CPB

Financial Reporting Guidelines for Preparing the AFR and FSR

Grantees’ Fiscal Year 2009 Edition
## CPB Financial Reporting Guidelines

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Section 1: Introduction to Financial Reporting
Using CPB’s Integrated Station Information System (ISIS)

Grantees’ Fiscal Year 2009

Introduction

These Financial Reporting Guidelines (Guidelines) provide valuable information on completing the financial reports that Community Service Grant (CSG) recipients must file with CPB each year. It is the financial reports that provide the basis for determining the CSGs which CPB awards. Specifically, the non-federal financial support (NFFS) reported by grantees in their Annual Financial Reports (AFRs) or Annual Financial Summary Reports (FSRs) is used to:

- calculate grants
- certify total NFFS system-wide to the U.S. Treasury in order to fulfill one of the key legal requirements for CPB’s annual appropriation, and
- provide a basis for regional and national public broadcasting organizations to calculate the dues of their member stations.

There are several acronyms used throughout these Guidelines, including:

- AFR – Annual Financial Report
- AFS – Audited Financial Statement
- CPB – Corporation for Public Broadcasting
- CSG – Community Service Grant
- FSR – Annual Financial Summary Report
- NFFS – Non-Federal Financial Support
- ISIS – Integrated Station Information System

AFRs and FSRs must be filed within the period specified in the Guidelines (see Section 4). Equally important, stations must exercise great care to ensure that these reports are prepared accurately, in compliance with CPB policies and NFFS reporting criteria. We recognize that accurate, timely preparation of these reports requires a substantial commitment of time and resources, and we appreciate your efforts in this regard.

The Guidelines present the statutory definition of NFFS and additional rules concerning the exclusion of certain revenues and support from grantees’ reported NFFS. They also describe policies and procedures governing the review and audit of grantees’ financial reporting by independent accountants.

Please take time to read all the ISIS Help files so that you have a keen sense of ISIS’ features and reporting requirements.
CPB staff will conduct a “desk review” of each AFR and AFS, the purpose of which is to ensure that the reports are accurate so that station grants are allocated fairly and equitably among all grantees. Contact us at ISIS@cpb.org with all inquiries.

Changes to the Guidelines for Grantees’ Fiscal Year 2009

This edition of the Guidelines contains revisions to Sections 3, 5.2, 5.6, and 5.7 that clarify current policy.

The most important revision is in Section 3 where the statutory definition of NFFS has been clarified. Specifically, that part of the definition that addresses the eligibility of payments was restated to conform to the literal definition cited in the Public Broadcasting Act. NFFS includes payments from any State, or any educational institution in exchange for services or materials with respect to the provision of educational or instructional television or radio programs. Payments received by a public broadcast station from any other sources (e.g. for-profit entities or individuals), including nonprofit organizations that are not educational institutions, or for any other purposes may not be included as NFFS.

Consequently, all grantees must reexamine its accountability for transactions of this nature and make appropriate corrections to properly account for these transactions even if they were incorrectly reported as NFFS in the past.

The structure of Sections 3, 5.6, and 5.7 have been reorganized to improve the presentation of the information. Additionally, the discussions of several topics contained within these sections have been rewritten and new language added to elucidate issues that have previously been misinterpreted (most notably, the instructions for Schedule A, Line 18 were revised to clarify the NFFS restrictions on capital donations to TV grantees). Other revisions and newly added topics include criteria for in-kind contributions, underwriting trade agreements, exchange transactions, and professional volunteer services eligible as NFFS, among others.

It is the responsibility of all Grantees and their independent accountants to review this new edition of the Guidelines in its entirety.

New Large Gift Spread for TV Stations

TV GRANTEES may elect to amortize certain gifts. On August 6, 2007 the CPB Board adopted changes to Public Television Community Service Grant Policy that allows CPB grantees the option of amortizing over three years gifts of direct revenue that are 10 percent or more of a single year’s NFFS. This election must be made by using the Large Gift Spread form when logged online in the ISIS reporting system.

For example, assume that in FY 2009 a grantee receives a major gift of $1,000,000 and its total NFFS (including the major gift) is $10,000,000. Since the major gift is equal to 10% of the total NFFS for 2009 the grantee may exercise an election to spread the $1,000,000 for up to three years for the purpose of calculating its Community Service Grants. Conversely, if the gift in this example were less than $1,000,000 then it would not qualify for the spread since it would be equal to less than 10% of the total NFFS.

The purpose for making this election available is to minimize distortions in CSG calculations caused by the receipt in a single year of a large one-time gift. As noted above the entire amount of the gift should be reported on the AFR in the year in which it is recognized in the audited financial statements. More information about the
*Note: This election is for gifts that qualify as NFFS.* Remember that contributions and/or appropriations, regardless of the appropriation year, for the construction of new facilities (land and structures), expansion of existing facilities, and acquisition of new equipment does not qualify for recognition as NFFS.
Section 2: Financial Reporting Requirements  
Grantees’ Fiscal Year 2009

General
CPB provides Community Service Grants (CSGs) to qualifying public television and radio station grantees. A condition of qualification is compliance with certain financial reporting requirements as defined in the TV CSG General Provisions & Eligibility Criteria and Radio CSG General Provisions.

Throughout this document the terms “grantee,” “station grantee” or “CSG recipient” refer to the beneficiaries of each separate, distinct CSG—that is, one or more public broadcast stations that may benefit from the CSG. CPB offers and pays each distinct CSG to the formal, legal entity or organization, known as a “licensee or permittee,” that holds the FCC licenses or permits authorizing the beneficiary broadcast stations to operate. A “grantee,” however, is not necessarily such a formal, legal entity or organization.

With few exceptions, grantees must file a CPB Annual Financial Report (AFR) and audited financial statements (AFS). Some radio grantees may file the shorter CPB Annual Financial Summary Report (FSR) instead of the AFR, and some may not be required to submit audited financial statements (see Radio below). An AFR must be certified by an authorized official of the grantee and examined by an independent accountant in accordance with attestation standards established by the American Institute of Certified Public Accountants (go to Section 4 for more information). An FSR must also be certified by an authorized official of the grantee, but if the grantee is not required to submit audited financial statements, it need not obtain an attestation by an independent accountant.

When both radio and television grantees are licensed to the same entity (a “joint licensee”), they may file consolidated audited financial statements combining both television and radio operations, but a separate AFR must report the non-federal financial support (NFFS) separately for each grantee.

Similarly, when two or more distinct radio grantees are licensed to the same entity (a “dual licensee”), they may file consolidated audited financial statements, but a separate AFR must report NFFS separately for each grantee.

The AFR (or FSR if applicable) in its entirety as well as the Audited Financial Statements must be completed and submitted online in CPB’s Integrated Station Information System (ISIS) no later than five months after the end of the grantee’s fiscal year, but in no case later than May 31. If any part of the complete “package” cannot be completed by the due date, you must file an extension request in ISIS.

Television
Each CPB television CSG recipient must file a consolidated AFR on behalf of all supported stations that are licensed to the same entity.

Co-licensed noncommercial television stations in different communities of license may consolidate operations to earn greater benefit from the CSG.
Co-licensed, noncommercial television stations in the same community of license may consolidate operations to earn greater benefit from the CSG, provided that:

- Each station must be managed and programmed by a shared professional staff.
- Each station must provide a separate and distinct program service for the community.
- Each station must adhere to the programming policies and other eligibility criteria established for the TV CSG.
- Stations that are closed-circuit, low-power, student-managed, and/or that provide in-service training are not eligible for consolidation.

Each AFR must include only NFFS that is received by or on behalf of the supported station(s) or network of stations.

Joint licensees that receive both TV and radio CSGs must always file separate AFRs—one for TV and one for radio; and licensees that receive more than one radio CSG must always file separate AFRs for each distinct radio CSG.

### Radio

Each CPB Radio CSG recipient must file either an AFR or FSR. **The following rules apply to the FY 2007 reporting year.**

Each recipient of a CSG in Levels A and B must file an FSR. A CSG recipient in Levels A or B that received total station revenue (TSR) of $300,000 or more in the reporting year (i.e. the Grantee’s fiscal year) must also file an audited financial statement (AFS), and its FSR must include an attestation by an independent accountant that the FSR complies with CPB’s Financial Reporting Guidelines. TSR is defined as the total of line 12 (total direct revenue) and line 16 (total in-kind revenue and indirect administrative support).

Each Level C or D grantee must file a separate AFR for each separate CSG that it receives. Each grantee in Levels C or D must also file an AFS, but the AFS may consolidate the financial reporting for multiple stations licensed to or operated by the same entity, even if they are benefiting from more than one CSG.

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<td>&lt; $300,000</td>
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<td>Yes</td>
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<tr>
<td>A and B</td>
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<td>Yes</td>
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<tr>
<td>C and D</td>
<td>N/A</td>
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**Reporting period / Fiscal Years**

The CPB AFR and FSR gather financial and other data for the grantee's fiscal year. The reporting period must not exceed 12 months except in instances where a fiscal year change (see below) results in a long fiscal year.

Grantees that elect to change their fiscal year should notify CPB’s Office of Grants Administration (ISIS@cpb.org) as soon as possible. A fiscal year change will result in either a short fiscal period (i.e., less than twelve months) or a long fiscal period (i.e., more than twelve months). CPB’s financial reports (AFR or FSR) will be prepared in accordance with the grantee’s new fiscal year-end, regardless whether a long or short fiscal period. In all instances, the AFR and audited financial statements will cover the same reporting period. CPB will give due consideration to any grantee that falls below minimum NFFS qualification requirements resulting from a short fiscal year reporting period.

**Biennial Filing of Financial Statements**

Grantees must file an AFR or FSR every year. Separate financial statements must also be prepared and audited to report on the grantee’s financial position and activities as of each fiscal year, but the law allows these audited financial statements to be prepared and filed every two years (biennially).

CPB encourages grantees to file their AFS annually. Submitting the AFS only every two years delays the comparison between the AFS and the AFR or FSR. If this delayed comparison shows that the grantee’s CSG was calculated using an overstated NFFS, CPB will adjust the CSG to the proper amount. CPB, however, has no obligation to adjust a CSG to an amount greater than was calculated in instances where the reported NFFS was understated. Consequently, it is in the best interests of grantees to file an AFS annually.

Grantees choosing to file biennially must do so at the time when the AFS reporting on an even-numbered fiscal year, (i.e. 2006, 2008, etc.) would be filed. The statement must cover the 24 months since the previous statement was filed and it must report discretely on two 12-month periods. Additionally, the grantee will be obligated to file an amended AFR that compares the values previously reported with the values based on the subsequent audited financial statements. This step includes the submission of a new Signature Page—which requires an attestation by the independent accountant and certification by the Head of Grantee. At the appropriate time, CPB will contact the grantee with instructions for filing the amended AFR or FSR and related Signature Page. Go to Section 4 for more information.

Grantees choosing to file biennially must complete a form “Election to File Audited Financial Statements Biennially” and submit it online with the AFR or FSR for odd-numbered fiscal years (i.e., 2005, 2007, etc.).

Go to Section 5.9 for more information on reconciling an AFR when an AFS is not filed.

**AFRs, FSRs, and Audited Financial Statements (AFS)**

Each grantee’s AFR or FSR must be reconciled with its AFS. All revenue and support reported in the AFR must be recognized in the AFS.

All revenue and support recognized in the AFS must be reported on the AFR or FSR to the extent that it meets the reporting criteria and specific reporting instructions described throughout this document.
Grantees that include multiple radio and television stations licensed to a single entity may file consolidated audited financial statements, combining the financial activities of stations licensed to the same entity, but each grantee must report on a separate AFR the NFFS that is unique to that grantee. The separate AFRs for each grantee, in combination, must be reconciled with any such consolidated AFS.

Radio station grantees that are not required to file an AFS should be vigilant in ensuring that financial information provided in the FSR agrees with their financial records and unaudited financial statements.

Whether or not an AFS is required, CPB reserves the right to audit all financial and other information reported on the AFR or FSR.

Audited financial statements must be for the operations of the grantee, not the institutional licensee.

### Reporting support for financially interrelated organizations

To present meaningful financial statements that fully and fairly disclose financial position and results of operations, the financial statements of interrelated organizations generally are combined or consolidated with the financial statements of the grantee. Grantees are most frequently interrelated with three types of organizations: fundraising organizations, affiliated stations, and subsidiaries.

Fundraising organizations typically include **Friends groups** and **university foundations**, although the latter seldom, if ever, qualifies for consolidation because supporting the grantees’ activities may be such a small part of the foundations’ overall activities.

Applicable guidance for financially interrelated not-for-profit organizations is found 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 (issued May 2002)*. Follow these statements for appropriate guidance in consolidating the activities of fundraising organizations with those of the grantee.

What does this mean with regard to reporting NFFS? Revenues attributable to **interrelated organizations that are consolidated or combined** with the grantee for financial statement reporting purposes are treated no differently than all other revenues in consolidation. In other words, to be included as NFFS all revenues must meet the same criteria discussed in **Section 3**, in addition to complying with other NFFS restrictions and exclusions discussed throughout these Guidelines.

In addition to the actual cash transferred from a Friends group or foundation to the grantee, grantees may be entitled to claim as an in-kind contribution in their financial statements a **portion** of the revenues of a related nonprofit organization **that does not qualify for preparation of consolidated audited financial statements**. The related nonprofit organization must provide documentation to the grantee to substantiate any direct expenses incurred for grantee-specific projects. These include:

- Equipment purchased and legally transferred to the grantee (radio only).
- Programs purchased for and given to the grantee.
- Expenses incurred to print and distribute the grantee’s program guide.
- Expenses incurred for grantee staff salaries and benefits.

Do not claim general operational costs or overhead of the related organization as NFFS. **Moreover, for television grantees, a Friends group’s in-kind contributions of property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment no longer qualifies for NFFS-matching purposes.** This rule also applies to any cash transferred from the Friends group to the grantee that was received by the Friends group for this restricted purpose, but transferred to the grantee rather than expended directly by the Friends group.
University foundations are unique among grantee interrelated organizations. As previously noted, they seldom, if ever, qualify for financial statement consolidation because supporting the grantees’ activities may be such a small part of the foundations’ overall activities. In fact, they only may be considered a related party for financial statement disclosure purposes. Nonetheless, grantee licensees often require the grantee to use the university foundation for a variety of services, including fundraising, investing, bill payment and full accounting and reporting services. Cash and investments held by the foundation in custody for the grantee are generally considered on-demand deposits. Grantees must confer with their auditors to determine the proper financial statement treatment of these activities, including GAAP reporting and note disclosure requirements. If it is determined that only the cash actually transferred to the station should be included in the financial statements, the grantee may claim the same in-kind revenues as Friends groups that do not qualify for preparation of consolidated audited financial statements.

Go to Section 5.2 for more information on reporting NFFS of a Friends group or Foundation.

Federal audit requirements

Grantees should be aware that as recipients of federal funds, they might be subject to federal audits. The applicability of such audit requirements is fact-specific, so each station must determine if it is subject to these audit requirements.

In particular, CPB is asked frequently whether CPB supported stations are subject to the audit requirements of OMB Circular A–133. Receipt of CPB grant funds does not trigger in and of itself the audit requirements of OMB Circular A–133. However, each station must review these OMB requirements carefully to determine whether the station is subject to them for some reason other than being a recipient of CPB grant funds. For further guidance, contact CPB’s Office of the General Counsel (202-879-9600).
Section 3: NFFS—Minimums for CSG Eligibility, Statutory Definition and Reporting Criteria

Grantees’ Fiscal Year 2009

Minimum NFFS for CSG Eligibility

Each grantee must maintain a specific level of NFFS support to remain eligible to receive a Community Service Grant (CSG). Grantees that fall below NFFS minimum requirements may jeopardize their CSG status. The minimum NFFS requirements are:

- **Television grantees** – $800,000
- **Level A Radio grantees** – no minimum
- **Level B Radio grantees** – $100,000
- **Levels C & D Radio grantees** – $200,000

These minimums were last updated for the FY 2006 AFR reporting year and will remain in effect unless otherwise changed by CSG policy provisions.

Statutory definition of non-Federal financial support (NFFS)

The Public Broadcasting Act (47 U.S.C. Sec. 397(9)) defines NFFS as the total value of cash and the fair market value of property and services received 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 the United States or any agency or instrumentality of the United States or any public broadcasting entity (other than a CPB grantee’s own licensee). Additionally, NFFS includes payments from any State, or any educational institution in exchange for services or materials with respect to the provision of educational or instructional television or radio programs.

CPB will collect NFFS data that fits the definition of the law and conforms to additional policy restrictions adopted by CPB.

Other Definitions

Revenues must meet certain criteria to be eligible for inclusion as NFFS. Following are definitions of some key terms:

- **Public broadcasting entities**
  - The Corporation for Public Broadcasting (CPB is a private 501(c)(3) nonprofit corporation and not a federal agency);
  - Any licensee or permittee of a public broadcast station; and
• Any nonprofit institution engaged primarily in the production, acquisition, distribution or dissemination of educational and cultural television or radio programs. Examples include but are not limited to:

Agency for Instructional Technology – AIT
American Indian Radio on Satellite – AIROS
Alaska Public Radio Network – APRN
American Public Television – APT
Family Communications, Inc. – FCI
Florida Public Broadcasting Service, Inc. – FPBS
Independent Television Service - ITVS
National Public Radio – NPR
Public Broadcasting Service – PBS
Public Radio International – PRI
Radio Bilingüe/Satélite
Sesame Workshop

**Public telecommunication entity** – Any enterprise that (a) is a public broadcast station or a noncommercial telecommunication entity, and (b) disseminates public telecommunication services to the public.

**Contributions** – Contributions are unconditional transfers of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Other assets include securities, land, buildings, use of facilities or utilities, materials and supplies, intangible assets, services, and unconditional promises to give those items in the future. Public broadcasters receive contributions from a variety of sources and for a variety of purposes, most notably as membership dues and production underwriting.

As defined above, support received as a contribution by a public broadcasting entity must meet the following criteria to be included as NFFS:

**Source** – Any entity except the federal government or a public broadcasting entity.

(Note: CPB has always permitted grantees to include as NFFS both direct and indirect support from the grantees’ own institutional licensee. Direct support of this type is reported on AFR Schedule A, lines 3 through 7, depending on the type of licensee, and not in line 2, for public broadcasting entities. All grants from CPB – even when they pass through the books of the grantee’s own licensee before reaching the grantee – are to be reported in line 2 and ARE excluded from NFFS.)

**Form** – Contributions may take the form of gifts, grants, bequests, donations, and appropriations.

**Purpose** – Must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television or radio programs and related activities.

**Recipient** – Must be a public broadcasting entity on behalf of a public broadcast station or stations.

**Payments** – Unlike contributions payments are reciprocal transfers (i.e. exchange transactions) of cash or other assets in which each party receives and sacrifices approximately equal value.
As defined above payments received by a public broadcasting entity in exchange for its public broadcasting services or materials must meet the following criteria to be included as NFFS:

**Source** – Must be a state, any agency or political subdivision of a state or an educational institution (college, university, school or other academic institution).

**Form** – Must take the form of appropriations and/or contract payments in exchange for specific public broadcasting services or materials.

**Purpose** – Must be for services or materials with respect to the provision of educational or instructional television or radio programs.

**Recipient** – Must be a public broadcasting entity on behalf of a public broadcast station or stations.

Payments received by a public broadcast station from any other sources (e.g. for-profit entities or individuals) or for any other purposes may not be included as NFFS.

### Reporting NFFS by type of station

There are two types of CPB-supported stations:

- **Community stations** – which are licensed to nonprofit community organizations, and
- **Institutional stations** – which are departments, divisions, or units of the licensee and often dependent upon the licensee for support (e.g., a station that is part of a university usually is dependent on the university for accounting services and maintenance of facilities). Included in this category are stations licensed to states and subdivisions of states, local governments and subdivisions of local governments, universities (private or public), and outlying territories like Puerto Rico or Guam.

This distinction between community and institutional determines the method of computing NFFS. For both community and institutional stations, NFFS is composed of direct revenue and in-kind (non-cash) services or other assets. Institutional stations, however, may also include indirect administrative support from their licensee.

For most stations, the direct revenue computation starts with support and revenue recognized for the current year in the audited financial statements. To arrive at NFFS, direct revenue must be adjusted to eliminate the types of revenue that do not meet the legal definition of NFFS. The major deductions are revenue from federal or public broadcasting sources and exchange transactions with for-profit organizations, individuals, and not-for-profit organizations other than state or local governments or educational institutions. Any support that reverts to the donor at year-end if not expended must also be deducted.

For some institutional stations, direct revenue may consist of expenses incurred or absorbed by the licensee specifically for the operation of the station. Generally, these expenses are reflected in the station's operating budget, but some licensee expenses incurred for the direct benefit of the station may not be. For example, if a university professor is temporarily assigned to the station, a prorated share of his/her salary and benefits may be included as direct revenue, even though it does not appear in the station's operating budget. Another example might be the licensee’s purchase of equipment for its reporting station.
Indirect administrative support is that portion of a licensee's costs allocated to an institutional station. The allocation of indirect support should be based on principles of "reasonable benefit derived" or "costs incurred" (go to Section 5.4 – How to complete Schedule B for more information). Community stations do not report indirect administrative support.

**Contributions, Exchange Transactions, Underwriting**

A grantee must determine whether a transaction is a contribution or an exchange. If the value of what the grantee receives is commensurate with the value of what the grantee gives, the transaction is an exchange and should not be included as NFFS. But if the value the grantee receives is greater than the value of what it gives, the difference should be recognized as NFFS.

Underwriting is a contribution given to a grantee primarily to finance specific programming or activities. Underwriting contributions may be direct donations of cash or in-kind donations of goods or services. The grantee must determine, based on the facts and circumstances, if a portion of the underwriting meets the test of an exchange transaction. As discussed in Sections 3.3 and 4.5 of CPB’s <Principles of Accounting>, an on-air underwriting credit is deemed to be of nominal or insignificant value to the underwriter. Consequently, because there is nothing of significant value flowing to the underwriter, the transaction is not considered to be in any part an exchange transaction.

If the grantee provides an underwriter or donor with anything other than on-air underwriting credit in exchange for a contribution, the transaction is considered an exchange transaction. As a result, the only part of the contribution that is eligible as NFFS is value of the difference between what the grantee gives and receives. In other words, the fair market value of what the grantee gives must be deducted from the amount of cash or the fair market value of the goods or services the grantee receives. So long as the fair market value of the goods or services that the grantee receives is greater than what it gives, the net difference between the two is eligible to be included as NFFS (assuming the contribution satisfies all the criteria outlined in the preceding paragraph).

