned for-profit subsidiary regardless of the nature of the business

Line W14 - A wholly owned or partially owned nonprofit subsidiary

Line W15 - Sale of program guides

Line W16 - Program guide advertising attributable to that percent of total copies distributed that have been sold through normal retail outlets and/or by magazine subscription

Line W17 - Refunds, rebates, reimbursements, and insurance proceeds

Line W18 - Other

Use this line to report revenues that do not qualify as NFFS but do not fit into the categories listed on W1-W17.

Line W19 - Total revenue not meeting criteria for inclusion as NFFS (sum lines W1-W18)

This line will total the NFFS exclusions listed on Lines W1-W18. These funds will then forward to Part 1, Line 14 to be excluded from NFFS.

Part 4: Reconciliation of FSR with Audited Financial Statements

Grantees who submit audited financial statements with their FSRs are required to complete Part 4. Revenues and financial activities that are not recognized as revenue in the audited financial statements cannot be reported as revenue in the corresponding FSR.

Choose a Reporting Model

Grantees follow one of three accounting "Reporting models":

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB)
- Grantees licensed to public colleges and universities that follow proprietary enterprise-fund financial statements with business type activities (GASB)
- Grantees licensed to state and local governments that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities (GASB)

Select the radio-button for the financial statement Reporting Model that accurately reflects the grantee's audited financial statement presentation basis, then click the "Choose" button. The corresponding line item information will display:

FASB
Line R1 - Total support and revenue – without donor restrictions
Line R2 - Total support and revenue – with donor restrictions
Line R3 - Total support and revenue - other
Line R4 - Total from audited financial statements Lines 2a-2c

GASB Model A
Line R1 - Operating revenues
Line R2 - Non-operating revenues
Line R3 - Other revenue
Line R4 - Capital grants, gifts, and appropriations (if not included above)
Line R5 - Total from audited financial statements Lines 2a-2d

GASB Model B
Line R1 - Charges for services
Line R2 - Operating grants and contributions
Line R3 - Capital grants and contributions
Line R4 - Other revenues
Line R4 - Total from audited financial statements Lines 2a-2d

The chosen Reporting Model should match the format of the revenue page of the grantee's audited financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the "Choose" button.

After selecting the appropriate reporting model, on each part of Line R enter the value for the category as found on the revenue page of the audited financial statements. The final part of Line R (R4 for FASB; R5 for GASB Models A and B) will total the values entered on the other parts of Line R. The total on Line R should match the total on Part 1, Line 17 exactly. If not, the difference must be explained.

If the difference is relatively small (less than about $100) the difference is likely due to a rounding error. Such a small difference is immaterial to NFFS and need not be corrected in the FSR. Instead, use "Add" button to identify the rounding error.

If, however, the reconciling item is larger than $100 then a data entry error(s) has occurred either on Part 1 of the FSR, or on Line R of Part 4. Verify that the values entered on Line R match the audited financial statements exactly. If so, then you must go back into the FSR, find and correct the error(s).

Other than a small rounding error, an example of a valid reconciling item would be for GASB reporting institutional stations that were not able to include their indirect administrative support in the revenue statement of their audited financial statements (the indirect administrative support must still be reported in a footnote to the audited financial statements). In such a case the value of the indirect administrative support will show up as a reconciling item. It must be properly identified by using the "Add" button.