Examples:

- **Exchange Transaction**: An accountant provides an assessment of the grantee's internal control structure. In exchange, the grantee gives the accountant free advertisements in printed program guides equal to the fair market value of the services provided. Since the grantee received services equal to the value of advertisements given, no NFFS value should be recorded.

- **Contribution with Partial Exchange**: A grantee is offered free tower space from a local commercial station. In exchange, the grantee produces for the commercial station on-air advertising spots that will air on the commercial station. The fair market value of the tower space is greater than the cost of producing the spots. Thus, the grantee should recognize as NFFS the difference between the fair market value of the tower space and the cost of producing the spots.

**NFFS Exclusions**

**NFFS Simplification and Other Exclusions**

After formal consultation with grantees system-wide, CPB excluded from “matchable NFFS” (the amount used in calculations of the amount of many grantees’ CSGs) certain kinds of revenues and
support that typically appear to satisfy the statutory definition of NFFS, but pose daunting challenges to valuation or would require documentation disproportionate with the significance of their financial benefit to most grantees. For more information, go to Sections 5.6.

For television, beginning during the costly transition to digital terrestrial broadcasting, CPB excluded from “matchable NFFS” all grants, contributions, payments and appropriations for new or expanded capital facilities and equipment. For more information, go to Section 5.2 and Section 5.7.

**Specific Direct Revenue Exclusions from NFFS**

Examples of payments derived from the provision of public broadcasting services or materials that must be excluded from NFFS when received from for-profit entities, individuals and not-for-profit organizations that are not by definition a state or local government or an educational institution are:

- Production, taping, or other broadcast related activities
- Telecasting production/teleconferencing
- Foreign rights
- Rentals of studio space, equipment, tower facilities, etc.
- Sale or rental of programs or program rights
- Sale of premiums
- Sale of ancillary materials

Furthermore, to be included as NFFS, payments for services or materials received from a state, any agency or political subdivision of a state or an educational institution must be with respect to the provision of educational or instructional television or radio programs. Otherwise, those payments must also be excluded from NFFS.

Exclude from NFFS all revenue (regardless of source) from -

- Gains on sale of assets and realized or unrealized gains or losses on investments
- A wholly owned or partially owned for-profit subsidiary regardless of the nature of its business
- A wholly owned or partially owned nonprofit subsidiary engaged in non-telecommunications work
- Sale of program guides
- Program guide advertising
- Refunds, rebates, reimbursements, and insurance proceeds
- Income classified as unrelated business income
- Revenue from non-broadcast activities that fail to meet exception criteria

**Revenue from Non-broadcast Activities and NFFS**

A non-broadcast activity is defined as one that depends on the dissemination of programming by other than the public airwaves and/or which requires that the consumer of the service use special decoding equipment.

Revenues may be derived from a wide variety of non-broadcast activities, but only some of those non-broadcast revenues may be included as NFFS. To be included, revenue from non-broadcast activities
must meet the appropriate source, form, purpose, and recipient criteria for NFFS. Additionally, the non-broadcast revenue must meet the following criteria in order to qualify as NFFS:

1. Non-broadcast activity must be under the management and operational control of the station grantee. Control must be in fact and not merely in form. It requires the grantee to have authority over programming, budget, personnel, and scheduling. Non-broadcast activities performed by the licensee that are not under the grantee's immediate control should not be reported as NFFS.

2. Services and/or materials must be shown to be of direct benefit to the operations of the grantee.

3. Revenue may not come from a for-profit entity or an individual. (Example: If a cable company paid the grantee to provide programming for one of its channels, the revenue would not be NFFS.)

4. Expenses reported as non-broadcast should be those incurred for services the grantee provides to support the activities listed above.

Examples of non-broadcast activity revenues include (list is not exhaustive):

**Cable Television** – Revenue derived from cable companies or institutions (local governments, school boards, etc.) using cable to carry program services of the grantee other than those governed by the “must-carry” provisions of federal law and regulation.

**Instructional Television Fixed Services (ITFS) and Multi-point Distribution Services (MDS)** – Revenue from the operation of ITFS and MDS systems that use program services the grantee provides.

**Satellite** – Revenue from noncommercial services provided by the grantee through communications satellite activity other than those governed by the “must-carry” provisions of federal law and regulation.

**Cassette, CD, and DVD sales** – Revenue from the grantee’s sale of products or services for the delivery to users of program materials that were produced by the grantee itself.

**Use of Technical Facilities** – Revenue from use of technical transfer, duplication or computing server facilities for various technical functions such as film-to-tape, tape-to-cassette, or tape-to-disk transfers, web hosting, etc.

**Subsidiary Communications Authorization (SCA)** – Revenue from noncommercial use of technical facilities for production and/or broadcast of SCA programming.

**Revenue from instructional television or educational radio**

**Support for Instructional Programming Included in NFFS**

To include the revenue or support derived from providing instructional services as NFFS, the grantee must be able to show two things:
1. Support for the instructional service is a direct benefit to the grantee's provision of public telecommunications services.

2. The instructional service is under the grantee's direct management and operational control, and, in the case of an institutional station, is not a separate activity under the management and operational control of the licensee. An institutional station may become involved in a cooperative effort with an independent educational nonprofit entity that provides instructional programming to the station. In this case, the grantee may include as in-kind support only the value of the expenses incurred specifically in providing instructional services to the station.

Subject to these conditions, revenue for instructional services that may be reported as NFFS includes the following:

- Direct revenue received by the grantee specifically to develop, maintain, or improve instructional services of the station.

- Direct support from the professional services of the licensee's faculty who may be given release time to develop instructional television or radio programs. This is calculated by using the prorated value of the faculty member's salary and benefits.

- In-kind contributions received by the grantee for its instructional services, including:
  1. Study guides or teacher guides provided by a third party for the grantee to distribute as part of its instructional service.
  2. Prorated value of a utilization specialist hired by an educational system to which the grantee provides instructional programming. The purpose of the specialist would be to coordinate the use of educational television or radio in the system and serve as liaison with the grantee.
  3. Prorated value of a curriculum committee consisting of a fixed and reasonable number of people assigned by an educational system and given release time to preview series and recommend print materials. The committee's services must be such an integral part of the grantee's instructional service that if the committee did not provide them, the grantee would hire others to perform the service.
  4. Prorated value of professional services of faculty members who, on their own time, participate in the development of instructional television or radio programs. These people must offer the same or similar services to the public for a fee.
  5. The value of instructional programs or broadcast rights purchased by a state agency and used by the station's instructional service.
  6. Expenses incurred by an educational nonprofit entity to promote and advertise the courses offered by the station only if the promotion highlights the grantee's involvement.

Support for instructional services that must be excluded from NFFS

Unless noted above the following support is excluded from NFFS:
- Cost of production, receiving or playback equipment located at educational or instructional facilities.
- Salaries or benefits of teachers involved with the presentation of instructional services whether in the classroom or available by phone or other two-way system.
- Donated programs produced and delivered to the grantee by others, whether local productions or national programs, even when the donated programs are produced for instructional use and/or distributed as part of a grantee’s instructional services. This exclusion became effective in 1996.

For more information on reporting in-kind contributions for instructional television and educational radio refer to Section 5.6, line item instructions for completing AFR Schedule C, line 3.A.

**Amortizing Large Gifts of NFFS for CSG Calculation Purposes**

**RADIO GRANTEES** that receive nonfederal financial support in the form of capital assets, whether that property is received as a direct restricted gift or as in-kind support, may elect to amortize the gift for CSG calculation purposes. The purpose of this election, also referred to as a “capital spread”, is to minimize distortions caused by receipt of large amounts of capital assets in the year of the gift and the effect the increased NFFS creates in both CSG calculations as well as industry dues. Grantees may elect to “spread” this support over a period of up to five years for the purpose of determining its grants. This election must be made by using the Capital Spread form when logged online in the ISIS reporting system.

**TV GRANTEES** that receive non-federal financial support (NFFS) in the form of a large one-time gift of direct revenue may elect to “spread” (i.e. amortize) the gift over a period of up to three years. To be eligible for the NFFS spread the large one-time gift must be equal to 10 percent or more of the station’s NFFS for a single year and the election to spread must be taken in the year in which the gift is reported on the AFR and in the audited financial statements. The purpose for making this election available is to minimize distortions in CSG calculations caused by the receipt in a single year of a large one-time gift. This election must be made using the Large Gift Spread form when logged online in the ISIS reporting system.

For example, assume that in FY 2009 a TV grantee receives a major gift of $1,000,000 and its total NFFS (including the major gift) is $10,000,000. Since the major gift is equal to 10% of the total NFFS for 2009 the grantee may exercise an election to spread the $1,000,000 for up to three years for the purpose of calculating its Community Service Grants. Conversely, if the gift in this example were less than $1,000,000 then it would not qualify for the spread since it would be equal to less than 10% of the total NFFS.

**For both Radio and TV Grantees:** The election to spread support is for the purpose of Community Service Grant calculations only. The entire amount of support to be amortized must be reported on the AFR in the year in which it is recognized in the audited financial statements. For more information go to "How to Request a Capital Spread - Radio" or "How to Request a Large Gift Spread – TV".
**Section 4: Requirements for Financial Accountability**

**Grantees’ Fiscal Year 2009**

**Grantees accounting and financial reporting responsibilities**

*Under the Communications Act of 1934, as amended:*

- Public broadcasting entities that receive funds from CPB must establish and maintain adequate accounting records and internal control procedures.

- Grantees receiving Community Service Grants are required to prepare and submit to CPB either an Annual Financial Report (AFR) or an Annual Financial Summary Report (FSR), which reports the amount of non-federal financial support (NFFS) that the grantee has received. In most instances, the grantee is required to have the NFFS information reported in the AFR or FSR examined by an independent accountant, who must attest to its reliability.

- Most grantees are also required to prepare annual financial statements for the public telecommunications entity at least every two years (see below), and to have those statements audited by an independent auditor. General-purpose financial statements of a parent institution that is the licensee will not satisfy this requirement.

**Audit Committees**

CPB encourages each grantees governing board to establish an audit committee to provide overall financial guidance, review financial reports, and monitor any changes necessary to ensure proper administration and control of funds. The American Institute of Certified Public Accountants (AICPA) has long advocated the formation of audit committees to assist other directors in carrying out their fiduciary responsibilities with respect to financial matters. An audit committee's specific objectives will vary depending on the entity's facts and circumstances. Stations licensed to colleges and universities may already have access to audit committees that can perform these functions on behalf of the station grantee.

**Report Filing Deadlines**

All television and radio station grantees filing the CPB Annual Financial Report (AFR) or the CPB Annual Financial Summary Report (FSR) along with their Audited Financial Statements (if required) must be formally submitted online within five months after the end of the grantees fiscal year.

If a grantee should find it necessary to file an amended report, it must do so by May 31. Contact the OGA at ISIS@cpb.org. Amended reports are subject to the same audit and certification requirements as delineated in these guidelines.
The AFR Signature Page, independent accountants modified attestation language (i.e. Alternate Opinion Language optional), and Independent Accountants Qualification Statement (if required) must be submitted along with the AFR or FSR as one complete package.

Click below for instructions on how to complete and/or submit the:

- AFR Signature Page
- Independent Accountants Alternate Opinion Language
- Independent Accountants Qualification Statement
- Audited Financial Statements

Reminder: Grand funds cannot be released until financial reporting requirements have been satisfied.

Penalties for late filing of financial reports

Penalty provisions were established by the Board of Directors of CPB, pursuant to statutory authority and with the concurrence of the stations. The goal is not to impose a hardship on any station, but to effect orderly administrative procedures and the timely accounting required by the Communications Act of 1934, as amended, and other requirements of public accountability on the part of CPB.

A resolution of the Board of Directors dated May 21, 1981, provides as follows:

(1) The CSG for an eligible station which fails to file its certified financial report with CPB five months after its fiscal year ending date will be calculated on the basis of the late-filed report, less one three-hundred-sixty-fifth (1/365) of the eligible grant for each calendar day of delinquency after a station's due date provided, however, that for good cause shown, CPB may waive the foregoing provisions in whole or in part; and

(2) If the report is not filed in sufficient time to enable CPB to certify the income as qualifying for federal matching, the eligible station shall not receive an incentive grant.

CPB publishes new accounting principles edition

In May 2005, CPB published a new accounting principles edition entitled Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities for use by public broadcasters system wide and by their independent accountants. These Principles are accessible at www.cpb.org/stations/principles. The document describes in detail and presents extensive examples of the basic financial statements that CPB station grantees must prepare for audit by independent accountants and subsequent submission to CPB as a condition of the receipt of funds from CPB regardless of how such entities are owned, operated, or affiliated with other public or private organizations.

Federal law requires CPB to develop these principles of accounting and financial reporting for all public telecommunications entities that receive funds from CPB taking into account organizational differences among various categories of such entities. The most recent prior update was published in 1996.

With help from accountants KPMG, CPB revised and updated the document and consulted with the US General Accounting Office, as the law also requires. The document recognizes the big changes in accounting and financial reporting that accounting standards bodies have adopted since the document was last updated.
All grantees are required to comply with the requirements described in the new edition in fiscal years beginning on or after July 1, 2005. (CPBs Principles do not affect the timetables for mandatory compliance with any requirements promulgated by FASB and GASB, which are established by FASB and GASB.)

In general, grantees must prepare their financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by either the Financial Accounting Standards Board (FASB) or the Governmental Accounting Standards Board (GASB) depending on the reporting entity. CPB grantees fall into one of the following categories and generally follow the financial reporting model noted in parentheses:

- Grantees licensed to non-profit community organizations and private colleges and universities (FASB);
- Grantees licensed to public colleges and universities (GASB);
- Grantees licensed to state and local governments (GASB).

### Transition to New Accounting Principles FAQs

**Q1.** Our financial reporting entity is a hybrid. Our financial statements consolidate the financial position and activities of an organization that would traditionally follow FASB (e.g., a legally-discrete, not-for-profit, fund-raising organization such as a Friends group or university foundation, or a non-governmental organization that staffs and operates the station under an LMA (local management agreement) with those of a governmental unit that would traditionally follow GASB. Which set of standards GASB or FASB must we adopt and follow?

**A1.** In the past, CPB has almost always deferred to the judgment of the grantee and its auditors in making this very important decision. The clear trend in accounting standards, however, is toward adopting and following GASB guidance whenever a significant part of the resources available to the public broadcasting station comes from governmental sources, and particularly when a non-governmental organization providing resources is restricted in any way to using those resources solely on behalf of a governmental unit. GASB Statement No. 39 (issued May 2002 and effective for financial statements for periods beginning after June 15, 2003) indicates that in such circumstances, the governmental unit must include the non-governmental organization as a component unit.

**Q2.** If we adopt and follow GASB guidance, are we then required to submit government-wide or institution-wide financial statements to CPB, instead of the public-broadcasting-entity-only statements that CPB has traditionally required?

**A2.** Grantees must continue to prepare financial statements that discretely display the financial position and activities of the public broadcasting entity, not those of a parent institution or governmental unit alone, and independent auditors must continue to audit and opine on those separately issued statements. This requirement which CPB has not changed in decades applies to all public broadcasting entities, regardless whether other accounting standards may also require the parent institution or governmental unit to include the public broadcasting entity in its separately issued, institution-wide or government-wide financial statements.

**Q3.** When we adopt and follow GASB Statement Nos. 34 (for general governments) or 35 (for public colleges and universities), does CPB require us to prepare and submit all required elements of financial reporting, such as:

- Management Discussion & Analysis, and
A3. Since the requirements of GASB 34 or 35 became effective, CPB has expected all grantees to prepare and submit all required elements of financial reporting.

Financial statement examination

The independent auditor shall conduct the examination of the grantees financial statements in accordance with generally accepted audit standards (GAAS) as approved by the AICPA. The primary objective of the auditor's examination is to determine whether the financial statements fairly present the entity's financial position and financial activity in accordance with GAAP, applied on a consistent basis with the preceding period. To determine this, the entity's accounting system and related internal control structure are reviewed to ensure that they are operating effectively and that adequate records are being maintained.

The scope of each audit will include an examination of the financial statements and tests of transactions, sufficient to enable the auditor to express an opinion on the financial statements taken as a whole. Generally, the auditor's report will cover the following financial statements:

**FASB reporting model for grantees licensed to non-profit community organizations and private colleges and universities**

- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows
- Notes to Financial Statements
- Statement of Functional Expenses (Optional but strongly encouraged for inclusion as a supplemental schedule if not included in the basic financial statements.)

**GASB reporting model for grantees licensed to public colleges and universities (see Transition to new accounting principles)**

- Management Discussion and Analysis
- Statement of Net Assets (or balance sheet)
- Statement of Revenues, Expenses, and Changes in Fund Net Assets
- Statement of Cash Flows
- Notes to Financial Statements
- Statement of Functional Expenses (Optional but strongly encouraged for inclusion as a supplemental schedule if not included in the basic financial statements.)

**GASB reporting model for grantees licensed to state and local governments (see Transition to new accounting principles)**

- Management Discussion and Analysis
- Statement of Net Assets (or balance sheet)
- Statement of Revenues, Expenses, and Changes in Fund Net Assets
- Statement of Cash Flows (if required)
- Notes to Financial Statements
- Statement of Functional Expenses (Optional but strongly encouraged for inclusion as a supplemental schedule if not included in the basic financial statements.)
Auditor's report on the financial statements

Various types of audit opinions can be issued on the financial statements, depending upon the circumstances. These types of opinions and the circumstances giving rise to each are:

**Unqualified opinion** - An unqualified 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 generally accepted accounting principles.

**Explanatory language Added to the Auditor's Standard Report** - Certain circumstances, while not affecting the auditor's unqualified opinion on the financial statements, may require that the auditor add an explanatory paragraph (or other explanatory language) to the report.

**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.

**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 generally accepted accounting principles.

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

Biennial filing of audited financial statements

The grantee must file an AFR or FSR every year. However, the law allows for audited financial statements to be filed every two years (biennially). In such instances, the AFR or FSR must be compared with the subsequently submitted AFS. If this delayed comparison shows that the station's grants were calculated using an overstated NFFS, CPB will adjust the station's grants to the proper amount. CPB has no obligation to adjust a station's grants to an amount greater than was calculated in instances where the reported NFFS was understated. Consequently, CPB encourages its grantees to file their AFS annually since it is in their best interests to do so.

Biennial statements must be filed in even-numbered fiscal years and must cover the twenty-four months since the previous statements were filed and must consist of two separate twelve-month reporting periods, for each of which a separate opinion is expressed or disclaimed in the audit report. Additionally, the grantee is required to file an amended AFR that compares the values previously reported with the values based on the subsequent audited financial statements. The final step will be to re-certify the NFFS by executing a new Signature Page. Requires an attestation by the independent accountant and certification by the Head of Grantee. At the appropriate time, CPB will contact the grantee with instructions for filing the amended AFR or FSR and related Signature Page. Go to Section 2 for information on how and when a grantee may exercise this election.

NFFS examination and attestation

The grantee should begin preparation of the Annual Financial Report (AFR) with the **balances reflected in the audited financial statements** and proceed with appropriate adjustments based on application of the criteria contained in these Guidelines.
CPB requires an independent accountant to examine the AFR and to issue a written conclusion about the reliability of amounts reported in the AFR as non-federal financial support (NFFS). In accordance with established requirements of the American Institute of Certified Public Accountants (AICPA), such an examination is an attest engagement. An attest engagement is one in which an independent accountant is engaged to issue a written conclusion about the reliability of a written assertion that is the responsibility of another party. CPB requires that grantee AFRs be examined in accordance with attestation standards adopted by the AICPA.

It is recommended that the examination include tests of:

- Support and revenue for qualification as NFFS under the source, form, purpose, and recipient criteria delineated in the Guidelines, Section 3 NFFS Minimums for CSG Eligibility, Statutory Definition and Reporting Criteria.

- Cash receipts, for proper line item classification.

- Allocation methods selected for calculating indirect administrative support. Does the method achieve the objective of distributing costs in proportions reasonably consistent with the nature and extent of the stations use of licensee resources? Go to Section 5.4 How to complete Schedule B for more information.

- Indirect costs, for exclusion of licensee costs not directly benefiting the station (go to Section 5.4 How to complete Schedule B for more information).

- Valuation of contributed services and assets. CPB auditors review these NFFS claims closely to ensure fair value reporting. Fair value can be determined by independent appraisal and independent quotations from other providers of the same or similar services or assets.

All amounts claimed as NFFS must be recognized in the audited financial statements for the current fiscal year. A grantee cannot receive NFFS credit for revenues that have not been recognized in the audited financial statements for the current fiscal year.

An Independent Accountants Report, based on AICPA attestation standards, is an integral part of the AFRs Schedule of Non-federal Financial Support, which is incorporated in the online Signature Page of the AFR. Accountants also may elect to issue a separate attestation on their own business stationery but be certain to use the same or similar attestation language as appears in the body of the “Signature Page.” The independent accountant should so indicate in the checkbox on the online Signature Page and then transmit to CPB an electronic image of the separate attestation, following the instructions in the ISIS Help files. Click here for step-by-step instructions on submitting Alternate Opinion Language. Do not check this box unless a properly executed separate attestation is uploaded as instructed.

Other federal audit requirements

Grantees should be aware that certain federal audit requirements might specify that recipients of federal funds undergo audits. Because the applicability of such audit requirements is fact-specific, each station must determine if it is subject to these audit requirements.

In particular, CPB is asked frequently whether CPB-supported stations are subject to the audit requirements of OMB Circular A -133. Receipt of CPB grant funds does not in and of itself trigger the
audit requirements of OMB Circular A -133. However, each station must review these OMB requirements carefully to determine whether the station is subject to them for some reason other than being a recipient of CPB grant funds. For further guidance, contact CPB's Office of the General Counsel (202-879-9600).

**Acceptable auditors**

Acceptable auditors can be either independent certified public accountants or independent licensed public accountants who are certified or licensed by a regulatory authority of a state. The following three groups of auditors satisfy the criteria specified by the Communications Act and may be used as a guideline in the selection of independent auditors:

1. **Independent Certified Public Accountant**
   - a firm
   - a sole practitioner
   - an internal auditor who works for a different and separate university or organization.
   - an auditor who donates his or her services (e.g. a member of the station's community advisory board or Accountants for the Public Interest).

2. **Independent Licensed Public Accountant**
   - a firm
   - a sole practitioner
   - an internal auditor who works for a different and separate university or organization.
   - an auditor who donates his or her services (e.g. a member of the station's community advisory board or Accountants for the Public Interest).

3. **Independent state audit agency directed by a person who is**
   - Elected by the citizens of the state; or
   - Elected or appointed by and reporting to the state legislature or a committee thereof; or
   - Appointed by the governor and confirmed by and reporting to the state legislature; and who
   - Performs the audit in conformity with auditing standards adopted by CPB.

**In addition**, a person who is within the licensee’s broad organization and independent of the public broadcasting entity’s management, may examine the entity’s financial statements if ALL of the following restrictions apply:

- The person is a certified public accountant or a licensed public accountant qualified to practice in a jurisdiction.
- The person is not in any way responsible for the accounting operations of the station.
- The person is not in any way responsible for, or connected with, establishment of the overhead rates or other factors that govern the amounts of indirect administrative support or non-cash contributions included in the entity’s financial statements.

Independent accountants who are not representatives of an independent CPA firm and who meet these requirements must complete an Accountants Qualification Statement (see below) in order to express
Auditor independence

The auditor must, at all times during the period of the professional engagement and at the time of expressing an opinion, have been independent of the public broadcasting entity as a promoter, underwriter or voting trustee, a director or officer or in any capacity equivalent to that of a member of management or of an employee (AICPA guidelines). For CPB purposes, a listing of auditors that satisfy the criteria specified by the Communications Act is provided in the section above.

The public broadcasting entity shall not select any auditor to conduct an examination who is not in fact independent, as defined in the AICPA's Codification of Statements on Auditing Standards (CSAS) or as defined by the Communications Act. The CSAS states in part that to be recognized as independent, the auditor must be free from any obligation to or interest in the client, its management, or its owners. For example, an auditor shall not be considered independent if he/she maintains the official accounting records being audited, reports to the person who maintains such records, or has either a direct or indirect interest in the financial affairs of the entity being audited, or of any of the officers or directors of the entity. When an auditor expresses an opinion on financial statements, integrity, both in fact and appearance, is of particular importance. Auditors should avoid any situations that may lead outside parties to question their independence.

The AICPA's CSAS also states the following with regard to lack of independence: "When an accountant is not independent, any procedures s/he might perform would not be in accordance with GAAS, and s/he would be precluded from expressing an opinion on such statements. Accordingly, s/he should disclaim an opinion with respect to the financial statements and should state specifically that s/he is not independent."

Accountants Qualification Statement (purpose and application)

Independent accountants who are not representatives of an independent CPA firm and who meet the requirements noted in the section Acceptable auditors must complete an Accountants Qualification Statement in order to express an opinion on a grantees NFFS. Click here for step-by-step instructions on submitting an Accountant's Qualification Statement

- This requirement is applicable to individuals employed by a state audit agency and internal auditors as described in the section Acceptable auditors.
- Do not file an Accountants Qualification Statement if your NFFS is attested to by a representative of an independent CPA firm.

Disqualification of an auditor

CPB's Office of Grants Administration conducts standard desk reviews of grantee AFRs and audited financial statements. CPB notifies all grantees if their AFR is determined to be in non-compliance with the Guidelines and where specific adjustments to NFSS are necessary. Persistent errors resulting in NFSS adjustment are grounds for recommendation that an auditor be disqualified from the AFR review and attestation process.

Click here for step-by-step instructions on submitting an Accountant's Qualification Statement.
Section 5.1: Completing the Annual Financial Report (AFR)
Grantees’ Fiscal Year 2009

Reporting period

The schedules and worksheets that make up the Annual Financial Report (AFR) gather financial and other data for the grantee's fiscal year.

The reporting period for the AFR must be consistent with the reporting period covered by the audited financial statements.

Reconciliation with audited financial statements

All revenue and support reported in the AFR must also be recognized in the grantee's audited financial statements.

Grantees that include multiple stations may file consolidated audited financial statements that combine any number of supported stations (including both television and radio stations) that are licensed to the same entity, but a separate and distinct AFR must be filed for each grantee, reporting only the NFFS that is unique to each grantee.

Licensees that receive both a Television CSG and one or more Radio CSGs for their qualifying stations must file one AFR for the combined operations of all television stations and one AFR for the combined operations of all radio stations included within each Radio CSG.

The separate AFRs for each grantee, in combination, must be reconciled with any consolidated audited financial statements.

Help with additional questions

Send all inquiries to ISIS@cpb.org, or (during regular customer support hours, Monday-Friday, 1 to 4 PM Eastern Time) at 1-800-5-CPB-CPB (1-800-527-2272).
Section 5.2: Completing AFR Schedule A
Direct Revenue
Grantees’ Fiscal Year 2009

Introduction
This schedule is used to report direct revenue recognized in the stations audited financial statements (AFS) for the reporting year. For institutional stations, direct revenue may consist of expenses incurred or absorbed by the licensee specifically for the operation of the station. Institutional stations should go to Section 3 for special instructions on reporting direct support from their licensees.

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. See Sections 5.6 and 5.7 for more information and instructions on in-kind contributions.

Unexpended grants, payments, or appropriations returned to a grantor at the end of a fiscal year, must be netted against revenues recognized in the AFS.

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 example, line 9, Business and Industry, should include contributions (e.g. underwriting revenue) as well as payments in exchange for products or services (e.g. tower rental) received from the for-profit business community. Revenues by form (or type) are reported on lines 13 through 20. For example, lines 13 and 14 are used to report auction and special fundraising revenues regardless of the source(s).

All revenue must meet the appropriate source, form, purpose and recipient criteria to be included as NFFS. Use the NFFS X link (located to the left of each line item where applicable) to exclude from NFFS any direct revenue not meeting each criterion. Go to Section 5.3 for step-by-step instructions on excluding direct revenues that do not meet NFFS reporting criteria.

Line Item Instructions:

Line 1 - Amounts provided directly by federal government agencies

Federal funds are reported on this line, but ISIS automatically excludes them from NFFS on line 22.

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

- the station directly,
- the licensee of a community station,
- the licensee of an institutional station and restricted for public broadcasting purposes, or
• a non-federal organization with the stipulation that they retain their federal identity when passed on to other parties.

In many cases, for NFFS purposes, federal funds do not lose their federal identity when passing through an intermediary organization to a grantee. Consequently, grantees who receive appropriations or grants from foundations, non-profit organizations, state or local governments, public or private colleges and universities, or their licensee, should confirm with the appropriator or grantor whether the funds in whole or part retain their federal character.

For example, a university that is a station licensee receives a grant from the U.S. Department of Education (“USDOE”) under the Title III, Part B (“Title III”) grant program, all funds of which are restricted by the USDOE for specific purposes. Internally, the university apportions its Title III grant funds amongst its departments, including its public broadcasting station. But, the apportioning is necessarily done within the grant restrictions originally attached by the USDOE. In other words, the university divides the funds amongst its departments to accomplish the overarching goal for which the grant was made. As a result, the university does not have the necessary discretion over the funds to warrant the funds losing their federal identity when they are transferred to the public broadcasting station. Instead, the funds remain federal and should be reported on line 1B, thereby excluded from NFFS.

In another example, a state arts organization presents a grant to a public broadcasting station. The grant is partially funded (80%) by the state arts organization, through state appropriations, and partially funded (20%) by the National Endowment for the Arts (“NEA”). One-hundred percent of the grant funds are paid to the public broadcaster by the state arts organization. Although the entire amount of the grant is paid to the public broadcaster by the state arts organization, the portion of the grant that is funded by the NEA remains federal and should be reported on line 1D.

It is the grantee’s responsibility to properly identify all federal funds it receives, both directly and indirectly, and to report them correctly on the AFR.

**All grants received from CPB are considered non-federal funds for purposes of compliance with financial reporting and government audit requirements.** Contact CPB at ISIS@cpb.org if you have any questions about whether funds are federal for purposes of this report.

**On line 1F, click on the Add button to itemize other federal funds.**
Line 2 - Amounts provided by Public Broadcasting Entities

Public broadcasting funds are reported on this line, but ISIS automatically excludes them from NFFS on line 23. Public broadcasting entities include CPB (lines 2A through 2E), PBS (line 2F), NPR (line 2G), all other public broadcasting stations (line 2H) and other public broadcasting entities (line 2I). Go to Section 3 for more information on public broadcasting entities.

Include all CPB funds recognized as revenue in the AFS, taking care to identify separately CSGs (line 2A), the restricted portion of radio CSGs (line 2C) and Interconnection funds (line 2D).

Line 2B was formerly used to report revenues from the Annenberg/CPB Project, which ceased operations on December 31, 2003. Beginning in FY 2006 you will use this line to report revenue from CPB Digital Project Grants. Effective December 1, 2003, all grants received from the Annenberg Foundation for projects previously funded by the CPB/Annenberg Project (Project) and reported on Schedule A, line 2B are appropriately considered non-federal financial support because on that date CPB ended its relationship with the Project. At that time, the Project became separately incorporated and completely administered and funded by the Annenberg Foundation. Because CPB was no longer involved in the Project, it no longer meets the definition of a Public Broadcasting Entity. Payments received prior to this date from the CPB/Annenberg Project were reportable on Schedule A, line 2B. After this date, grants from The Annenberg Foundation are reportable on Schedule A, line 8, Foundations and nonprofit associations, a revenue source that qualifies as NFFS.

Use line 2F to report all PBS revenues except copyright royalties and other pass-through payments. Use line 2G to report all NPR revenues except pass-through payments. Interest rebates from NPR for early payment of dues should also be reported on this line.

Payments from PBS and/or NPR that should not be reported on line 2 include:

- Payments from PBS (line 2.F) and NPR (line 2.G) that represent copyright royalties should be reported on line 15C, rather than 2F or 2G. These are considered pass-through funds generated from copyright user fees, and they may be included as NFFS.

- The cash portion of revenue distributions from PBS Adult Learning Service is considered pass-through funds and should not be reported on Line 2F. This revenue should be reported on Schedule A, line 20 (Other Direct Revenue). The non-cash portion of these distributions does not qualify 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 2F.

The National Center for Outreach (NCO) supports local outreach efforts by distributing grants to public television stations. NCO is fully funded by CPB through the University of Wisconsin who is the actual grantee of CPB’s funding. (Wisconsin Public Television hosts NCO.) Essentially, NCO acts as a system outreach clearinghouse that re-distributes outreach funds to public television stations and provides outreach training and liaison to PBS on outreach matters. Funds from this source are not considered as NFFS and should be reported on AFR Schedule A, line 2I - Other PBE funds.
On line 2I, click on the **Add** button to itemize other funds from Public Broadcasting Entities (PBE).

**Line 2 - Local boards and departments of education or other local government or agency sources**

Report all grants, payments, or appropriations from local governmental agencies, including county governmental support on line 3. **Do not include capital grants, payments or appropriations - see line 18 for capital funds contributions.** Unspent funds returned to a granting agency must be excluded.

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

Report grants, payments, or appropriations from state agencies, including state public broadcasting agencies or networks. **Do not include capital grants, payments or appropriations - see line 18 for capital funds contributions.** Unspent funds returned to a granting agency must be excluded.

**Line 5 - State colleges and universities**

Report grants, payments or appropriations received from state colleges and universities. Also, include any direct costs incurred or absorbed by the university specifically for the station in accordance with...
specific criteria specified in these Guidelines (go to Section 3 for more information). Do not include capital grants, payments or appropriations - see line 18 for capital funds contributions.

**Line 6 - Other state-supported colleges and universities**

Report any revenue from other tax-supported colleges and universities, including community colleges, using the general guidance shown for line 5. **Do not include capital grants, payments or appropriations - see line 18 for capital fund contributions.**

**Line 7 - Private colleges and universities**

Report grants, payments, or appropriations from private colleges and universities or private educational institutions using the general guidance shown for line 5. **Do not include capital grants or payments - see line 18 for capital funds contributions.**

**Line 8 - Foundations and nonprofit associations**

Report direct revenue received from national, regional, or local foundations or nonprofit associations. Include underwriting revenue and payments for products and services. **Do not include capital grants or payments** - see line 18 for capital fund contributions. **Do not include in-kind contributions received through underwriting trade agreements** – see Sections 5.6 and 5.7 for reporting in-kind contributions. See line 11 instructions for reporting revenue from a related friends group. 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.

**How much of this revenue was received as underwriting?** Enter on this line any restricted revenue received from foundations and nonprofit associations to pay for the cost of producing or acquiring a program for which the donor receives on-air or printed credit. These underwriting revenues should already be included in the value entered on line 8.

**Line 9 - Business and Industry**

Report gross direct revenue received from commercial stations, networks, cable companies, and other for-profit entities. Include underwriting revenue and payments for products and services. **Do not include capital grants or payments** - see line 18 for capital fund contributions. **Do not include in-kind contributions received through underwriting trade agreements** – see Sections 5.6 and 5.7 for reporting in-kind contributions.
How much of this revenue was received as underwriting? Enter on this line any restricted revenue received from business and industry to pay for the cost of producing or acquiring a program for which the donor receives on-air or printed credit. These underwriting revenues should already be included in the value entered on line 9.

Line 10 - Memberships and subscriptions (net of write-offs)

Report revenues from memberships and subscriptions, less any amounts taken as write-offs for uncollectible pledges. If the write-offs are not netted against revenues in the financial statements but instead charged against an allowance for uncollectible accounts, use the NFFS X link to exclude the write-offs from NFFS as this will avoid carrying a reconciling item on Schedule F.

Also include matching funds and challenge grant funds if the donor received the benefits of station membership. Include miscellaneous individual contributions and membership revenue received from friends groups (unless reported on line 11). Do not include revenues that meet the definition of a major donor—see line 19 and, of course, do not include contributions restricted for acquiring capital assets as defined on line 18.

All grantees must deduct from NFFS the fair market value of premiums (i.e. thank you gifts) that are exchanged with donors in quid pro quo transactions (except those that have insubstantial value). Grantees that follow a FASB financial statement model may already have reported these revenues on a net basis in which case an adjustment here is not necessary. The following instructions are intended for all grantees regardless if you follow FASB GAAP or GASB GAAP because they are grounded in IRS regulations.

Thank you gifts may be anything of value from low-end premiums (e.g. coffee mugs and tee shirts) 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). It is clear that low-end premiums of insubstantial value are not the target of this instruction.

The IRS requires that an organization use a reasonable method in making a good faith estimate of the value of goods or services provided by it in consideration for a taxpayer’s payment to that organization. A good faith estimate of the value of goods or services that are not generally available in a commercial transaction may be determined by reference to the fair market value of similar or comparable goods or services. Goods or services may be similar or comparable even though they do not have the unique qualities of the goods or services that are being valued.

To exclude the FMV of donor thank-you gifts in quid pro quo transactions use the NFFS X link and select the appropriate exclusion description as shown below. Of course, if this value has already been netted against revenue in the financial statements then no further adjustment is necessary on this line.

<table>
<thead>
<tr>
<th>Specific activities regardless of source</th>
</tr>
</thead>
<tbody>
<tr>
<td>A wholly owned or partially owned for-profit subsidiary regardless of the nature of the business</td>
</tr>
<tr>
<td>A wholly owned or partially owned nonprofit subsidiary engaged in non-telecommunications activities</td>
</tr>
<tr>
<td>Fair market value of premiums (thank you gifts) in quid pro quo contributions</td>
</tr>
<tr>
<td>Refunds, rebates, reimbursements and insurance proceeds</td>
</tr>
<tr>
<td>Revenue from non-broadcast activities that fail to meet exception criteria</td>
</tr>
<tr>
<td>Sale of program guides</td>
</tr>
<tr>
<td>Unrelated business income as reported on federal form 990T</td>
</tr>
<tr>
<td><strong>Other</strong></td>
</tr>
</tbody>
</table>
IRS guidance on this topic can be found at the following URL:


Reprinted here for your convenience:

Charitable Contributions - Quid Pro Quo Contributions
This is a payment a donor makes to a charity partly as a contribution and partly for goods or services. For example, if a donor gives a charity $100 and receives a concert ticket valued at $40, the donor has made a quid pro quo contribution. In this example, the charitable contribution part of the payment is $60. Even though the deductible part of the payment is not more than $75, a disclosure statement (below) must be provided by the organization to the donor because the donor's payment (quid pro quo contribution) is more than $75. Failure to make the required disclosure may result in a penalty (below) to the organization.

Disclosure Statement
The required written disclosure statement must:

a. Inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of any money (and the value of any property other than money) contributed by the donor over the fair market value of goods or services provided by the charity, and

b. Provide the donor with a good faith estimate of the fair market value of the goods or services that the donor received. The charity must furnish the statement in connection with either the solicitation or the receipt of the quid pro quo contribution. If the disclosure statement is furnished in connection with a particular solicitation, it is not necessary for the organization to provide another statement when it actually receives the contribution.

No disclosure statement is required if any of the following is true:

i. The goods or services given to a donor have insubstantial value as described in Revenue Procedures 90-12 and 92-49,

ii. There is no donative element involved in a particular transaction with a charity (for example, there is generally no donative element involved in a visitor's purchase from a museum gift shop).

iii. There is only an intangible religious benefit provided to the donor. The intangible religious benefit must be provided to the donor by an organization organized exclusively for religious purposes, and must be of a type that generally is not sold in a commercial transaction outside the donative context. For example, a donor who, for a payment, is granted admission to a religious ceremony for which there is no admission charge is provided an intangible religious benefit. A donor is not provided intangible religious benefits for payments made for tuition for education leading to a recognized degree, travel services, or consumer goods.

iv. The donor makes a payment of $75 or less per year and receives only annual membership benefits that consist of:

1. Any rights or privileges (other than the right to purchase tickets for college athletic events) that the taxpayer can exercise often during the membership period, such as free or discounted admissions or parking or preferred access to goods or services, or

2. Admission to events that are open only to members and the cost per person of which is within the limits for low-cost articles described in Revenue Procedures 90-12 and 92-49 (as adjusted for inflation). Also see the discussion of insubstantial value above.

Good Faith Estimate of Fair Market Value
An organization may use any reasonable method to estimate the fair market value (FMV) of goods or services it provided to a donor, as long as it applies the method in good faith. The organization may estimate the FMV of goods or services that generally are not commercially available by using the FMV of similar or comparable goods or services. Goods or services may be similar or comparable even if they do not have the unique qualities of the goods or services being valued.

Example 1. A charity provides a one-hour tennis lesson with a tennis professional for the first $500 payment it receives. The tennis professional provides one-hour lessons on a commercial basis for $100. A good faith estimate of the lesson's FMV is $100.

Example 2. For a payment of $50,000, a museum allows a donor to hold a private event in a room of the museum. A good faith estimate of the FMV of the right to hold the event in the museum can be made by using the cost of renting a hotel ballroom with a capacity, amenities, and atmosphere comparable to the museum room, even though the hotel ballroom lacks the unique art displayed in the museum room. If the hotel ballroom rents for $2,500, a good faith estimate of the FMV of the right to hold the event in the museum is $2,500.
Example 3. For a payment of $1,000, a charity provides an evening tour of a museum conducted by a well-known artist. The artist does not provide tours on a commercial basis. Tours of the museum normally are free to the public. A good faith estimate of the FMV of the evening museum tour is $0 even though the artist conducts it.

**Penalty for Failure to Disclose**
A penalty is imposed on a charity that does not make the required disclosure of a quid pro quo contribution of more than $75. The penalty is $10 per contribution, not to exceed $5,000 per fundraising event or mailing. The charity can avoid the penalty if it can show that the failure was due to reasonable cause.

CPB is often asked if it recommends an allocation methodology for membership and other revenues received by grantees that have both radio and TV operations but for which the donor has not specified a beneficiary for their gift. Eligible licensees that happen to operate both television and radio stations must submit a separate Annual Financial Report (AFR) to CPB for each grantee one for the television grant, and one for each distinct radio grant. In certain instances, it may not be cost-effective to segregate revenues into discrete radio or television accounts. When this is the case, an allocation methodology should be adopted. Most notably, membership activities at large community licensees generate significant income not specifically directed to radio or television.

Illustrated below is an allocation methodology that allocates revenues that are not designated by the donors as pertaining exclusively 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.

<table>
<thead>
<tr>
<th></th>
<th>TV</th>
<th>Radio</th>
<th>Both</th>
<th>Unspecified</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All members</td>
<td>50,000</td>
<td>15,000</td>
<td>25,000</td>
<td>30,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Members of both</td>
<td>25,000</td>
<td>25,000</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Totals</td>
<td>75,000</td>
<td>40,000</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Percentage</td>
<td>65.20%</td>
<td>34.80%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Any allocation methodology should be analyzed annually as of the most recent membership date. Document the active membership file of the licensee on a date specific (last day of the fiscal year) and then record in some manner consistent with station definitions and procedures the number of active members on that day by their self-described association.

Enter 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. It is essential that the **Total number of contributors** be completed if any revenue is reported on line 10.

<table>
<thead>
<tr>
<th>NFFS X</th>
<th>10. Memberships and subscriptions (net of write-offs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005 data</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Total number of contributors.</td>
</tr>
</tbody>
</table>
Line 11 - Revenue from Friends groups less any revenue included on line 10

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

If the grantee files combined or consolidated financial statements with a friends group, report on this line gross direct revenue less any membership/subscription revenue reported on line 10. (Do not include in-kind contributions, which should be reported on Schedules C and/or D.)

Grantees following FASB guidance should also have subtracted from gross membership/subscription contributions the fair market value of premiums (thank you gifts) that are greater than nominal in value, treating those amounts in their audited financial statements as exchange transactions, rather than contributions. (Consult your accounting advisor and/or the AICPA Audit and Accounting Guide Not-for-Profit Organizations for additional information. Grantees following FASB are generally subject to somewhat analogous Internal Revenue Code rules Section 513(h)(2) -- so they may use IRS guidelines in determining which premiums are of greater than nominal value.)

GASB-following entities are not generally subject to the Internal Revenue Code, and GASB has been silent so far on the subject of fundraising premiums, so the FASB and AICPA guidance is other accounting literature in the GAAP hierarchy for grantees that follow GASB guidance.

When the financial statements of the friends group and the grantee were neither consolidated nor combined, only the cash actually transferred to the station may be reported on this line.

All revenue reported on this line must meet the appropriate source, form, purpose and recipient criteria for inclusion as NFFS. Use the NFFS X link to exclude from NFFS any revenues that do not meet these reporting criteria.

Enter the number of unduplicated contributors providing the revenue reported on line 11. The Total number of contributors line must be completed if revenue is reported on line 11.

<table>
<thead>
<tr>
<th>NFFS X</th>
<th>11. Revenue from Friends groups less any revenue included on line 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005 data $ 9,999</td>
</tr>
<tr>
<td></td>
<td>Total number of Friends contributors 444</td>
</tr>
</tbody>
</table>

Line 12 - Subsidiaries

If the station operated a subsidiary enterprise, then report total revenue on line 12. This will include revenue from wholly owned or partially owned subsidiary enterprises. If the enterprise is a for-profit subsidiary or a nonprofit subsidiary engaged in activities unrelated to telecommunications, use the NFFS X link to exclude the total amount from NFFS.

<table>
<thead>
<tr>
<th>NFFS X</th>
<th>12. Revenue from subsidiary enterprises and related organizations (See instructions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,111</td>
</tr>
</tbody>
</table>
Specific activities regardless of source
A wholly owned or partially owned for-profit subsidiary regardless of the nature of the business
A wholly owned or partially owned nonprofit subsidiary engaged in non-telecommunications activities
Fair market value of premiums (thank you gifts) that are greater than nominal value
Refunds, rebates, reimbursements and insurance proceeds
Revenue from non-broadcast activities that fail to meet exception criteria
Sale of program guides
Unrelated business income as reported on federal form 990T

Other

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### Line 13 - Net Auction Revenue

Report auction revenue only after item(s) was auctioned to the bidder. Subtract from revenue total station cost for auction items and other direct costs incurred to produce the event. Donated auction items cannot be claimed as NFFS until those items are auctioned to the bidder. For example, if a donated auction item had a fair value of $100 and the winning bid was $60, record $60 as NFFS. Conversely, if a donated auction item had a fair value of $100 and the winning bid was $120, report $120 as 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 expenditures.

Line 13, which is used to report net auction revenue, is subdivided into two data entry lines:

13A report *gross auction revenue* on this line*

13B report *direct auction expenses* on this line*

<table>
<thead>
<tr>
<th>Form of Revenue</th>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Auction revenue</td>
<td>$</td>
<td>$0,000</td>
</tr>
<tr>
<td>A. Gross auction revenue</td>
<td>$</td>
<td>$1,111</td>
</tr>
<tr>
<td>B. Direct auction expenses</td>
<td>$</td>
<td>$1,111</td>
</tr>
</tbody>
</table>

Net auction revenue (line 13A less line 13B) will display as read-only on line 13. **Very important:** In the unlikely event that line 13B is greater than line 13A resulting in negative net auction revenue, **DO NOT** be concerned and above all **DO NOT** make any adjustment to force a zero result on the net auction revenue line. In ISIS line 13A will be used when calculating total direct revenue on line 21. The lesser of lines 13A or 13B will be forwarded to line 26A and included in the total for line 26, which will be subtracted from line 21 to arrive at total direct NFFS on line 27. See instruction for Line 26.
**Special Note:** For most grantees this treatment will eliminate the direct expenses reconciling item for Schedule F that was common when using CPBs former reporting system, SGMS. However, **for those grantees who already report revenues net of direct expenses in the financial statements**, you should report the net revenue on line 13A (exactly as it appears in the financial statements) and report zero on line 13B. 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. You may report $10K on line 13A and zero on line 13B if the financial statements show revenue of $10K and the line item description is (illustrated for comparative financial statement presentation) Auction revenue, net of direct expenses of $1,000 and $XX,XXX in 2006 and 2005, respectively.

**Line 14 - Special fundraising activities**

Report revenue from special fundraising activities herein defined as: gaming activities, performances, benefits, dances, lectures, dinners, art exhibits, workshops, film festivals, tournaments, wine tasting parties and travel tours, etc. **Deduct** from the gross proceeds **all direct costs** incurred to produce such events and costs for prizes distributed. **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 an effort to promote consistency in reporting proceeds from **vehicle donation programs**, use this line to report the net proceeds received from this activity even if the donor receives the benefits of station membership. Donated goods and services associated with fund raising activities should not be claimed as NFFS on this schedule or on Schedules C or D. Examples include donated tickets, donated catering services, donated auction items and donated sweepstakes items.

**Line 14, which is used to report net revenue from special fundraising activities, is subdivided into two data entry lines:**

- **14A report** gross special fundraising revenues **on this line** *
- **14B report** direct special fundraising expenses **on this line** *

**Net special fundraising revenue** (line 14A less line 14B) will display as read-only on line 14. **Very important:** In the unlikely event that line 14B is greater than line 14A resulting in negative net special fundraising revenue, **DO NOT** be concerned and above all **DO NOT** make any adjustment to force a zero result on the net special fundraising revenue line. In ISIS line 14A will be used when calculating total direct revenues on line 21. The lesser of lines 14A or 14B will be forwarded to line 26B and included in the total for line 26, which will be subtracted from line 21 to arrive at total direct NFFS on line 27. **See Line 26 instructions.**

**Special Note:** For most grantees this treatment will eliminate the direct expenses reconciling item for Schedule F that was common when using CPBs former reporting system, SGMS. However, **for those grantees who already report revenues net of direct expenses in the financial statements**, you should report the net revenue on line 14A (exactly as it appears in the financial statements) and report zero on line 14B. If you do this, the financial statements must be clear about this fact. For example, assume that gross revenue is $22K and direct expenses are $2K resulting in net revenue of $20K. You may report $20K on line 14A and zero on line 14B if the financial statements show revenue of $20K and the line item description is (illustrated for comparative financial
Special events revenue, net of direct expenses of $2,000 and $XX,XXX in 2006 and 2005, respectively

**Line 15 - Passive Income**

Passive income is derived solely from the use of property (e.g. from real estate and business investments in which the entity is not actively involved, such as a limited partnership). **Do not include licensing fees, which arise from the sale of program rights.** Licensing fees should be reported by source on the appropriate line of Schedule A and also excluded from NFFS. Payments from NPR earned for early payment of dues are not considered passive income. This revenue should be reported on Schedule A, Line 2G.

**Line 15 is subdivided into three data entry lines:**

1. **Line 15A - 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).

2. **Line 15B - Royalties**
   Report royalty income on this line, which does not include licensing fees. Report licensing fees by their revenue source and exclude them from NFFS.

3. **Line 15C - PBS or NPR pass-through copyright royalties**
   Enter amounts received as pass-through funds from NPR or PBS generated from copyright user fees.

The total of lines 15A, B and C will display as read-only on line 15.

**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.

Since these revenues do not qualify as NFFS they will be automatically excluded on lines 26C, D and E (see line 26 instructions).

**Line 16 is subdivided into three data entry lines:**

1. **Line 16A - Gains from sales of property and equipment**
   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.

2. **Line 16B - Realized gains/losses on investments (other than endowment funds)**
   Report gains or losses realized from marketable securities transactions.
**Line 16C - 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 values and all investments in debt securities be reported at fair 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 market value. Also use this line to report actuarial changes in the fair value of assets held in charitable trusts and gift annuities.

The total of lines 16A, B and C will display as read-only on line 16.

**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.

**Line 17 is subdivided into three data entry lines:**

- **17A** report contributions to endowment principal on this line
- **17B** report interest and dividends on this line
- **17C** report realized and unrealized net investment gains and losses on endowment funds on this line.

Total revenue from endowment activities (the sum of lines 17A, B and C) will display as read-only on line 17.

Since the revenue reported on line 17C does not qualify as NFFS, it automatically will be forwarded to line 26F and included in the total for line 26, which will be subtracted from line 21 to arrive at total direct NFFS on line 27. See Line 26 highlights.

**Line 18 - Capital Campaigns and Other Contributions Designated for Capital Use (except funds received from federal or public broadcasting sources)**

Report contributions to capital campaigns and revenue received for purposes of acquiring new equipment or upgrading existing or building new facilities from all revenue sources (except the federal government or public broadcasting entities, which should be reported on lines 1 and 2, respectively).

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**. The NFFS exclusion extends to all contributions of, or for the purpose of acquiring, new broadcast and operational equipment, as well as new facilities, new construction, and facilities upgrades and improvements. CPB implemented this policy change beginning with the FY 2001 grant year (i.e., in the 1999 AFR reporting year).
Line 18A - Contributions and/or Appropriations for Facilities, Facilities Expansion, and Equipment (except funds received from federal or public broadcasting sources)

Use this line to report contributions and/or appropriations, regardless of the appropriation year, for the construction of new facilities (land and structures), expansion of existing facilities, and acquisition of new equipment. **For TV only**, revenue designated or restricted for this purpose does not qualify for NFFS-matching purposes. Therefore, for TV grantees only, ISIS will forward automatically the total amount reported on Line 18A to Line 24, Capital Funds Exclusion (TV Only).

Line 18B - Other Capital Contributions/Capital Campaigns

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 stations news and information service; and to engage in other programmatic projects.

Lines 19 and 19a - 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.

Report revenues equal to or greater than $1,000. This $1,000 threshold is for cumulative gifts received from any one donor during the reporting year. For example, if Donor A gives two $500 gifts in the same fiscal year it meets the $1,000 threshold and should be reported on line 19.

On line 19a report the **number of unduplicated contributors** providing the revenue reported on line 19. This line must be completed if revenue is reported on line 19. For example, if a single donor gives two $500 gifts in the same fiscal year the donor count for line 19a is 1.

Line 20 Other

Reporting revenue on this line is often misunderstood. It is intended to capture revenue from sources not previously listed. **It is not to be used to aggregate revenues that will be reported as NFFS exclusions.** Payments for products and services rendered to any of the sources listed on lines 3 through 9 should be reported on those lines. Consequently, this line should never be of significant value when compared to other line items. Click on the yellow Add button to itemize revenues such as the following:

- Sales of products and services to individuals (see note below)
- Individual ticket sales/admission fees to live performances (except for the portion that may be a contribution)
- PBS Adult Learning Service (PBS/ALS) (cash portion only)
- Sales of premiums
- Product Clearing House revenue sharing
- Revenue from the use of an affinity card
- Revenue received from the Public Radio Music Source (PRMS)
- Revenue from long-distance phone services
- Rebates, refunds, reimbursements and insurance proceeds.
Note: Use of "Other" or "Miscellaneous" is not an acceptable description if the value is to be included as NFFS. It is only acceptable if the reported value is excluded from NFFS. CPB will adjust the AFR and exclude from NFFS any revenue that is not reported on this line correctly.

Remember, most of these revenue items do not meet the criteria for inclusion as NFFS. For example, ticket sales/admission fees to live performances (except the contribution portion) must be excluded from NFFS as Production, taping, or other broadcast related activities. The event need not be broadcast or even intended for broadcast in order to use this line to exclude it from NFFS.

Line 21 - Total Direct Revenue
ISIS will automatically calculate the sum of lines 1 through 20.

Adjustments to Revenue (lines 22 through 26)
The following adjustments are necessary in order to arrive at total direct NFFS for matching purposes.

Line 22 - Federal Funds
ISIS will forward automatically the total amount reported on line 1.

Line 23 - Public Broadcasting Revenue
ISIS will forward automatically the total amount reported on line 2.

Line 24 - Capital Funds Exclusion (TV Only)
ISIS will forward automatically the total amount reported on line 18a.

Line 25 - Payments and Other Unallowable Revenue
The value shown on this line represents revenue included on line 21 that does not meet the NFFS source, form, purpose, and/or recipient criteria. ISIS will accumulate in a table all values entered anywhere on Schedule A as NFFS exclusions using the NFFS X link and display the total value on line 25. The table can be viewed by clicking on the link View all direct revenue not included as NFFS.

Line 26 - Other automatic subtractions from total revenue
This line is used to capture other automatic subtractions from total revenue. These are revenues that do not qualify as NFFS but are included in total revenues on line 21. No data entry is required as ISIS will forward automatically the appropriate values from the lines shown in the table below:

26. Other automatic subtractions from total revenue
   26.A. Auction expenses limited to the lesser of lines 13a or 13b
   26.B. Special fundraising event expenses limited to the lesser of lines 14a or 14b
   26.C. Gains from sales of property and equipment line 16a
   26.D. Realized gains/losses on investments (other than endowment funds) line 16b
   26.E. Unrealized investment and actuarial gains/losses (other than endowment funds) line 16c
   26.F. Realized and unrealized net investment gains/losses on endowment funds line 17c

Line 27 - Total Direct NFFS
ISIS will automatically subtract lines 22 through 26 from line 21 and forward the total to line 1 of the Summary of Non-federal Financial Support, which is accessible from the Financial Reporting Main Menu.
Section 5.3: AFR Schedule A

Direct Revenue that Does Not Meet NFFS Reporting Criteria – How to Use the “NFFS X” Link

Grantees’ Fiscal Year 2009

Introduction

This Section identifies revenue that cannot be included as NFFS because it fails to meet all the criteria for NFFS as specified by the Communications Act of 1934, as amended. These criteria (source, form, purpose, and recipient) are discussed in Section 3: NFFS—Minimums for CSG Eligibility, Legal Definition and Reporting Criteria”, which is required reading if exclusions from NFFS are to be correctly reported on Schedule A.

Use the ”NFFS X” link (located to the left of each line item where applicable) to exclude from NFFS any direct revenue not meeting each criterion.

The following instructions explain how to use the “NFFS X” link on Schedule A.

1. From Schedule A, click on an NFFS X button (questions 3-12 and 20)

2. The following pop-up box will be display. Here, select the appropriate exclusions from the list by clicking on the relevant check boxes.

Once the necessary exclusions have been selected, click on the “Select Exclusions” button. This action will save the exclusions that you have added and will appear on your Schedule A form.

By selecting “Cancel”, the exclusions that you have selected will not be saved.
3. Once you click on “Select Exclusions” in step 2, your screen will return to Schedule A and the exclusions that you selected will be displayed. Enter the appropriate NFFS exclusion amount for each exclusion selected.

You may also add an exclusion by clicking the “Add Another Exclusion” button. If you choose to do this, your screen will return to step 2.

To view all of the direct revenue that is not included as NFFS, please follow the following instructions.

1. From Schedule A, scroll down to the bottom of the form and click on the “not included as NFFS” link.

2. The NFFS Exclusions – Direct Revenue screen will be displayed. This screen will display all of the NFFS exclusions that you selected on the Schedule A form. This is a read-only screen. To return back to Schedule A, click on the “Back to Schedule A” button.

As shown above, clicking on the “NFFS X” link will display two tables.

Payments for the sale of goods or services to for-profit entities and individuals cannot be included as NFFS because they do not meet the source criterion discussed in Section 3. The first table provides an alphabetical list of typical payments that public broadcasters receive from for-profit corporations and/or individuals in exchange for products, services and materials. Use the “Other” button to identify other payments that may not be listed in the table.
The second table provides an alphabetical list of **revenues from unallowable activities regardless of source**. For example, **unallowable sources** are for-profit subsidiaries and nonprofit subsidiaries engaged in non-telecommunications activities and **unallowable activities** include the sale of program guides and the transmission of data by non-broadcast means unless the exception criteria are met as discussed in Section 3. Payments received from any source to air a **lottery drawing** are not included as NFFS because such services are not considered services or materials with respect to the provision of educational television or radio programs. There is also a line for disclosing refunds, reimbursements, and insurance proceeds if the station has recognized them as revenue, rather than as a reduction of expenses. Revenue reported to the IRS as unrelated business income (Form 990-T) must also be excluded. Use the “Other” button to identify other payments that may not be listed in the table.

The total of all revenues to be excluded from NFFS will be displayed on **line 25** and can be **viewed by clicking on the link “View all direct revenue not included as NFFS”**.

<table>
<thead>
<tr>
<th>For-profit corporations and/or individuals</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel swap agreements</td>
<td></td>
</tr>
<tr>
<td>Foreign rights</td>
<td></td>
</tr>
<tr>
<td>Leasing of SCA, VBI, ITFS channels</td>
<td></td>
</tr>
<tr>
<td>Production, taping, or other broadcast related activities</td>
<td></td>
</tr>
<tr>
<td>Program guide advertising (unless reported as UBI on form 990T – use UBI line exclusion)</td>
<td></td>
</tr>
<tr>
<td>Public Radio Music Source</td>
<td></td>
</tr>
<tr>
<td>Rentals of membership lists</td>
<td></td>
</tr>
<tr>
<td>Rentals of studio space, equipment, tower, parking space</td>
<td></td>
</tr>
<tr>
<td>Royalty income from licensing fees</td>
<td></td>
</tr>
<tr>
<td>Sale of premiums</td>
<td></td>
</tr>
<tr>
<td>Sale of programs or program rights for public performance</td>
<td></td>
</tr>
<tr>
<td>Sale or rental of program transcripts or recording for other than public performance including private use</td>
<td></td>
</tr>
<tr>
<td>Telecasting production/teleconferencing</td>
<td></td>
</tr>
<tr>
<td>Ticket sales to concerts and other events (exclusive of contributions portion if disclosed)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specific activities regardless of source</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A wholly owned or partially owned for-profit subsidiary regardless of the nature of the business</td>
<td></td>
</tr>
<tr>
<td>A wholly owned or partially owned nonprofit subsidiary engaged in non-telecommunications activities</td>
<td></td>
</tr>
<tr>
<td>Fair market value of premiums (thank you gifts) that are greater than nominal value</td>
<td></td>
</tr>
<tr>
<td>Refunds, rebates, reimbursements and insurance proceeds</td>
<td></td>
</tr>
<tr>
<td>Revenue from non-broadcast activities that fail to meet exception criteria</td>
<td></td>
</tr>
<tr>
<td>Sale of program guides</td>
<td></td>
</tr>
<tr>
<td>Unrelated business income as reported on federal form 990T</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>
Introduction

Indirect administrative support is that portion of the licensee's general and administrative costs (institutional support) and facilities costs (operations and maintenance of plant) attributable to the station's operations. In addition to claiming indirect administrative support from the licensee, stations may be entitled to claim an occupancy value for the use of buildings and tower facilities donated by its licensee as well as any donated land associated with tower facilities.

Facilities and administrative costs (F&A) are costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity and cannot be directly charged. F&A costs are also referred to as indirect costs.

Facilities costs (operations and maintenance of plant) are those that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation or buildings and other plant facilities; security; disaster preparedness; environmental safety; hazardous waste disposal; central receiving; property, liability and all other insurance relating to property; space and capital leasing; and facility planning and management.

General administration expenses are those that have been incurred for the general executive and administrative offices of educational institutions and other expenses of a general character which do not relate solely to any major function of the institution (e.g. instruction, research, other sponsored activities and other institutional activities). Examples include those expenses incurred by administrative offices that serve the entire university system of which the institution is a part; central offices such as the President’s or Chancellor’s office, the offices for institution-wide financial management, business services, budget and planning, personnel management, and safety and risk management; the office of the General Counsel; and the operations of the central administrative management information systems. This support can only be claimed by institutional stations and must be reported in the station grantee’s audited financial statements or notes to the financial statements. Institutional stations are departments, divisions, or units of the licensee that are not legally discrete and are often dependent upon the licensee for support. Included in this category are stations licensed to states and subdivisions of states, local governments and subdivisions of local governments, universities and colleges (private or public), and outlying territories like Puerto Rico or Guam.

Calculating Indirect Administrative Support and Occupancy Support

Indirect administrative support is calculated by selecting from one of four methodologies. The objective of these calculations is to allocate costs to the station in proportions reasonably
consistent with the nature and extent of the station's use of licensee resources. (Note: Auditors should review for reasonableness the selection of both the allocation methodology and the benefiting cost groups. When compared to the previous year, indirect cost increases of twenty-five percent (25%) or greater should be researched so that explanations can be provided if requested by CPB.)

**Occupancy support is calculated by selecting from one or more Building and/or Land forms.** The objective of these calculations is to determine a value for space donated by the licensee, limited to an annual use value defined as the station’s proportionate share of the depreciated value of space occupied, and for donated land associated with tower facilities, a value based on a rate of return, less any rents paid by the station as part of a lease or rental agreement, and any payments received from others for use of part or all of the property. The objective of these calculations is to determine a value for space donated by the licensee based upon an annual depreciated use value and for donated land associated with tower facilities based upon a rate of return using an appraised value.

*Go to Section 5.5 to see illustrations and line item instructions for each of the methods.*

There are three basic steps in the calculation process:

1. **Selecting an allocation method from Schedule B – tab 1 “Determine Indirect Administrative Support”:**
   
   - **Worksheet I:** OSA Facilities & Administrative Rate (Other Sponsored Activities – MTDC base)
   
   - **Worksheet IA:** OSA Facilities & Administrative Rate (salaries and wages cost base)
   
   - **Worksheet II:** Basic Method
   
   - **Worksheet III:** Grantee-Developed Method (requires pre-approval from CPB)

   **Worksheets I and IA** use the licensee institution’s federally approved OSA Facilities & Administrative rate, which is applied to a specific cost base, generally modified total direct costs but for smaller educational institutions a salaries and wages cost base may be used. **Worksheet II**, known as the basic method uses an allocation of total licensee costs for institutional support and physical plant operations less costs not benefiting the station as the base, against which specifically defined ratios are applied. And finally there is **Worksheet III**, which is a grantee-developed method that may be used when none of the other methods are applicable.

2. **Selecting occupancy support forms from Schedule B – tab 2 “Determine Occupancy Values”**:

   In the basic method, you may also value the use of buildings and tower facilities donated by your licensee as well as any land associated with tower facilities.
   
   - Annual Value Computations for Buildings and Tower Facilities
   
   - Annual Value Appraisal for Land Associated with Tower Facilities

3. **Summarizing the results** of these calculations on **Schedule B – tab 3 “Schedule B Summary”**.
Determine Indirect Administrative Support – tab 1

In selecting an allocation method for distributing indirect costs, care should be taken that it is suited for assigning costs in accordance with (1) benefits derived, (2) a traceable cause and effect relationship, and (3) logic and reason. There must be an equitable basis for allocating indirect costs among the station and the licensee's direct activities.

1. Worksheet I: OSA Facilities & Administrative Rate (Other Sponsored Activities – MTDC base)

This method uses the licensee's public service indirect cost rate as approved by the institution’s cognizant federal audit agency as a basis for allocating facilities and administrative costs (i.e. indirect support). F&A costs are those incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

Grantees should consider using this rate as an alternative to the more complicated basic method (Worksheet II).

Section 5.5, Illustration I demonstrates the application of this rate.

Other Sponsored Activities (OSA) are those that are established primarily to provide services beneficial to individuals and groups external to the institution. These activities make available to the public various resources and special capabilities that exist within the institution. OMB Circular A-21, "Cost Principles for Educational Institutions," describes Other Sponsored Activities to include "...programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research (emphasis added). Examples of such programs and projects are health service projects and community service programs..." This latter category would include the activities of public broadcasting.

Modified Total Direct Costs (MTDC) Base – The Facilities & Administrative federally approved rate is applied to a specific cost base. The MTDC base is the total direct costs for a project less those budget items that are excluded by agreement with the audit agency. The excluded costs are: equipment, construction, alterations and renovations, hospital or clinic charges for patient care, space rental or lease, tuition and fee remission, scholarships, and the amount that exceeds $25,000 of any sub-award.

Follow these steps to determine eligibility and application requirements:

- Determine if the licensee has a negotiated Facilities and Administrative rate agreement (a.k.a. indirect cost rate agreement) for other sponsored activities (sponsored instruction or research rates cannot be used)

- Determine that the station’s direct expenses are included in the cost base of the licensee's indirect cost proposal. If station expenses are not included in the licensee’s cost base, the OSA rate cannot be used.

- Modify the OSA rate by eliminating indirect cost components that do not provide an ongoing benefit to the station's operations. As a general rule, the following elements are deleted:

  Departmental administration
Sponsored projects administration
Library support

- Calculate the station's net direct expenses on a basis comparable to that used in the licensee's indirect cost proposal (e.g. total expenses net of non-cash support and capital outlays).

- Apply the modified OSA rate to the station's net direct expenses.

A copy of the licensee’s negotiated cost rate agreement, which must reflect all of the cost components included in the rate, must be retained by the grantee as support documentation for the current AFR reporting year.

2. Worksheet IA: OSA Facilities & Administrative Rate – salaries and wages cost base

This method uses the licensee's public service indirect cost rate as approved by the institution’s cognizant federal audit agency as a basis for allocating facilities and administrative costs (i.e. indirect support). F&A costs are those incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

Section 5.5, Illustration II demonstrates the application of this rate.

Other Sponsored Activities (OSA) are those that are established primarily to provide services beneficial to individuals and groups external to the institution. These activities make available to the public various resources and special capabilities that exist within the institution. OMB Circular A-21, "Cost Principles for Educational Institutions," describes Other Sponsored Activities to include "...programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research (emphasis added). Examples of such programs and projects are health service projects and community service programs..." This latter category would include the activities of public broadcasting.

Salaries and Wages (S&W) Cost Base – Worksheets I and IA use the licensee institution’s federally approved OSA Facilities & Administrative rate, which is applied to a specific cost base, generally modified total direct costs but for smaller educational institutions a salaries and wages cost base may be used. You may use this rate to calculate your indirect administrative support under these reporting requirements.

Be certain that the station’s salaries and wages are included in the cost base of the licensee's F&A cost proposal. If station salaries are not included in the licensee's cost base, this rate cannot be used.

A copy of the licensee’s negotiated cost rate agreement, which must reflect all of the cost components included in the rate, must be retained by the grantee as support documentation for the current AFR reporting year.

3. Worksheet II: Basic Method

The basic method is the most difficult to complete. The level of difficulty lays in the fact that much of the information needed to calculate this support must be retrieved from the licensee’s accounting and finance departments and sponsored projects office as well as its facilities management department.
To be successful implementing this method, the data must be accurate and must be provided by reliable sources.

The basic method includes the allocation of total licensee costs for **institutional support** and **physical plant operations** less costs not benefiting the station, using one of the following ratios:

**For Institutional Support**

**Station net direct expenses** (total expenses net of non-cash support and capital outlays—*Worksheet II, line 2a.1*) divided by **licensee net direct activities** (total cost of instruction, research, and public service net of capital outlays—*Worksheet II, line 2a.2*). The licensee’s net direct activities represents its net direct expenses for **Instruction, Research and Public Service**. These are the institution’s **mission costs**. They should not be confused with the licensee’s support activities—Institutional Support (*line 2c*) and Physical Plant Support (*line 3*). Generally, the institution’s **mission costs** will be considerably higher than its support activities.

OR

**Station salaries and wages** (*Worksheet II, line 2b.1*) divided by licensee salaries and wages for direct activities (instruction, research, and public service—*Worksheet II, line 2b.2*).

**For Physical Plant Operations**

The station’s **net assignable square footage** occupied (Worksheet II, line 3a) divided by the **licensee’s net assignable square footage** occupied (Worksheet II, line 3b). Use gross square footage for both station and licensee if net assignable square footage is not known.

In calculating these ratios, be sure to include the station's costs and square footage in the applicable denominators. All costs selected must be traceable to the licensee’s accounting records and must be **current year costs** if available. If not available, use prior year audited information. The station must obtain from its licensee adequate documentation to support any amount included.

Any fees paid to the licensee for overhead recovery, assessment, "use fee", etc., must be excluded from total indirect administrative support. These fees are recorded on tab 3 “Schedule B Summary”, line 3.

Section 5.5, Illustration III demonstrates the application of this rate.

**Note:**

**Station net direct expenses (and how to avoid a “circular reference”)**

Worksheets I and II require grantees to determine station net direct expenses, which are a critical component in determining indirect support. Each worksheet begins with “Total station operating expenses and capital outlays”, which is brought forward from Schedule E, line 10. Capital outlays (from Schedule E, line 9) and non-cash expenses (e.g. depreciation, amortization, in-kind contributions, etc.), **including indirect administrative support** are deducted from this total to arrive at station net direct expenses. If the grantee is using ISIS to calculate the indirect support, as it should, the indirect is an unknown quantity until the calculation has been completed and the indirect support determined.

**Question:** Why then does this become a required deduction?
Answer: Because once the indirect support is quantified and allocated to the appropriate functional expense category or categories of Schedule E (which must agree with the AFS) the value brought forward from line 10 of Schedule E to the respective worksheets will change by the amount of the increase in expenses, resulting in a change to the indirect support calculation. That is why there is an indirect administrative support line item deduction on these worksheets that allows the grantee to correct for this “circular reference”. Once the indirect value is entered on this line, it will return the correct result for "Station net direct expenses”, which was used in the institutional support rate calculation.

Another way to look at this is that the grantee has the ability to use ISIS to calculate the indirect administrative support using the Schedule E values before the indirect support has been determined. Once the indirect value has been determined and Schedule E adjusted to reflect that value, the grantee returns to Worksheet I or II to reflect the change and obviate the "circular reference" that would otherwise exist.

4. Grantee Developed Method (Worksheet III)

Stations have the option of developing their own method of allocation within the framework of the Basic and Other Sponsored Activities Indirect Cost Rate methods. However, a station-developed method must be pre-approved by CPB’s Office of Grants Administration before implementation. Fully describe the methodology and relational benefits compared to the approved methods and include illustrations showing applications and results. Send this documentation to grants@cpb.org. OGA staff will review the methodology and notify you of its acceptability. Once approved and for each successive year, use Worksheet III to provide a brief description of the methodology, upload supporting documentation and enter the total value claimed as NFFS.

Section 5.5, Illustration IV demonstrates the application of this methodology.

Determine Occupancy Values – tab 2

In addition to claiming indirect administrative support, you may also be entitled to value the use of buildings and tower facilities donated by your licensee as well as any land associated with tower facilities but only if you used the basic method (Worksheet II) to calculate the indirect support or are claiming an occupancy value only.

A station can claim an occupancy value only if -

- The station’s licensee holds title to the property being valued; and
- The station pays no rent or pays reduced rent; and
- The station has not claimed the capital outlay in its reported NFFS in any previous year; and
- The station has not calculated its indirect administrative support using the other sponsored activities indirect cost rate method and the cost rate includes a value for building use (i.e. the building use rate includes an allowance for occupancy).
In addition -

- Space used part-time must be prorated for the period of actual use.
- No satellite dish can be included.
- Funds received from the federal government or CPB for acquiring or constructing the property must be subtracted from the original or modified cost.
- Any payment made by the station as part of a lease or rental agreement must be subtracted.
- Any payments to the station for continued use of space by others as part of the lease or rental agreement must be subtracted.
- Land associated with tower facilities must be limited to acreage required by the FCC unless local zoning requires additional land.

An independent, qualified appraiser must be used to appraise land associated with tower facilities. A qualified appraiser is one who holds the title of M.A.I. (Member of Appraisers Institute), S.R.P.A. (Senior Real Property Appraiser), S.R.E.A. (Senior Real Estate Analyst), or A.S.A. (American Society of Appraisers). The appraisal must be conducted in accordance with instructions provided on the form to be used in reporting such appraisals, and based on a market-supported rate of return on the land according to zoned usage. An appraisal need not be conducted every year. CPB recommends that appraisals be conducted only when there is good reason to believe that land values have changed appreciably but no less than every five years.

Forms for calculating of occupancy values are accessible from Schedule B – Tab 2 “Determine Occupancy Values”.

- One form is provided for the computation of claimed depreciation on building(s) and tower facilities, and
- another form for the appraisal of land associated with towers and other facilities.

The amounts calculated on these forms are then automatically forwarded to tab 3 “Schedule B Summary”, line 2.

It may be necessary to use several forms to complete an occupancy value claim. This is necessary when claiming a value for multiple locations and when building improvements have been made over multiple years. ISIS will calculate remaining useful lives and annual values based on the criteria entered by the station.

Section 5.5, Illustration V demonstrates the application of this methodology.

Schedule B Summary – tab 3

What if line 5 “Total Indirect Administrative Support” of the Schedule B Summary differs from the grantees audited financial statements. Some grantees calculate their indirect “outside” of ISIS using their own worksheet formats. Grantees should be cautious when doing this and verify that their worksheets are consistent with ISIS in every respect, especially the six decimal places that ISIS uses in its calculations.
The danger in doing this is that the result could be different from the ISIS calculation. Should the indirect support shown in the grantees’ audited financial statements differ from the ISIS calculation it will be necessary to adjust for this reconciling difference. Remember, a grantee cannot claim NFFS unless it is recognized in the AFS. Consequently, if the ISIS value is greater than the value shown in the AFS the grantee is limited to the lesser amount for NFFS purposes. This is done by entering the difference on line 4 “Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements” of the Schedule B Summary, which will be deducted from the total of lines 1 and 2. If the ISIS value is less than the value shown in the AFS the reconciling difference must be accounted for on Schedule F (see Section 5.9 for instructions on completing Schedule F).

Section 5.5, Illustration VI demonstrates the summary of all indirect administrative support and occupancy values.
Section 5.5: Completing AFR Schedule B
Illustrations
Grantees’ Fiscal Year 2009

Illustration I

Worksheet I: OSA Facilities & Administrative Rate (Other Sponsored Activities – MTDC base)

1. **Evaluate the cost rates** for each cost pool
   *From the licensee’s Summary of OSA Indirect Cost Rates - Indirect Cost Proposal*

<table>
<thead>
<tr>
<th>Cost Pool</th>
<th>Indirect Cost (1)</th>
<th>MTDC Base (2)</th>
<th>Cost Rate (1) divided by (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building use</td>
<td>$7,404</td>
<td>890,950</td>
<td>0.84%</td>
</tr>
<tr>
<td>Equipment use</td>
<td>4,009</td>
<td>890,950</td>
<td>0.45%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>31,541</td>
<td>890,950</td>
<td>3.54%</td>
</tr>
<tr>
<td>General Administration</td>
<td>150,676</td>
<td>952,438</td>
<td>15.82%</td>
</tr>
<tr>
<td>Departmental Admin</td>
<td>18,858</td>
<td>952,438</td>
<td>1.98%</td>
</tr>
<tr>
<td>Sponsored Projects Admin</td>
<td>84,905</td>
<td>952,438</td>
<td>8.82%</td>
</tr>
<tr>
<td>Library Support</td>
<td>4,900</td>
<td>890,950</td>
<td>0.55%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$301,473</strong></td>
<td><strong>890,950</strong></td>
<td><strong>32.00%</strong></td>
</tr>
</tbody>
</table>

(1) Indirect costs allocated to the “other sponsored activities“ of the licensee.
(2) MTDC - Modified Total Direct Costs are direct costs incurred for other sponsored activities less costs specifically disallowed by and detailed in the Office of Management and Budget Circular A-21.

2. **Modify the licensee’s negotiated rate** for cost pools determined not to be of benefit to the station. In this example, these pools are departmental and sponsored projects administration and library support.
3. **Apply the modified rate** to station net direct expenses (total expenses net of non-cash support and capital outlays).

**Illustration II**

**Worksheet IA: OSA Facilities & Administrative Rate – salaries and wages cost base**

1. **Enter on line 1** the station’s salaries and wages (exclusive of fringe benefits) as reported in the audited financial statements. This value will forward to line 3a.

2. **Enter on line 2a** the federally approved OSA F&A rate. This rate (unless modified) will forward to line 3b.

3. **Total indirect support** (line 3a X line 3b) will display on line 4 and will forward to tab 3 “Schedule B Summary”, line 1.

**Illustration III**

**Worksheet II, Basic Method**

1. **Determine station net direct expenses** by first completing Schedule E. Line 10 from Schedule E will automatically forward to Worksheet II, line 1a. Next, deduct non-cash expenses and capital outlays. The latter will automatically forward from Schedule E, line 9 to Worksheet II, line 1b.1. Line 1b.8 will display the total deductions (lines 1b.1 through 1b.7) and subtract this amount from line 1. The result, station net direct expenses, will be displayed on line 1c.
A grantee may select from one of two rates to be used in the institutional support rate calculation. The first is the "net direct expense method" (line 2a) using the station net direct expenses determined in step 1, line 1c. (this amount is automatically forwarded to line 2a.1). The second uses the "salaries and wages method" (line 2b). Shown in the illustration below is the net direct expense method.

Next, determine the licensee's net direct activities and enter this amount on line 2a.2. These include the total cost of Instruction, Research, and Public Service net of capital outlays. These are the institution's mission costs. They should not be confused with the licensee's support activities—Institutional Support (line 2c) and Physical Plant Support (line 3).

The percentage of allocation for institutional support (line 2a.1 divided by line 2a.2) will automatically display to six decimal places on line 2a.3.

If the station salaries and wages method were selected, the station salaries and wages would be entered on line 2b.1 and the licensee salaries and wages for direct activities (instruction, research, and public service) on line 2b.2. The percentage of allocation (line 2b.1 divided by line 2b.2) will automatically display to six decimal places on line 2b.3.

The final step in completing the institutional support calculation (line 2c) is to identify and select the cost pools that support station activities. Include unrestricted general fund expenses of the licensee and exclude designated funds and restricted funds. On line 2c.2 enter the licensee's current year total costs for institutional support. Next, segregate the licensee cost groups that benefit the station from those that do not.

On line 2c.3 enter the value for cost groups that do not benefit station operations. For instance, no services are provided to the station; services provided are not an essential part of station operations; and the station or station employees are required to pay for the services provided. For example, this category generally includes the alumni office; commencement; contract administration; development office; faculty recruitment; medical careers improvement; office of the registrar; publications services; purchasing; etc. Bad debts, capital outlays and contingencies also must be placed in this category.

Costs benefiting station operations (line 2c.2 minus line 2c.3) automatically will display on line 2c.4. The station must demonstrate that the benefiting cost groups include services that are an essential part of station operations; services are continuous and ongoing in support of the station; and the station uses the services or is required to use the services provided. The amount and nature of the distributed costs will vary depending on the organization and characteristics of each particular station. A specific type of indirect cost providing benefit to one station and therefore included in that station's cost pools, may not provide any benefit to a similar type station and thus would be excluded for that station (e.g., a small college-affiliated station may be able to include a portion of the top administrative positions of the college, whereas a similar station affiliated with a large multi-campus university could not include all of its university's top administrative positions). For example, this category generally includes budget and planning; campus mail services; management information systems; financial management; business services; human resources; safety and risk management; internal audit; legal; purchasing; etc.

Line 2c.5 displays the allocation percentage developed in step 2 and shown on lines 2a.3 or 2b.3.

Line 2c.6 displays the total institutional support benefiting station operations. This value is automatically determined by multiplying line 2c.4 by line 2c.5.
3. **There are two basic steps** in arriving at a value for physical plant support benefiting station operations.

The first step is to establish the rate to be used in the calculation process. The physical plant support rate calculation (line 3) is determined by entering on line 3a the station’s net assignable square footage and entering on line 3b the licensee’s net assignable square footage. This information must be provided by the licensee’s facilities planning and management office. The percentage of allocation to be used in the physical plant support rate calculation (line 3a divided by line 3b) will automatically display to six decimal places on line 3c.

**The next step** is to identify and select the cost pools that support station activities. Include unrestricted general fund expenses of the licensee and exclude designated funds and restricted funds. On line 3d.2 enter the licensee’s current year total costs for physical plant support. Next, segregate the licensee cost groups that benefit the station from those that do not.

On line 3d.3 enter the value for cost groups that do not benefit station operations. For instance, no services are provided to the station; services provided are not an essential part of station operations; and the station or station employees are required to pay for the services provided. For example, this category generally includes space and capital leasing, capital outlays, including new building construction and major building renovations; etc.

Costs benefiting station operations (line 3d.2 minus line 3d.3) automatically will display on line 3d.4. The station must demonstrate that the benefiting cost groups include services that are an essential part of station operations; services are continuous and ongoing in support of the station; and the station uses the services or is required to use the services provided. The amount and nature of the distributed costs will vary depending on the organization and characteristics of each particular station. For example, this category generally includes janitorial and utility services; care of grounds; maintenance and operation of buildings and other plant facilities; disaster preparedness; environmental safety; hazardous waste; central receiving; property, liability and other property related insurance; facilities planning and management; etc.

Line 3d.5 displays the allocation percentage developed in the previous step and shown on line 3c.
Line 3d.6 displays the total physical plant support benefiting station operations. This value is automatically determined by multiplying line 3d.4 by line 3d.5.

4. **Total indirect support benefiting station operations** (institutional support from line 2c.6 plus physical plant support from line 3d.6) will display on line 4 above and will forward to tab 3 "Schedule B Summary", line 1.

**Illustration IV**

**Worksheet III: Grantee Developed Method**

Once CPB approves the use of a grantee developed indirect cost allocation method, follow these steps:

1. **Select Worksheet III** from AFR Schedule B, tab 1.
2. **Enter a brief description** of the methodology in the "description box" to the right of the line "Description of the method" or simply reference the file to be uploaded in the next step (assumes the uploaded file describes in sufficient detail the underlying logic of the methodology).
3. **Upload** either an ".xls" or ".doc" file that supports the value reported in the next step.
4. **Enter the total amount of indirect support** claimed as NFFS.
5. **After saving** Worksheet III, a link will display to “View the Current Document” uploaded in step 3.
6. The **total amount of indirect support** benefiting station operations will forward to tab 3 “Schedule B Summary”, line 1.
Illustration V

OCCUPANCY
Annual Value Appraisal for Land Associated with Tower Facilities (Exhibits 1 & 2)

1. From tab 2, “Determine Occupancy Values”, select “Add Land Item”.

2. On line 1 enter the land area in acres. This is restricted to FCC requirements for the facility, unless local zoning requires additional land, in which case, the larger area may be used.

3. On line 2 enter the unit value per acre. Appraisals should include facts concerning, and analysis of, land-sale comparables. To arrive at a unit value per acre use community zoning laws or local codes for the property in question and base it on vacant lot value.

4. Line 3 “Land value” will be automatically calculated (product of lines 1 and 2).

5. On Line 4 enter the rate of return on the land, which is found in the appraisal document.

6. Line 5 “Annual value before deductions” will be automatically calculated (product of lines 3 and 4).
7. On lines 6 and 7 enter any payments made to landowner (i.e. licensee) as part of a lease or rental agreement and any payments received from others as part of a sublease or rental agreement. These amounts will be deducted from line 5.

8. Line 8 “Annual value for NFFS purposes” will be automatically calculated (line 5 less lines 6 and 7).

9. At the bottom of the land form you must enter the name of the appraiser, the appraiser’s official designation (i.e. MAI, SRPA, etc.) and the date that the appraisal was certified.

Exhibit 1 – Occupancy tab 2
Exhibit 2 – Occupancy Land Form

Annual Value Computations for Buildings and Tower Facilities (Exhibits 3 & 4)

1. From tab 2, “Determine Occupancy Values”, select “Add Building/Improvement Item” (see Exhibit 1 above).

2. On line 1 enter the building value at its original cost or at fair market value at the time the station took possession (use fair value only if original cost is unknown)

3. On line 2 enter the total original cost of major improvements (use additional forms to show only the cost of major improvements when improvements have been made over time-see Exhibit 4 – Occupancy Building Form #2).

4. On line 3 enter the value of any federal and/or CPB funds used for construction or improvements. This value will be subtracted from lines 1 and/or 2 in arriving at the value displayed on line 4.

5. Line 4, the total non-federal (and non-CPB) value of buildings and improvements will be automatically calculated (line 1 plus line 2 minus line 3).

6. On line 6 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 – Exhibit 4 illustrates improvements made to a 20-year old building with an original estimated useful life of 40-years; consequently the estimated useful life of the improvements is 20-years (the remaining useful life of the building).
7. **Line 7**, the remaining useful life of the building will be automatically calculated. The value displayed on this life will include the current reporting year – Exhibit 3 illustrates this calculation. Of course, if the remaining useful life is zero you should not continue with this form.

8. **Line 8** represents the annual depreciation value eligible as NFFS. This value is automatically calculated by dividing line 4 by line 6.

9. **On line 9** enter the station’s prorated use of the building. Exhibit 3 assumes the station occupies 25% of the Communications building.

10. **Line 10** represents the adjusted annual prorated depreciation value eligible as NFFS. This value is automatically calculated (line 8 X line 9).

11. **On lines 11 and 12** enter any payments made to the building owner (i.e. licensee) as a part of a lease or rental agreement and any payments received from others as a part of a sublease or rental agreement. These amounts will be deducted from the value shown on line 10.

12. **Line 13** represents the net annual depreciation value for NFFS purposes. This amount is automatically calculated (line 10 less lines 11 and 12).

**Exhibit 3 – Occupancy Building Form #1**
Important note for joint or dual licensees who prorate the use of facilities among their reporting grantees:

For building allocations use line 9 of the building form, “Station's prorated use of building”. For example: A joint licensee uses a total of 50% of a building, 25% of which is used by its radio station and 75% of which is used by its TV station. On line 9 report 12.5% (25% X 50%) for Radio and 37.5% (75% X 50%) for TV.

Allocation of land values is not as straight forward as calculating occupancy values for joint or dual licensees. Consequently, line 7, “Payments received from others as part of a sublease or rental agreement” will also be used to reduce the value reported on line 5 by any amount allocable to another station. For example: The total value reported on line 5 is $20,000, 25% of which is allocable to radio and 75% to TV. For TV, enter $15,000 on line 6 (75% X $20,000) to reduce the annual value claim for which TV is entitled and for radio, enter $5,000 on line 6 (25% X $20,000) to reduce the annual value claim for which radio is entitled.

Exhibit 5 illustrates the completion of all the land and building forms. The value for all completed forms will be summed up and entered on line 2 of tab 3 – Schedule B Summary (see Exhibit 6).
Exhibit 5 – tab 2 Determine Occupancy Values (all forms completed)

1. Line 1 “Total support activity benefiting the station” displays the values from the Worksheet selected in tab 1 – “Determine indirect administrative support”.

2. Line 2 “Occupancy value” displays the values from the land and building forms completed in tab 2, “Determine Occupancy Values”.

3. On line 3 enter any fees paid to the licensee for overhead recovery or assessment of any use fees. This amount will be deducted from the values shown on lines 1 and 2.

4. On line 4 enter any excess of the values shown on lines 1 and 2 that are greater than the values recognized as revenue in the audited financial statements. For example, the total support shown in Exhibit 6 ($321,109) cannot be greater than the financial statements. If, for instance, the support shown in the financial statements is $300,000, enter the excess ($21,109) on line 4. If the financial statements show a greater value, this will create a reconciling item for Schedule F because the grantee may not claim a value greater than that supported by the approved forms and worksheets used throughout the Schedule B calculation process.

5. Line 5 “Total indirect administrative support” displays the value that may be claimed for NFFS purposes. This value is automatically calculated (line 1 plus line 2 minus lines 3 and 4) and will forward to line 2 of the current year “Summary of Non-Federal Financial Support”.

6. On line 6 you must select a licensee donor code from the drop list.

Tab 3 – Schedule B Summary (Exhibit 6)

1. Line 1 “Total support activity benefiting the station” displays the values from the Worksheet selected in tab 1 – “Determine indirect administrative support”.

2. Line 2 “Occupancy value” displays the values from the land and building forms completed in tab 2, “Determine Occupancy Values”.

3. On line 3 enter any fees paid to the licensee for overhead recovery or assessment of any use fees. This amount will be deducted from the values shown on lines 1 and 2.

4. On line 4 enter any excess of the values shown on lines 1 and 2 that are greater than the values recognized as revenue in the audited financial statements. For example, the total support shown in Exhibit 6 ($321,109) cannot be greater than the financial statements. If, for instance, the support shown in the financial statements is $300,000, enter the excess ($21,109) on line 4. If the financial statements show a greater value, this will create a reconciling item for Schedule F because the grantee may not claim a value greater than that supported by the approved forms and worksheets used throughout the Schedule B calculation process.

5. Line 5 “Total indirect administrative support” displays the value that may be claimed for NFFS purposes. This value is automatically calculated (line 1 plus line 2 minus lines 3 and 4) and will forward to line 2 of the current year “Summary of Non-Federal Financial Support”.

6. On line 6 you must select a licensee donor code from the drop list.
LG – local government
OU – other university
PU – private university
SG – state government
SU – state university

7. Finally, don’t forget to answer the question “Have you completed Schedule B” by selecting the appropriate radio button.

Exhibit 6 – tab 3 Schedule B Summary
Section 5.6: Completing AFR Schedule C
In-Kind Contributions of Services and Other Assets
Grantees’ Fiscal Year 2009

Introduction
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.

Support from the grantee's licensee is limited to indirect administrative support (Schedule B) and direct support (Schedule A). See Section 3: “NFFS – Minimums for CSG Eligibility, Statutory Definition and Reporting Criteria” to determine the conditions under which licensee support may be reported on Schedule A as direct support. Certain expenses specifically incurred or absorbed by the licensee for the operation of the station may be includable as direct support on Schedule A. For example, direct licensee support would include metered electricity that measures station usage and the licensee, on behalf of the station, pays the utility bill.

Criteria for In-kind Contributions Included as NFFS

In addition to source, form, purpose, recipient, and inclusion in the audited financial statements criteria that apply to all contributions, there are three specific criteria an in-kind contribution must satisfy to be eligible as NFFS: 1) it must meet CPB’s valuation requirements; 2) it must meet CPB documentation requirements and; 3) the station would typically need to purchase the contributed good or service had it not been donated.

Valuation
Generally accepted accounting principles (GAAP) requires that grantees record all significant contributed support at fair value at the time of donation, provided there is a clearly measurable and objective basis for determining the value. In other words, the donors’ usual and customary fees charged to a paying customer for equivalent goods or services must serve as the basis for determining fair value. Do not recognize contributions if the donated goods or services are such that values cannot reasonably be determined.

Documentation
GAAP also requires that documentation of contributed goods and services must support the determination of fair value. Sufficient evidence must be retained by the grantee and be available for audit purposes. An invoice or letter from the donor is an example of such documentation. Donors must independently document their contributions as to description, date(s) of donation, fair value and method of valuation. In addition, all documentation must clearly show the donor's intent to contribute; and must be provided by the donor using their official business stationery that prominently displays their name, address and other relevant information, including the donor's signature or the signature of an authorized official of the donor (printed name and title of the signatory included). The grantee must retain all documentation and provide it if requested by CPB.
**Goods and Services that Would Be Purchased if Not Donated**

Any service claimed as NFFS must meet the appropriate source, form, purpose, and recipient criteria. **Services must be provided for normal, standard activities of the grantee. If services are provided for activities that are normal and standard, but the grantee would not pay for them, do not include them.** This criterion is modeled on SFAS 116, paragraph 9, which requires that donated services not only would have been purchased, but would “need to be purchased,” if they were not donated.

For example, a grantee negotiates with an underwriter for advertising space in its “Yellow Pages” directory. The donor values the trade at $100,000 based on its usual and customary fees charged to a paying customer. The public broadcaster must answer the following question: Even though advertising is a normal, standard activity of the station, would I choose to buy advertising in the yellow-pages directory at these prices? If the answer is no, do not report this value as NFFS. In fact, this value may not meet GAAP criteria for revenue recognition in the financial statements. Consult with your independent accounting practitioner before recording revenues of this type in your accounting system.

**Trade Underwriting Agreements vs. Exchange Transactions**

Most grantees participate in trade underwriting agreements or contracts with their underwriters. In these agreements the grantee provides the underwriter on-air underwriting credit in exchange for a good or service. As discussed in Sections 3.3 and 4.5 of CPB’s <Principles of Accounting>, on-air underwriting credit is deemed to be of nominal or insignificant value to the underwriter. Consequently, because there is nothing of significant value flowing to the underwriter, the grantee must record the good or service received as an in-kind contribution by the underwriter, not an exchange transaction. To that end, for all in-kind contributions received through underwriting trade agreements, the grantee must record the value of the contribution according to CPB’s valuation criteria (outlined above), both in its financial statements and on the AFR or FSR. Additionally, the grantee must retain all proper documentation for the in-kind contribution (outlined above); a trade underwriting agreement in and of itself is not sufficient documentation to support an in-kind contribution.

In order for an in-kind contribution received through an underwriting trade agreement to be eligible as NFFS it must satisfy all of the NFFS criteria. That is, it must meet the source, form, purpose and recipient criteria; it must not be specifically excluded by policy restrictions (discussed below); it must meet the valuation, documentation, and would be purchased if not donated criteria (outlined above); and it must be recorded as revenue in the current audited financial statements of the grantee.

If the grantee provides an underwriter or donor with anything other than on-air underwriting credit in exchange for a contribution, the transaction is considered an exchange transaction. As a result, the only part of the contribution that is eligible as NFFS is the differential value between what the grantee gives and receives. In other words, the fair market value of what the grantee gives must be deducted from the fair market value of what the grantee receives. If the fair market value that the grantee receives is greater than what it gives, the net difference between the two is eligible to be included as NFFS (assuming the contribution satisfies all the criteria outlined in the preceding paragraph).

**Specific Exclusions from NFFS Reporting**

Due to policy restrictions there are several categories of contributions, either in form or purpose that are ineligible for inclusion as NFFS.
• **Station broadcast license transfer for a station that already benefited from a CSG:** Contributions of assets from the assignor to the assignee – regardless whether they are cash or non-cash, tangible or intangible – are not includable as NFFS because the assignor was the prior grant recipient. Therefore, a transfer of ownership of the assets does not constitute a contribution of new support or revenue to the public broadcasting services that the licensee provides. Moreover, before the transfer, the assignor was a public broadcasting entity, so contributions of any assets from that source would not be includable as NFFS. In a license transfer in which – before the transfer – the assets were not being used by a public broadcasting station that benefited from a CSG (e.g., a commercial station, or a student or religious noncommercial station not eligible to benefit from a CSG), the contribution of assets might be includable as NFFS as long as the assignor was not a public broadcasting entity.

Since 1996, certain in-kind contributions of goods and services no longer qualify as NFFS:

- **Third Party Production Payments:** Payments of production expenses on behalf of a grantee are not in-kind contributions and are not eligible as NFFS. Additionally, the expenses a grantee’s production partner incurs in the creation and or delivery of a production are not eligible as NFFS.

- **Program Services (Regional Organization Allocations):** Certain regional organizations (e.g., SECA, CEN, PMN) receive support from outside public broadcasting to provide programming or other services to their members. The value of programming provided with those funds and any prorated station share may not be claimed as NFFS.

- **Program Services (Donated Programs):** Donated programs that are nationally distributed may not be claimed as NFFS.

- **Program Services (Local Productions):** A local on-air production is one that is produced locally by or for the station, regardless of whether or not the production is distributed nationally. The category of local on-air productions includes, but is not limited to, station exclusive airings and public performances. In-kind contributions in support of local productions may not be claimed as NFFS. *This includes but is not limited to* performers’ fees (e.g. musicians/instrumentalists, actors and singers) and the on-air services of volunteer hosts as well as any off-air writing or research related to producing the local production (also see line 1 instructions for professional volunteer services).
  
  a. **A station exclusive** is an event held in the station’s studio or other space for the specific purpose of producing a television or radio program. A station exclusive will include studio recordings.

  b. **A public performance**, also known as a “broadcast pickup”, is an event held in a public place with a general audience, where television or radio coverage is incidental. With or without that broadcast coverage the event would have taken place. The value for these performances might include step-up costs provided to defray the actual costs of the broadcast (e.g. remote lines, equipment rental, and technical services).

- **Program Services (Program Supplements):** Program supplements consist of syndicated information announcements not exclusively to or for public broadcasting. These supplements include, but are not limited to, traffic reports, weather reports, stock reports, ski reports, and agricultural reports. Contributions of this type may not be claimed as NFFS.

- **Program Services (Promotional Items):** Donated promotional items (e.g., tickets to performances, dinners or other events) given to listeners or the general public as incentives to
listen longer or more often to the station or to increase station audience awareness may not be claimed as NFFS.

- **Fundraising Services may not be included as NFFS**: These include, but are not limited to, donations of space for warehousing auction goods, refreshments or catering services for fundraising volunteers and donations by commercial stations to advertise or simulcast the station’s fundraising event. This also includes the value for goods or services donated for "Thank you“ events, such as receptions or dinners for major underwriters and contributors, which are understood to be an extension of a fundraising activity even though solicitations to contribute more are not made. It is implicit in such events that a “thank you for your support” also means “thank you for your continued support”.

- **Donated Personal Services of Volunteers may not be claimed as NFFS**: In order to be eligible as NFFS, donated volunteer services must meet the definition of “professional volunteer services.” See the discussion of “professional volunteer services” under the instructions for Schedule C, Line 1 below.

- Certain in-kind contributions of non-capitalized property and equipment do not qualify as NFFS. For example, pre-recorded compact discs, records, tapes and cassettes may not be claimed as NFFS.

- **Discounts**: Services provided at standard discount rates available to the public do not generate donations of in-kind services. Examples include cash and volume discounts and discounts to nonprofit and/or educational organizations. **Do not report any of these discounts as NFFS.**

(Notetext: SFAS No. 116 established rigid standards for contributions received and contributions made, especially as they relate to contributed professional services and contributed non-professional volunteer services. Follow the guidelines provided here, as well as those in SFAS No. 116 (paragraphs 9 and 10 address “Contributed Services”) when valuing and documenting allowable services.

**Schedule C Instructions**

**Summary**

Lines 1, 2, 3 and 4 capture in-kind contributions that are NFFS eligible. On lines 1, 2 and 3 enter values and select donor codes for each descriptive line item. Line 4 “Total in-Kind Contributions - services and other assets eligible as NFFS” will display the sum of lines 1 through 3. **Any support claimed as NFFS must be recognized as support in the grantee’s audited financial statements.**

On line 5 "In-Kind Contributions Ineligible as NFFS” you will enter values on one or more sublines that provide a checklist of the typical in-kind contributions that do not qualify as “matchable” NFFS for grant calculation purposes. **See illustration below.**

5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS

A. Pre-recorded compact discs, records, tapes and cassettes
B. Exchange transactions
C. Federal or public broadcasting sources
D. Fundraising related activities
E. ITV or educational radio outside the allowable scope of approved activities
F. Local productions
G. Program supplements
H. Programs that are nationally distributed
I. Promotional items
J. Regional organization allocations of program services
K. State PB agency allocations other than those allowed on line 3(b)
L. Services that would not need to be purchased if not donated
M. Other

**Line 6** “Total in-kind contributions - services and other assets” will display the **sum of line 4 plus line 5** and will forward to Schedule F, line 1c. for reconciliation with the financial statements. **VERY IMPORTANT**—this line, together with its Schedule D counterpart, must agree with the in-kind contributions reported in the audited financial statements.

For each data entry line you must select a **donor code** from a drop list. Use the donor code for the highest cumulative value reported for a single donor group when more than one donor group is reported on a single line.

- BS-business
- FD-foundation
- FG-federal government
- LG-local government
- OT-other
- PB-public broadcasting entity
- PU-private university
- SG-state government
- SU-state university

Under the Donor Code column on Schedule C, the user must select the appropriate code from the drop down list.

Grantees that have **relationships with other not-for-profit organizations that do not qualify for preparation of consolidated audited financial statements**, may be entitled to claim a portion of the other entity’s revenue. Documentation should be filed by the related nonprofit organization to substantiate any direct expenses incurred for grantee specific projects. Examples would be equipment purchased and legally transferred to the grantee, programs purchased for and given to the grantee, expenses incurred for printing and distributing the station program guide and payment of salaries and benefits for grantee employees. Remember, before revenue can be included as NFFS it must be reported in the grantees’ audited financial statements. Do not claim general operational costs or overhead of the related organization as NFFS.
**Line Item Instructions**

**Line 1 - Professional Volunteer Services (eligible as NFFS)**

Since 1996 CPB has disallowed all non-professional volunteer services from inclusion as NFFS. The term professional volunteer service is defined as a service that is the same or similar to one the donor provides to paying customers for a fee. This criterion is the end result of the application of the valuation criterion that applies to all in-kind contributions (as stated above): “the donors’ usual and customary fees charged to a paying customer for equivalent goods or services must serve as the basis for determining fair value.”

In addition to meeting all other NFFS criteria for in-kind contributions (valuation, documentation, services would be purchased if not donated, inclusion in audited financial statements, not excluded due to policy restrictions), in order to be eligible as NFFS professional volunteer services contributed to the grantee must either require specialized skills or create or enhance a non-financial asset (Statement of Financial Accounting Standards (SFAS) No. 116). In keeping with GAAP principles, a volunteer service that does not require specialized skills or does not create or enhance a non-financial asset should typically NOT be reported as revenue in the audited financial statements. For more information on this, please see Sections 3.3.3-3.3.4 (FASB) or 4.5.3-4.5.4 (GASB) of CPB’s <Principles of Accounting>.

Consequently, the definition of professional volunteer services excludes from NFFS all situations where volunteers from multi-professional disciplines other than broadcasting contribute broadcasting services to the station. **Volunteers that produce and/or host local productions**, while admittedly providing a valuable service to public broadcasters, are generally engaged in professional disciplines other than "broadcasting". Their contribution to the grantee is incidental to their principal occupations. As a result, there is no basis for establishing a fair value for the broadcasting service provided to the station. For instance, a financial consultant's customary hourly rate cannot serve as a basis for valuing their contribution to the station as a broadcast host. However, if this person were providing financial counseling to the station on investment matters, the fair value of that professional service would qualify as NFFS because the consultant charges a fee to others for the same type of service donated to the station. The same is true of other professionals—attorneys provide legal services to clients, doctors provide medical services to patients, etc. but they do not customarily provide broadcasting services to other client stations.

**When using Line 1(d):** 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).

**Do not count as NFFS** out-of-pocket expenses, such as travel costs, incurred by professional volunteers.

**Line 2 - General Operational Services (eligible as NFFS)**

A grantee may claim as NFFS contributions of materials, supplies, and the use of facilities in which the donor retains legal title to the facilities. This category includes the use of electrical, telephone and other utilities paid by a third party. These contributions must be recognized as revenues and expenses in the period received and used.
Donations of space or land for towers or other facilities must be valued by the donor at fair 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 3 - Other Services (eligible as NFFS)**

**Line 3.A - Instructional television and educational radio**

As discussed in Section 3 support for instructional television (ITV) or educational radio includes only materials or services that expand or enhance the use of educational programs. Examples include curriculum materials from state education departments, local broadcast councils, foundations, businesses, or other organizations outside the licensee. These entities must provide documentation of the actual costs incurred for the materials. Expenses incurred to promote and advertise ITV and educational radio are included whenever the station's involvement is highlighted.

Revenue or support derived from providing instructional services may be included in NFFS only if the station can prove that the instructional service is both

- of direct benefit to the station's provision of telecommunications services, and
- under the station's direct management and operational control and, in the case of an institutional station, not a separate activity under the management and operational control of the licensee.

The station must have control over distribution of the materials or services received.

An institutional station may become involved in a cooperative effort with an independent educational nonprofit entity that provides instructional programming to the station. In this case, the station may include as in-kind support only the value of the expenses incurred specifically in providing instructional services to the station.

**INCLUDE AS NFFS any of the following contributed instructional services:**

- study guides or teacher guides provided by a third party for the station to distribute as part of its instructional service.

- prorated value of a utilization specialist hired by an educational system to which the station provides instructional programming. The purpose of the specialist would be to coordinate the use of educational television or radio in the system and serve as liaison with the station.

- prorated value of a curriculum committee consisting of a fixed and reasonable number of people assigned by an educational system and given release time to preview series and recommend print materials. The committee’s services must be such an integral part of the station's instructional service that if the committee did not provide them, the station would hire others to perform the service.

- prorated value of professional services of faculty members who, on their own time, participate in the development of instructional television or radio programs. These people must offer the same or similar services to the public for a fee.
• prorated share of the value of instructional programs or broadcast rights purchased by a state agency and used by the station’s instructional service.

• expenses incurred by an educational nonprofit entity to promote and advertise the courses offered by the station only if the promotion highlights the station’s involvement.

Except as noted above DO NOT INCLUDE as NFFS:

• salaries or benefits of classroom teachers who use the instructional services or
• the cost of receiving or playback equipment located at educational or instructional facilities.
• non-cash contributions from PBS Adult Learning Services.
• donated programs produced and delivered to the grantee by others, whether local productions or national programs, even when the donated programs are produced for instructional use and/or distributed as part of a grantee’s instructional services. This exclusion became effective in 1996.

Line 3.B - State public broadcasting agencies

State appropriations that are used exclusively by state public broadcasting agencies to provide in-kind support to public broadcasting stations may be claimed as NFFS. These agencies are:

- Alaska Public Broadcasting Commission (APBC)
- Florida Department of Education (FLDOE)
- eTech Ohio Commission (eTech Ohio) and
- Pennsylvania Public Television Network Commission (PPTN)

These are the only agency allocations accepted as NFFS. In-kind support that these agencies provide to television grantees for new or expanded facilities or equipment (as described in Schedule A, line 18 instructions) will not be recognized as NFFS and may not be reported here in Schedule C.

Lines 3.C and 3.D – Local and national advertising

Advertising in newspapers and magazines, on commercial television or radio, or over the internet, if donated, should be documented by an invoice from the donor stating the regular charge for space or time and the intention to make a donation. The advertising must be related to program or station promotion and not consist of merely printing or airing the station's programming schedule.

Local and national underwriters of programs produced and/or aired by a public broadcasting entity frequently contribute (directly or in-kind by providing production services) advertising and promotion for their sponsored programs or for the entire program service of a station airing the program. Commercial broadcasters and other advertising media businesses (such as newspapers, outdoor advertising companies, and motion picture exhibitors) also frequently contribute in-kind advertising to a public broadcasting entity, in what both donor and public broadcaster often characterize informally as barter or trade transactions. SFAS No. 116 and GASBS No. 33 define the type of contributions and non-exchange transactions that must be recorded in order to be consistent with GAAP. Generally, contributed advertising and promotion meets the criteria for recognition under SFAS No. 116, paragraph 9 and GASBS No. 33, paragraph 11. Therefore, it should typically be recorded as contribution revenue and NFFS.
While reporting of contributed advertising and promotion is allowed, their fair value to the public broadcaster may be difficult to substantiate. There is a concern that contributed advertising and promotion has become of significant commercial value to the underwriter, particularly 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.

Regardless of what documentation may be required by public broadcasting entity auditors to substantiate values recorded in the financial statements, CPB requires its grantees to maintain the following documentation to substantiate contributed promotion recognized in the financial statements and claimed as NFFS:

- Third-party substantiation of fair value to the public broadcasting entity
- Detail support or confirmation of the promotional costs underwriters have incurred including descriptions by major cost category (airtime, print advertisements, internal staff allocations, etc.)
- Documentation of the value of contributed promotion to the underwriter (i.e. to what extent the promotion is an exchange transaction as discussed earlier).

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

This line represents the sum of lines 1 through 3, which forwards to Line 3a of the Summary of Nonfederal Financial Support.

**Line 5 – In-kind Contributions Ineligible as NFFS**

In order to reconcile with the audited financial statements use line 5 to report any in-kind contributions recognized as revenue in the AFS but that are not includable as NFFS either because they do not meet the legal definition as described in Section 3 or because CPB policies restrict them as “matchable” NFFS for grant calculation purposes. As illustrated below, you will enter values on one or more sub-lines (SA, B, C...M) that provide a checklist of the typical in-kind contributions that do not qualify as NFFS for grant calculation purposes.

- A. Compact discs, records, tapes and cassettes
- B. Exchange transactions
- C. Federal or public broadcasting sources
- D. Fundraising related activities
- E. ITV or educational radio outside the allowable scope of approved activities
- F. Local productions
- G. Program supplements
- H. Programs that are nationally distributed
- I. Promotional items
- J. Regional organization allocations of program services
- K. State PB agency allocations other than those allowed on line 3(b)
- L. Services that would not need to be purchased if not donated
- M. Other
Line 6 – Total in-kind contributions - services and other assets

This line represents the total of line 4 (in-kind contributions eligible as NFFS) and line 5 (in-kind contributions ineligible as NFFS). This value will forward to Schedule F, line 1c. so that it can be reconciled with the total in-kind contributions recognized as revenue in the audited financial statements.
Section 5.7: Completing AFR Schedule D
In-Kind Contributions: Property and Equipment
Grantees’ Fiscal Year 2009

Introduction

Use Schedule D to report 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 in 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.

Support from the grantee’s licensee is limited to indirect administrative support (Schedule B) and direct support (Schedule A). Go to Section 3 to determine the conditions under which licensee support may be reported as direct revenue. If the licensee absorbed costs specifically for the operation of the station, they may be includable as direct support on Schedule A. An example of direct licensee support would be the purchase of furniture, equipment, computer software and other property directly for the benefit of the station grantee. Invoices and purchase orders must clearly demonstrate that the purchase was made on the station's behalf. Conversely, new or used surplus property and equipment donated to the station does not qualify as licensee direct support.

Use Schedule C rather than Schedule D to report contributions for either the use of assets (e.g. contributed utilities and contributed use of property) or for contributions of intangible assets. This is equally true for contributions that do not meet the station grantee’s capitalization threshold.

Criteria for In-kind Contributions

In addition to source, form, purpose, recipient, and inclusion in the audited financial statements criteria that apply to all contributions, there are three specific criteria an in-kind contribution must satisfy to be eligible as NFFS: 1) it must meet CPB’s valuation requirements; 2) it must meet CPB documentation requirements and; 3) the station would typically need to purchase the contributed good or service had it not been donated.

Valuation

Generally accepted accounting principles (GAAP) requires that grantees record all significant contributed support at fair value at the time of donation, provided there is a clearly measurable and objective basis for determining the value. In other words, the donors’ usual and customary fees charged to a paying customer for equivalent goods or services must serve as the basis for determining fair value. Do not recognize contributions if the donated goods or services are such that values cannot reasonably be determined.
Documentation
GAAP also requires that documentation of contributed goods and services must support the determination of fair value. Sufficient evidence must be retained by the grantee and be available for audit purposes. An invoice or letter from the donor is an example of such documentation. **Donors must independently document** their contributions as to description, date(s) of donation, fair value and method of valuation. In addition, all documentation must clearly show the donor’s intent to contribute; and must be provided by the donor using their official business stationery that prominently displays their name, address and other relevant information, including the donor’s signature or the signature of an authorized official of the donor (printed name and title of the signatory included). The grantee must retain all documentation and provide it if requested by CPB.

Goods and Services that Would Be Purchased if Not Donated
Any service claimed as NFFS must meet the appropriate source, form, purpose, and recipient criteria. **Services must be provided for normal, standard activities of the grantee. If services are provided for activities that are normal and standard, but the grantee would not pay for them, do not include them.** This criterion is modeled on SFAS 116, paragraph 9, which requires that donated services not only would have been purchased, but would “need to be purchased,” if they were not donated.

For example, a grantee negotiates with an underwriter for advertising space in its “Yellow Pages” directory. The donor values the trade at $100,000 based on its usual and customary fees charged to a paying customer. The public broadcaster must answer the following question: Even though advertising is a normal, standard activity of the station, would I choose to buy advertising in the yellow-pages directory at these prices? If the answer is no, do not report this value as NFFS. In fact, this value may not meet GAAP criteria for revenue recognition in the financial statements. Consult with your independent accounting practitioner before recording revenues of this type in your accounting system.

Trade Underwriting Agreements vs. Exchange Transactions
Most grantees participate in trade underwriting agreements or contracts with their underwriters. In these agreements the grantee provides the underwriter on-air underwriting credit in exchange for a good or service. As discussed in Sections 3.3 and 4.5 of CPB’s *Principles of Accounting*, on-air underwriting credit is deemed to be of nominal or insignificant value to the underwriter. Consequently, because there is nothing of significant value flowing to the underwriter, the grantee must record the good or service received as an in-kind contribution by the underwriter, not an exchange transaction. To that end, for all in-kind contributions received through underwriting trade agreements, the grantee must record the value of the contribution according to CPB’s valuation criteria (outlined above), both in its financial statements and on the AFR or FSR. Additionally, the grantee must retain all proper documentation for the in-kind contribution (outlined above); a trade underwriting agreement in and of itself is not sufficient documentation to support an in-kind contribution.

In order for an in-kind contribution received through an underwriting trade agreement to be eligible as NFFS it must satisfy all of the NFFS criteria. That is, it must meet the source, purpose, form and recipient criteria; it must not specifically excluded by policy restrictions (discussed below); it must meet the valuation, documentation, and would be purchased if not donated criteria (outlined above); and it must be recorded as revenue in the current audited financial statements of the grantee.

If the grantee provides an underwriter or donor with anything other than on-air underwriting credit in exchange for a contribution, the transaction is considered an **exchange transaction**. As a result, the only part of the contribution that is eligible as NFFS is the differential value between what the grantee gives and receives. In other words, the fair market value of what the grantee gives must be deducted
from the fair market value of what the grantee receives. If the fair market value that the grantee
receives is greater than what it gives, the net difference between the two is eligible to be included as
NFFS (assuming the contribution satisfies all the criteria outlined in the preceding paragraph).

**Specific Exclusions from NFFS Reporting**

Beginning in 1996 certain in-kind contributions of property and equipment no longer qualified as
NFFS. For example, pre-recorded **compact discs, records, tapes and cassettes may not be
claimed as NFFS.** Since capitalization thresholds have changed in recent years these contributions
most likely are treated as consumable supplies and therefore should be reported on Schedule C as
contributions that do not qualify as NFFS.

The following exclusion applies to TV stations only. 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.** The
NFFS exclusion extends to all contributions of, or for the purpose of acquiring, new broadcast and
operational equipment, as well as new facilities, new construction, and facilities upgrades and
improvements. CPB implemented this policy change beginning with the FY 2001 grant year (i.e., in the
1999 AFR reporting year).

Property acquired as in-kind contributions from donors that typically offer standard **discount** rates
available to the public should recognize only the discounted value as NFFS.

**Schedule D Instructions**

**Summary**

**Lines 1 through 5** capture in-kind contributions that are **NFFS eligible.** On lines 1 through 5 enter
values and select donor codes for each descriptive line item. **Line 6 “Total in-Kind Contributions –
property and equipment eligible as NFFS”** will display the sum of lines 1 through 5. **Any support
claimed as NFFS must be recognized as support in the grantee's audited financial statements.**

On **line 7 ”In-Kind Contributions Ineligible as NFFS”** you will enter values on one or more sub-
lines that provide a checklist of the typical in-kind contributions that do not qualify as “matchable”
NFFS for grant calculation purposes. **See illustration below.**

**7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS**

a. Exchange transactions
b. Federal or public broadcasting sources
c. TV only—property and equipment that includes new facilities (land and structures),
   expansion of existing facilities and acquisition of new equipment
d. Other

**Line 8** “Total in-kind contributions – property and equipment” will display the **sum of line 6 plus line
7** and will forward to Schedule F, line 1d. for reconciliation with the financial statements. **VERY
IMPORTANT**—this line, together with its Schedule C counterpart, must agree with the in-kind
contributions reported in the audited financial statements.
For each data entry line you must select a **donor code** from a drop list. Use the donor code for the highest cumulative value reported for a single donor group when more than one donor group is reported on a single line.

- BS-business
- FD-foundation
- FG-federal government
- LG-local government
- OT-other
- PB-public broadcasting entity
- PU-private university
- SG-state government
- SU-state university

Under the Donor Code column on Schedule D, the user must select the appropriate code from the drop down list.

<table>
<thead>
<tr>
<th>Line Item Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lines 1 and 2 – Land and Buildings</strong></td>
</tr>
<tr>
<td>Enter the appraised value of land or building donated to the station grantee for its continued use. The appraiser should use community zoning laws or local codes and base the land appraisal on vacant lot value and the building appraisal on a vacant building without the cost of utilities.</td>
</tr>
</tbody>
</table>

**Lines 3, 4 and 5 – Equipment, Vehicles and Other**

Enter the fair value of equipment and other depreciable assets donated to the station grantee for its continued use.

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

This line represents the sum of lines 1 through 5, which forwards to Line 3b of the Summary of Nonfederal Financial Support.

**Line 7 – In-kind Contributions Ineligible as NFFS**

In order to reconcile with the audited financial statements use line 7 to report any in-kind contributions recognized as revenue in the AFS but that are not includable as NFFS either because they do not meet
the legal definition as described in Section 3 or because CPB policies restrict them as “matchable” NFFS for grant calculation purposes. As illustrated below, you will enter values on one or more sub-lines (5a, b, c and d) that provide a checklist of the typical in-kind contributions that do not qualify as NFFS for grant calculation purposes.

   a. Exchange transactions
   b. Federal or public broadcasting sources
   c. TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment
   d. Other

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

This line represents the **total of line 6** (in-kind contributions eligible as NFFS) and **line 7** (in-kind contributions ineligible as NFFS). This value will forward to Schedule F, line 1d. so that it can be reconciled with the total in-kind contributions recognized as revenue in the audited financial statements.
Section 5.8: Completing AFR Schedule E
Expenses
Grantees’ Fiscal Year 2009

Introduction
Schedule E consists of three broad sections: Expenses, Investment in Capital Assets and an Additional Information Section.

EXPENSES
Lines 1 through 8 of Schedule E reflect the sum total of all expenses (operating and non-operating) incurred by the public broadcasting station(s) as reported in the grantee’s audited financial statements. 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 communicated 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.

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 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 “Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities at the following URL www.cpb.org/stations/principles (Sections 3.8.7, 3.8.8 and 4.9.5).

INVESTMENT IN CAPITAL ASSETS

Lines 9 through 10 of Schedule E collect information about the cost of capital assets purchased or donated. Refer to the “Line Item Reporting” section below for information on completing this section.

Beginning with FY 2004 reporting, an “Additional Information” section was added at the end of the Schedule (identified as line numbers eleven (11) through fourteen (14). Refer to the “Line Item Reporting” section below for information on completing this section.

Stations that elect to file audited financial statements biennially (see Section 2), must pay special attention to the section below addressing their special circumstances.

LINE ITEM REPORTING

_report expenses exactly as they are reported in the audited 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 (ISIS uses a default value of zero for each line of data entry). 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
Use the following classifications for reporting investment in capital assets:

**INVESTMENT IN CAPITAL ASSETS**

**Line 9** - Total capital assets purchased or donated—*ISIS will automatically add lines 9a. through 9c. and populate line 9 with this total.*

- **Line 9a.** – Land and buildings
- **Line 9b.** – Equipment
- **Line 9c.** – All other

**Line 10** – Total expenses and investment in capital assets—*ISIS will automatically add line 8 and line 9 and populate line 10 with this total.*

Use the following classifications for reporting additional information:

**ADDITIONAL INFORMATION**

**Line 11** – Total expenses (direct only)—*Of the total expenses included on line 8, enter the portion that represents direct expenses only (i.e. exclusive of donated goods and services and indirect administrative support).*

**Line 12** – Total expenses (indirect and in-kind)—*Of the total expenses included on line 8, enter the portion that represents donated goods and services and indirect administrative support only.*

**Note:** Line 11 plus line 12 must equal line 8.

**Line 13** – Investment in capital assets (direct only)—*Of the total capital assets purchased or donated included on line 9, enter the portion that represents direct purchases only (i.e. exclusive of donated capital assets).*

**Line 14** – Investment in capital assets (indirect and in-kind)—*Of the total capital assets purchased or donated included on line 9, enter the portion that represents donated capital assets only.*

**Note:** Line 13 plus line 14 must equal line 9.

**Biennial Filers of Audited Financial Statements**

Grantees that elect to file audited financial statements biennially (see Section 2) should complete all data entry fields of Schedule E with zeroes, which are not actual values of zero, but indicate missing data. Save Schedule E even though all totals are equal to zero.
Section 5.9: Completing AFR Schedule F
Reconciliation of AFR with Audited Financial Statements (AFS)
Grantees’ Fiscal Year 2009

ATTENTION JOINT LICENSEES

When audited financial statements for jointly licensed grantees show consolidated data for BOTH this grantee and one or more other jointly-licensed grantees, use the instructions below in the section labeled "IMPORTANT INSTRUCTIONS FOR: Jointly licensed grantees with consolidated audited financial statements".

A grantee's AFR must be reconciled with its audited financial statements (AFS). Schedule F must be used in documenting this process.

Remember, all NFFS reported in any given year must be recognized as support and revenue in the audited financial statements for that year.

INSTRUCTIONS FOR:
Grantees that file an AFS for the REPORTING GRANTEE ONLY

Special note for joint-licensees: Grantees that file consolidated 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 "IMPORTANT INSTRUCTIONS FOR: Jointly licensed grantees with CONSOLIDATED Audited Financial Statements".

STEP #1

Access to Schedule F is dependent upon completing the required AFR Schedules and selecting the "Yes" radio button located at the bottom of each Schedule and to the right of the question “Have you completed Schedule A” (or B, C, D and E respectively). Once you have done this, the Schedule F status on the Financial Reporting Main page will change from “Not Available” to “Available”.

Go to Schedule F by either clicking the link on the Financial Reporting Main screen or selecting Schedule F from the “Financial Reporting” drop menu:
STEP #1 Illustration

ISIS will automatically:

- pull data from Schedules A through D,
- fill in the top four lines of Schedule F with those values, and
- sum them and display the sum on line 1.e "Total from AFR".

STEP #2.

ISIS will automatically:

- pull data from Schedules A through D,
- fill in the top four lines of Schedule F with those values, and
- sum them and display the sum on line 1.e "Total from AFR".
STEP #3.

Select a radio-button for the financial statement “Reporting Model” that accurately reflects the grantees’ audited financial statement presentation basis, then click the “Choose” button. ISIS will display the corresponding line item information in which you will enter data from your financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the “Choose” button. ISIS will display a pop-up window warning you that all data entered in the current reporting model will be lost and give you the option to continue or remain in the already chosen reporting model.

- **FASB** – Grantee financial statements that follow FASB reporting guidelines should enter data on lines 2a-2c.

- **GASB Model A** – Grantee financial statements that follow proprietary enterprise-fund financial statements with business type activities should enter data on lines 2a-2d.
- **GASB Model B** – Grantee financial statements that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities should enter data on lines 2a-2d.

### Choose Reporting Model

You must choose a reporting model in order to complete Schedule F.

- FASB
- GASB Model A proprietary enterprise fund financial statements with business-type activities only
- GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities

#### 2. Choose reporting model above

<table>
<thead>
<tr>
<th></th>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Charges for services</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>b. Operating grants and contributions</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>c. Capital grants and contributions</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>d. Other revenues</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>e. Total From AFS less line a-d</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**ISIS will automatically calculate the values for the totals of the chosen reporting model.**

### Choose Reporting Model

You must choose a reporting model in order to complete Schedule F.

- FASB
- GASB Model A proprietary enterprise fund financial statements with business-type activities only
- GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities

#### 2. Choose reporting model above

<table>
<thead>
<tr>
<th></th>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Operating revenues</td>
<td>$0</td>
<td>$1,234</td>
</tr>
<tr>
<td>b. Non-operating revenues</td>
<td>$0</td>
<td>$234</td>
</tr>
<tr>
<td>c. Other revenue</td>
<td>$0</td>
<td>$3,456</td>
</tr>
<tr>
<td>d. Capital grants, gifts and appropriations (if not included above)</td>
<td>$0</td>
<td>$4,567</td>
</tr>
<tr>
<td>e. Total From AFS less line a-d</td>
<td>$0</td>
<td>$9,491</td>
</tr>
</tbody>
</table>

**In odd-numbered reporting years, grantees that must file an AFR but elect to file audited financial statements biennially must:**

- enter no data in the support and revenue lines, leaving the ISIS default values of zero for those lines,
- click the “Add” button (line 3) to enter and save the reconciling item(s) to account for the difference shown on Schedule F, line 3. In this instance note the election not to file audited financial statements until the following year and enter the difference value as a reconciling item using the instructions shown in Step 6, below. You must also complete a form "Election to File Audited Financial Statements Biennially" as instructed in the ISIS Help files. [Click here for more information on biennial filing](#).
STEP #4.

ISIS will automatically calculate and display on line 3 the difference between the "Total from AFR" (line 1.e) and the "Total from AFS". Any difference between the AFR and AFS must be explained on line 4 in one or more reconciling items.

### AFR Schedule F (2006)
Reconciliation

<table>
<thead>
<tr>
<th>1. Data from AFR</th>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Schedule A, Line 21</td>
<td>$769,385</td>
<td>$500,944</td>
</tr>
<tr>
<td>b. Schedule B, Line 5</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>c. Schedule C, Line 6</td>
<td>$313,828</td>
<td>$</td>
</tr>
<tr>
<td>d. Schedule D, Line 6</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>e. Total from AFR</td>
<td>$1,083,214</td>
<td>$500,944</td>
</tr>
</tbody>
</table>

### Choose Reporting Model
You must choose a reporting model in order to complete Schedule F.

- **FASB**

- **OAGB Model A** proprietary enterprise-fund financial statements with business-type activities only

- **OAGB Model B** public broadcasting entity-wide statements with mixed governmental and business-type activities

### Choose reporting model above

<table>
<thead>
<tr>
<th>2. Choose reporting model above</th>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Operating revenues</td>
<td>$0</td>
<td>$1,293</td>
</tr>
<tr>
<td>b. Non-operating revenues</td>
<td>$0</td>
<td>$234</td>
</tr>
<tr>
<td>c. Other revenue</td>
<td>$0</td>
<td>$3,456</td>
</tr>
<tr>
<td>d. Capital grants, gifts and appropriations (if not included above)</td>
<td>$0</td>
<td>$4,567</td>
</tr>
<tr>
<td>e. Total From AFS less line a-d</td>
<td>$0</td>
<td>$9,491</td>
</tr>
</tbody>
</table>

### Reconciliation

<table>
<thead>
<tr>
<th>3. Difference (line 1e minus line2 total)</th>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$6,405</td>
<td>$491,453</td>
</tr>
</tbody>
</table>
STEP #5.

If the difference displayed on line 3 is not equal to the difference between the "Total from AFR" (line 1.e) and the "Total from AFS", click the “Add” button under line 4. You will enter and save one or more reconciling items to account for the difference.

<table>
<thead>
<tr>
<th>Reconciliation</th>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Difference (line 1e minus line2 total)</td>
<td>$6,405</td>
<td>$491,453</td>
</tr>
</tbody>
</table>

Is the amount of line 1e minus line2 total not equal to $0? If not, please list reconciling items:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example A</td>
<td>111</td>
</tr>
<tr>
<td>Example B</td>
<td>222</td>
</tr>
</tbody>
</table>

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.

Beginning with the FY 2006 AFR reporting year reconciling items should be minimal. This is mainly attributable to the reporting changes introduced for Schedules A, C and D, which eliminated some of the most common reconciling items from past years (e.g. direct expenses of auctions and special fund raising activities netted against revenues on Schedule A or in-kind contributions that did not meet NFFS reporting criteria so were not entered on either Schedule C or D). For more information on the AFR reporting changes introduced with the implementation of ISIS, go to the Financial Reporting Guidelines (a.k.a. AFR Guidelines) located in the ISIS Help files, specifically Section 1: Highlights of AFR Reporting Changes Using ISIS.

STEP #6.

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 Schedule F 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.”
STEP #6 Illustration

STEP #7.

At the bottom of Schedule F, click the “Back to Main” button (or select Financial Reporting Main from the drop-down menu). The current status of Schedule F should be “Completed” and the Signature Page status should be “Available”.

Click on the links for instructions on how to process the AFR Signature Page, Accountant’s Qualification Statement (if required), and upload the Alternate Opinion Language (optional) and Audited Financial Statements.

Once these actions are complete, the Grants Administrator is ready to submit the AFR Package to CPB.

**IMPORTANT INSTRUCTIONS FOR:**
Jointly-licensed grantees with CONSOLIDATED Audited Financial Statements

Each grantee must file a separate Annual Financial Report (AFR), but jointly licensed grantees are permitted to file audited financial statements (AFS) that reflect the consolidated financial activities and position of more than one grantee.

When a group of two or more grantees do so, the ISIS Grants Administrators for ALL of the grantees involved MUST coordinate their filings very carefully, so that reconciliations between the single set of audited financial statements (AFS) and each of the Annual Financial Reports (AFRs) will be handled correctly by ISIS.

In ALL such cases of consolidated financial statements, ALL ISIS Grants Administrators for the grantees involved must observe the following STEP-BY-STEP instructions, in the prescribed order:

**In ISIS you have the ability to 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. Of course, be sure to SAVE your work when moving from one grantee to another. Never open more than one browser window in ISIS simultaneously regardless if you are the Grants Administrator for more than one grantee or not.

You should NEVER have more than one browser window open in ISIS simultaneously.

STEP #1.
For each of the grantees represented in a single set of consolidated financial statements, the ISIS Grants Administrator(s) should complete (and save all data in) the Annual Financial Report (AFR) Schedules A through E and save the data for each grantee sequentially, i.e. for ONLY ONE grantee at a time. Access to Schedule F is dependent upon each grantee completing the required AFR Schedules and selecting the “Yes” radio button located at the bottom of each Schedule and to the right of the question “Have you completed Schedule A” (or B, C, D and E respectively). Once you have done this, the Schedule F status on the Financial Reporting Main page will change from “Not Available” to “Available”.

STEP #2.

ISIS Grants Administrators for all of the grantees involved must agree on which ONE of the jointly licensed grantees will be treated as the "parent" grantee. ISIS will treat the remaining grantee(s) as "child(ren)".

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, though, 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. ISIS will automatically attribute the relevant data to the child(ren) grantee(s), as well.

After Schedules A through E (but NOT Schedule F) have been completed for all the grantees involved in the consolidated AFS, and after the parent grantee has been selected, login to ISIS for the PARENT grantee ONLY (or if you are already logged into ISIS you can change to the desired grantee without logging out by going to either the main Summary Page or the Financial Reporting Main page and selecting from the Change Grantee drop box). From the Financial Reporting Main screen go to Schedule F and begin the consolidation process. Near the top of the page (and just below “AFR Schedule F” will be a listing of the other jointly-licensed grantees with a check box to the left of the call letters (or grantees name). Follow these three steps:

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.
STEP #3.

If the consolidation process has been completed correctly, ISIS will automatically:

- pull data from Schedules A through D for ALL of the grantees represented in the consolidation process,
- fill in the top four lines of Schedule F with the AGGREGATE values for all of those grantees, and
- sum them and display the sum on line 1.e "Total from AFR".

The next two illustrations show the effect of the consolidation on both the “Parent” and “Child”. The “Child’s” (or “children’s” if there is more than one) **Schedule F will display** in “read only” format and prominently identify the parent with whom it is consolidated.

PARENT
STEP #4.

Select a radio-button for the financial statement “Reporting Model” that accurately reflects the grantees’ audited financial statement presentation basis, then click the “Choose” button. ISIS will display the corresponding line item information in which you will enter data from your consolidated financial statements. If you select the incorrect reporting model, simply change your selection to another reporting model and click the “Choose” button. ISIS will display a pop-up window warning you that all data entered in the current reporting model will be lost and give you the option to continue or remain in the already chosen reporting model.

- **FASB** – Grantee financial statements that follow FASB reporting guidelines should enter data on lines 2a-2c.
- **GASB Model A** — Grantee financial statements that follow proprietary enterprise-fund financial statements with business type activities should enter data on lines 2a-2d.

  
  Choose Reporting Model
  
  You must choose a reporting model in order to complete Schedule F.

  ![Choose Reporting Model](image)

<table>
<thead>
<tr>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Operating revenues</td>
<td>$</td>
</tr>
<tr>
<td>b. Non-operating revenues</td>
<td>$</td>
</tr>
<tr>
<td>c. Other revenue</td>
<td>$</td>
</tr>
<tr>
<td>d. Capital grants, gifts and appropriations (if not included above)</td>
<td>$</td>
</tr>
<tr>
<td>e. Total From AFS less line a-d</td>
<td>$</td>
</tr>
</tbody>
</table>

- **GASB Model B** — Grantee financial statements that follow public broadcasting entity-wide financial statements with mixed governmental and business type activities should enter data on lines 2a-2d.

  Choose Reporting Model
  
  You must choose a reporting model in order to complete Schedule F.

  ![Choose Reporting Model](image)

<table>
<thead>
<tr>
<th>2005 data</th>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Charges for services</td>
<td>$</td>
</tr>
<tr>
<td>b. Operating grants and contributions</td>
<td>$</td>
</tr>
<tr>
<td>c. Capital grants and contributions</td>
<td>$</td>
</tr>
<tr>
<td>d. Other revenues</td>
<td>$</td>
</tr>
<tr>
<td>e. Total From AFS less line a-d</td>
<td>$</td>
</tr>
</tbody>
</table>
ISIS will automatically calculate the values for the totals of the chosen reporting model.

STEP #5.

ISIS will automatically calculate and display on line 3 the difference between the "Total from AFR" (line 1.e) and the "Total from AFS". Any difference between the AFR and AFS must be explained on line 4 in one or more reconciling items. If the difference between these two values is not equal click the “Add” button under line 4 and enter one or more reconciling items to account for the difference.

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.

Beginning with the FY 2006 AFR reporting year reconciling items should be minimal. This is mainly attributable to the reporting changes introduced for Schedules A, C and D, which eliminated some of the most common reconciling items from past years (e.g. direct expenses of auctions and special fund raising activities netted against revenues on Schedule A or in-kind contributions that did not meet NFFS reporting criteria so were not entered on either Schedule C or D). For more information on the AFR reporting changes introduced with the implementation of ISIS, go to the Financial Reporting Guidelines (a.k.a. AFR Guidelines) located in the ISIS Help files, specifically Section 1: Highlights of AFR Reporting Changes Using ISIS.
### AFR Schedule F (2006)

#### Reconciliation

**Consolidate Grantee (optional)**

To consolidate this AFR with one or more separate AFRs from your joined grantees, for which the financial statements are consolidated, select a grantee and then check the consolidate grantee box.

- [ ] WKAR-FM

**Unconsolidate**

You must click on "Save" button to unconsolidate.

<table>
<thead>
<tr>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Data from AFR</td>
</tr>
<tr>
<td>a. Schedule A, Line 21</td>
</tr>
<tr>
<td>b. Schedule B, Line 5</td>
</tr>
<tr>
<td>c. Schedule C, Line 6</td>
</tr>
<tr>
<td>d. Schedule D, Line 8</td>
</tr>
<tr>
<td>e. Total from AFR</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>2006 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. GASB Model A proprietary enterprise-fund financial statements with business-type activities only</td>
</tr>
<tr>
<td>a. Operating revenues</td>
</tr>
<tr>
<td>b. Non-operating revenues</td>
</tr>
<tr>
<td>c. Other revenue</td>
</tr>
<tr>
<td>d. Capital grants, gifts and appropriations (if not included above)</td>
</tr>
<tr>
<td>e. Total From AFS, lines 2a-2d</td>
</tr>
</tbody>
</table>

**Reconciliation**

<table>
<thead>
<tr>
<th>2008 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Difference (line 1 minus line 2)</td>
</tr>
<tr>
<td>a.</td>
</tr>
<tr>
<td>b.</td>
</tr>
</tbody>
</table>

If the amount on line 3 is not equal to $0, click the "Add" button and list the reconciling items.
STEP #6.

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 Schedule F 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.”

STEP #7

Now, there are a few more steps that each joined grantee must follow to be sure that each AFR properly reflects the correct NFFS values on the respective Financial Reporting Main screens and Signature Pages.

As the “Parent” grantee, click the “Back to Main” button at the bottom of Schedule F. The current status for Schedule F should show “Completed” and for the Signature Page the status should show “Available”.

At this point, you must verify the NFFS values shown in the “NFFS Summary” section at the bottom of the Financial Reporting Main screen. Next, click on the Signature Page link and verify these same NFFS values in the “Summary of Non-Federal Financial Support” section.
REPEAT THESE STEPS FOR EACH JOINTLY LICENSED CHILD GRANTEE. Also, be sure to review Schedule F for each child and validate that it reflects the same values as the Parent and that it is in a “read-only” format (see illustration).

STEP #8.

Click on the links for instructions on how to process the AFR Signature Page, Accountant’s Qualification Statement (if required), and upload the Alternate Opinion Language (optional) and Audited Financial Statements.

Once these actions are complete, the Grants Administrator is ready to submit the AFR Package for each jointly licensed grantee to CPB.

YOU MUST PROCESS AND UPLOAD THESE DOCUMENTS SEPARATELY FOR THE PARENT AND EACH CHILD GRANTEE AND SUBMIT EACH AFR PACKAGE accordingly.
Section 6: Completing the Annual Financial Summary Report (FSR)
Grantees’ Fiscal Year 2009

Introduction
The FSR is a short-form version of the Annual Financial Report (AFR). It is specifically intended for use ONLY by recipients of Radio Community Service Grants in Levels A and B to report their station’s financial activity. The following table provides information on who must file an FSR for fiscal years 2006 and beyond.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A and B</td>
<td>&lt;$300,000</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>A and B</td>
<td>=$300,000</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>C and D</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

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 (AFS). Use Part 4 to reconcile revenues reported on the FSR with the audited financial statements.

For institutional stations, the AFS must be for the Grantees’ operations, not those of its licensee. Institutional stations are departments, divisions, or units of the licensee and often dependent upon the licensee for support (e.g., a station that is part of a university is usually dependent on the university for a variety of services (e.g. accounting services and facilities maintenance). Included in this category are stations licensed to states and subdivisions of states, local governments and subdivisions of local governments, universities (private or public), and outlying territories like Puerto Rico or Guam. (Go to Section 3 for more information).

The FSR filing deadline is five months after the end of the grantee's fiscal year, but not later than May 31.
Regardless of whether an AFS is required or not, CPB reserves the right to audit all financial and other information reported on the FSR.

Go to Section 3 NFFS-Minimums for CSG Eligibility, Statutory Definitions and Reporting Criteria for more information on reporting policies and procedures. These Guidelines apply to both the AFR and FSR. Read them carefully before completing the FSR.

Reminder: Grant funds cannot be released until financial reporting requirements are satisfied.

General instructions for completing FSR forms online

1. Round all money figures to the nearest dollar.

2. Use the tab key NOT THE ENTER KEY to move from data entry box to data entry box in each screen. Using the Enter key will cause ISIS to save the entire screen each time you use the key, rather than moving your cursor from box to box as you enter data.

3. Use the Save button at the bottom of each screen solely to save data. To prevent accidental data loss during data entry, do so as often as you feel comfortable. Until you select "SUBMIT to CPB" on the FSR Financial Reporting Main Screen, using the Save button will simply save data in draft form without formally submitting them for CPBs review.

4. To move from screen to screen, use the navigational buttons or hyperlinks that may appear within a screen. To avoid data corruption, NEVER use the browser Back or Forward buttons or commands in your Web browser software.

5. Even if you are an ISIS Grants Administrator for more than one grantee, log in to ISIS for ONLY ONE GRANTEE AT A TIME, and always log out from ISIS and log back in before starting work on another grantees forms.

You should NEVER have more than one browser window open in ISIS simultaneously.

Direct Revenue

Use lines 1 through 11 to report direct revenue recognized in the station’s financial statements for its fiscal year. For institutional stations, direct revenue may consist of expenses incurred or absorbed by the licensee specifically for the operation of the station. Institutional stations should go to Section 3 for special instructions on reporting direct support from their licensees.
It is important to identify the source of revenue rather than the use of revenue. For example, Line 7, Business and Industry, should include contributions, underwriting revenue, and payments for goods or services received from business and industry.

All revenue must meet the appropriate source, form, purpose and recipient criteria to be included as NFFS. Any revenue not meeting each criterion should be reported both as direct revenue on lines 1-11 and on lines 13 and 14 as revenue not reportable as NFFS. Revenues reported on lines 1, 2 and 3 are automatically totaled and forwarded to line 13. The revenues reported in Part 3 of the FSR are automatically totaled (line W19) and forwarded to line 14 in Part 1.

**Part 1: Direct Revenue**

**Line Item Instructions**

**Line 1 - Federal Government Agencies**

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

- the station directly,
- the licensee of a community station,
- the licensee of an institutional station and restricted for public broadcasting purposes, or
- a non-federal organization with the stipulation that they retain their federal identity when passed on to other parties.

OMB Circular A-133 defines "federal award" to mean federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive from federal awarding agencies or indirectly from pass-through entities. Federal awarding agencies are federal agencies that provide an award directly to the recipient and pass-through entity means a non-federal entity that provides a federal award to a sub-recipient to carry out a federal program.

All domestically-funded Federal programs are identified with a unique number created in the **Catalog of Federal Domestic Assistance** (CFDA) database. It tracks programs available to State and local governments (including the District of Columbia); federally-recognized Indian tribal governments; Territories (and possessions) of the United States; domestic public, quasi-public, and private profit and nonprofit organizations and institutions; specialized groups; and individuals.

CPB is not a federal agency but rather a 501(c)(3) non-profit organization. Additionally, CPB’s annual appropriation is not assigned a CFDA number because it is not a federal agency program as its funding comes from a direct appropriation from Congress. Consequently, recipients of CPB Community Service Grants and other grants made from CPB’s annual Congressional appropriation are neither recipients nor sub-recipients of federal funds. Therefore, these funds should be reported in the appropriate sub-category of line 2, Amounts provided by Public Broadcasting Entities.

In some cases, however, CPB serves as an intermediary to distribute federal funds. For example, CPB distributes federal funds from the U.S. Department of Education via the Ready to Learn (RTL) program. Consequently, sub-recipients of CPB’s RTL program funds should report them on line 1.B.
Because federal funds do not qualify as NFFS grantees who receive appropriations or grants from foundations, non-profit organizations, state or local governments, public or private colleges and universities, or their licensee, should confirm with the appropriator or grantor whether the funds in whole or part retain their federal character.

For example, a university that is a station licensee receives a grant from the U.S. Department of Education ("USDOE") under the Title III, Part B ("Title III") grant program, all funds of which are restricted by the USDOE for specific purposes. Internally, the university apports its Title III grant funds amongst its departments, including its public broadcasting station. But, the apportioning is necessarily done within the grant restrictions originally attached by the USDOE. In other words, the university divides the funds amongst its departments to accomplish the overarching goal for which the grant was made. As a result, the university does not have the necessary discretion over the funds to warrant the funds losing their federal identity when they are transferred to the public broadcasting station. Instead, the funds remain federal and should be reported on line 1B, thereby excluded from NFFS.

In another example, a state arts organization presents a grant to a public broadcasting station. The grant is partially funded (80%) by the state arts organization, through state appropriations, and partially funded (20%) by the National Endowment for the Arts ("NEA"). One-hundred percent of the grant funds are paid to the public broadcaster by the state arts organization. Although the entire amount of the grant is paid to the public broadcaster by the state arts organization, the portion of the grant that is funded by the NEA remains federal and should be reported on line 1D.

Ultimately, the grantee is responsible for properly identifying all federal funds it receives, both directly and indirectly, and reporting them correctly on the AFR. Always confirm with the grantor, your licensee, and other sources of funds as to whether or not those funds, in whole or part, retain their federal character when passed on to you as a sub-recipient.

Contact CPB at ISIS@cpb.org if you have any questions about whether funds are federal for purposes of this report.

**Line 2 - Public Broadcasting Funds**

Public broadcasting funds are reported on this line, but ISIS automatically excludes them from NFFS on line 13. Report all funds provided directly to the grantee by CPB.

**Line 3 Other Public Broadcasting Entities**

If the station received revenue from public broadcasting entities other than CPB, report the amount on line 3. Public broadcasting entities include **CPB, PBS, NPR, all other public broadcasting stations and other public broadcasting entities**. Interest rebates from NPR for early payment of dues should also be reported on this line. Go to Section 3 and Section 5.2 for more information on public broadcasting entities.

Effective December 1, 2003, all grants received from the Annenberg Foundation for projects previously funded by the **CPB/Annenberg Project** (Project) and reported on line 3 are appropriately considered non-federal financial support because on that date CPB ended its relationship with the Project. At that time, the Project became separately incorporated and completely administered and funded by the Annenberg Foundation. Because CPB was no longer involved in the Project, it no longer meets the definition of a Public Broadcasting Entity. Payments received prior to this date from the CPB/Annenberg Project were reportable on line 3. After this date, grants from **The Annenberg Foundation** are reportable on line 6, Foundations and nonprofit associations, a revenue source that qualifies as NFFS.
**Line 4 - State and Local Government Agencies**

Report grants, payments or appropriations from state, county and local government agencies, including state public broadcasting agencies or networks. Unspent funds returned to the granting agency must be excluded.

**Line 5 - Colleges and Universities**

Report grants, payments or appropriations received from state and other tax supported colleges and universities, including community colleges, and private colleges and universities or private educational institutions. Include discretionary work-study funds that the college or university distributes to the station. Also, include any direct costs incurred or absorbed by the university specifically for the station (go to Section 3 for special instructions on reporting direct support from grantee licensees).

**Line 6 - Foundations and Nonprofit Associations**

Report revenue received from national, regional, or local foundations or nonprofit associations. Include grants, contributions, underwriting revenue and payments for goods and services. Also use this line to report revenue from a related friends group except for membership revenues, which should be reported on line 8.

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.

**Line 7 - Business and Industry**

Report gross revenue received from commercial stations, networks, cable companies, and other for-profit entities. Include grants, contributions, underwriting revenue and payments for goods and services.

**Line 8 - Membership and Subscriptions**

Report gross revenue from subscriptions/membership contributions, less any amounts taken as write-offs for uncollectible pledges. You must also deduct the fair market value of premiums (thank you gifts) that are greater than nominal value (for more information go to Section 5.2 and read the instructions for line 10).

Include in gross revenue from membership/subscription contributions, matching funds and challenge grant funds if the donor received the benefits of station membership. Include miscellaneous individual contributions and revenue received from "friends groups" for membership/subscription contributions.

**Line 9 - Special Fund Raising Activities**

Report revenue from special fund raising activities herein defined as: gaming activities, performances, benefits, dances, lectures, dinners, art exhibits, workshops, film festivals, tournaments, wine tasting parties and travel tours, etc. Deduct from the gross proceeds all direct costs incurred to produce such events and costs for prizes distributed. 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.
Donated goods and services associated with fund raising activities should not be claimed as NFFS. Examples include donated tickets, donated catering services, donated auction items and donated sweepstakes items.

**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 button to open a table in which you will itemize values to be reported on this line. Make as many entries as necessary. ISIS will total the values entered and forward them to line 11 as illustrated here.

Examples include:

- Gains or (losses) on sale of assets
- Realized and unrealized gains or (losses) from investments (including endowment funds)
- Endowment revenue (contributions plus interest and dividends 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)
- PBS Adult Learning Services (PBS/ALS)
- Sales of premiums
- Product Clearing House revenue sharing
- Revenue from the use of an affinity card
- Revenue received from the Public Radio Music Source (PRMS)
- 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**

ISIS will sum lines 1 through 11 automatically, and the total will appear on line 12.

**Adjustments to Revenue (lines 13 and 14)**

The following adjustments are necessary in order to arrive at total direct NFFS.

**Line 13 - Federal and Public Broadcasting Exclusions to NFFS**

Federal funds and public broadcasting funds (including CPB) do not meet the criteria for inclusion as NFFS. Lines 1 through 3 will be summed automatically and the total will appear on line 13.
Line 14 - Other Revenue Not Meeting NFFS Criteria

Use Part 3 - FSR Worksheet (see below) to report payments and any other revenue included on line 12 that does not meet the NFFS source, form, purpose, and/or recipient criteria for inclusion as NFFS. The total will be automatically brought forward from Part 3, line W19 to this line.

Line 15 - Total Direct NFFS

Lines 13 and 14 will be subtracted automatically from line 12, and the total will appear on line 15.

Line 16 - In-Kind Contributions

Use this line to report contributed services, the contributed use of assets and contributed property and equipment from donors other than the licensee. Remember, you should only enter contributions that qualify for revenue recognition in your financial statements. On line 16a enter contributions that qualify as NFFS. On line 16b enter in-kind contributions that do not qualify as NFFS. In-kind contributions must meet all general criteria for reporting nonfederal financial support (as defined in Section 3). Other useful information on in-kind contributions can be found in Section 5.6 and Section 5.7.

Line 17 - Total Revenue

Lines 12 and 16 will be added automatically, and the total will appear on line 17.

Part 2: Expenses

This section of the FSR reflects the sum total of all expenses (operating and non-operating) incurred by the public broadcasting station as reflected in its financial records and reported in its financial statements. Stations 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 communicated 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.

In addition, Part 2 has an Additional Information section where information about the cost of capital assets purchased or donated is entered. Refer to the Line Item Reporting section below for information on completing this section.

Stations that elect to file audited financial statements biennially, (see Section 2) must pay special attention to the section below addressing their special circumstances.

Classification of Expenses

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.

**Biennial Filers of Audited Financial Statements**

Grantees that elect to file audited financial statements biennially (see Section 2) should complete all data entry fields of Part 2 with zeros, which are not actual values of zero, but indicate missing data.

The FSR captures expenses by functional category only.

**Line Item Reporting**

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)

**TOTAL EXPENSES**

- **Line 25** - Total Expenses - ISIS will add lines 18 through 24 automatically, and the total will appear on line 25. This line must agree with the financial statements.

**ADDITIONAL INFORMATION**

- **Line 26** - Cost of Capital Assets Purchased or Donated

Report the cost of capital assets, including the fair value of donated assets, acquired in the current year. Identify costs in the categories land and buildings (**line 26a.**), equipment (**line 26b.**), and other (**line 26c.**).

**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, accounting services for several stations may be performed by staff that is resident at one of the 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.

**Part 3: FSR Worksheet (Worksheet for reporting revenue not qualifying as NFFS)**

The FSR includes a worksheet for identifying revenue that cannot be included as NFFS because it fails to meet all the criteria as specified by the Communications Act of 1934, as amended.

This worksheet is used to: (a) report payments from for-profit corporations or individuals that are for the sale of goods or services, the revenue for which is included in Part 1, Line 12, total direct revenue, and (b) report certain other revenues that do not qualify as NFFS by definition (e.g. lines W9, W11 and W12).

**Payments (unallowable)** - An unallowable payment is cash, property, or services received by a public broadcast station from a for-profit entity, not-for-profit, or an individual in exchange for specific services or materials. No such payments are included as NFFS. The four criteria (defined in Section 3) are:

- **Source** - a commercial (i.e., for-profit) business enterprise, including a for-profit subsidiary, a not-for-profit, or an individual.
- **Form** - payments in exchange for any services or materials.
- **Purpose** - services or materials for any related activity of the public broadcast station.
- **Recipient** - a public broadcast entity.

**Line Item Instructions**

Lines W1 to W8 and W10 cover payments for the sale of goods or services to for-profit entities and individuals. They are not included as NFFS because they do not meet the source criterion. Lines W9, W11 and W12 do not qualify as NFFS by definition. These activities are not exhaustive. Any other
activities that generate payments from unallowable sources should be shown on line W12 (e.g., revenue from the Public Radio Music Source).

**Lines W13 to W18** cover all revenue from unallowable sources or for unallowable activities.

**Unallowable sources** are for-profit subsidiaries (line W13) and nonprofit subsidiaries engaged in non-telecommunications activities (line W14).

**Unallowable activities** include the sale of program guides (line W15), the sale of advertising in program guides attributable to that percent of total copies distributed that have been sold through normal retail outlets and/or by magazine subscription (line W16), and refunds, reimbursements, and insurance proceeds if the station has recognized them as revenue, rather than as a reduction of expenses (line W17).

**Other revenue that must be excluded from NFFS (line W18)** includes, for example:

- The transmission of data by non-broadcast means unless the exception criteria are met. Go to Section 3 for more information on non-broadcast related activities.
- Payments received from any source to air a lottery drawing which are not included as NFFS because such funds are not considered payments in exchange for services or materials with respect to the provision of educational television or radio programs.
- Revenue reported to the IRS as unrelated business income (Form 990T) deduct the full amount on this line.

**Line W19** - Total Unallowable Revenue ISIS will sum lines W1 to W18 automatically, and the total will appear on this line and will be forwarded automatically to Part 1, line 14.

**Part 4: Reconciliation of FSR with Audited Financial Statements**

This section should only be completed by grantees required to file audited financial statements.

**R1:** Enter the amount displaying on line 12 of Part 1.

**R2:** Enter the amount displaying on line 16 of Part 1.

**R3:** Total per CPB Financial Summary Report: This is not a data entry field. ISIS will automatically display the sum of lines R1 and R2 on this line.

**R4:** Enter the total support and revenue reported in the grantees audited financial statements.

**R5:** ISIS will automatically calculate the difference between line R3 Total per CPB Financial Summary Report and line R4 Total support and revenue from audited financial statements.

**R6:** If the difference displayed on line R5 is not zero, click on the button shown on line R6, to open a table in which you will enter one or more reconciling items to account for the difference.
Each reconciling item must be detailed. Examples of some common reconciling items are:

- Direct expenses of special fund raising activities netted against revenues on Part 1, line 9 but reported as an expense in the AFS.
- Direct expenses of auctions netted against revenues on Part 1, line 9 but reported as an expense in the AFS.
- "Book" gains (or losses) on property and equipment unrelated to the actual sale or exchange of assets.
- Elect to file audited financial statements biennially.

**Remember:** the reconciling items must sum to the amount shown as the difference on line R5, and the **sign of that number matters**. If a negative difference is calculated, the reconciling items must sum to the same negative number.