

**CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF COMMUNITY SERVICE AND OTHER GRANTS AWARDED
TO CONNECTICUT PUBLIC BROADCASTING, INC.
HARTFORD, CONNECTICUT
FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2018**

REPORT NO. ASJ1909-0002

March 13, 2020



Report in Brief

Background

We performed this audit based on our annual audit plan to audit public television and radio stations.

Our objectives were to examine the station's certifications of compliance with Corporation for Public Broadcasting (CPB) grant terms to: a) claim Non-Federal Financial Support (NFFS) on Annual Financial Reports (AFR) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend Community Service Grant (CSG) and other grant funds in accordance with grant agreement requirements; and c) comply with Certification of Eligibility requirements and statutory provisions of the Communications Act of 1934, as amended. The amount of NFFS a station reports to CPB affects the amount of CSG funding the station receives.

This report contains the views of the OIG. CPB will make the final decision on our findings and recommendations.

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Audit of Community Service and Other Grants Awarded to Connecticut Public Broadcasting, Inc., Hartford Connecticut, for the Period July 1, 2016 through June 30, 2018

What We Found

CPBN overstated NFFS on its FYs 2017 and 2018 AFRs by \$652,002 because it:

Overstated NFFS resulted in excess CSG payments of \$78,562 and questioned costs of \$43,127.

- understated high-end premiums excluded from membership revenue;
- improperly reported funds received from public broadcasting entities and presenting fees as NFFS; and
- erroneously claimed radio funds as TV NFFS.

We also questioned salary costs of \$43,127 for lack of time records under the New England News Collaborative grant and that CPBN did not fully comply with CPB discrete accounting requirements.

The station agreed with most of our findings and implemented corrective actions to ensure proper NFFS reporting. These actions included revising procedures to improve AFR reporting and compliance with CPB grant requirements. However, CPBN disagreed that it understated high-end premiums and did not discretely account for all CPB project funds. CPB management will make the final determination on our findings and recommendations.

What We Recommend

That CPB take the following actions:

- recover the potential CSG overpayment of \$78,562;
- determine the reasonableness of or recover undocumented salary costs of \$43,127;
- require CPBN to record labor expenses for CPB grants under discrete accounting codes; and
- require CPBN to identify the corrective actions it will implement to ensure future compliance.

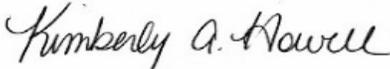


Corporation
for Public
Broadcasting

Office of Inspector General

Date: March 13, 2020

To: Jackie J. Livesay, Vice President, Compliance
Ted Krichels, Senior Vice President, System Development and Media Strategy
Kathy Merritt, Senior Vice President, Journalism and Radio
Stephanie Aaronson, Senior Vice President, Engagement

From: Kimberly A. Howell, Inspector General 

Subject: Audit of Community Service and Other Grants Awarded to Connecticut Public Broadcasting, Inc., Hartford Connecticut, for the Period July 1, 2016 through June 30, 2018, Report No. ASJ1909-0002

Enclosed please find our final report which contains our findings and recommendations. CPB officials must make a final management decision on the findings and recommendations in accordance with established audit resolution procedures.

Accordingly, we request that you provide us with a draft written response to our findings and recommendations within 90 days of the final report. We will review your proposed actions and provide our feedback before you issue a final management decision to the grantee which is due within 180 days of the final report. For corrective actions planned but not completed by the response date, please provide specific milestone dates so that we can track the implementation of corrective actions needed to close the audit recommendations.

We will post this report to the Office of Inspector General's website, Oversight.gov, and distribute to appropriate congressional committees as required by the Inspector General Act of 1978, as amended. Please refer any public inquiries about this report to our website or our office.

Enclosure

cc: Bruce M. Ramer, Chair, CPB Board of Directors
Elizabeth Sembler, Chair, CPB Audit and Finance Committee, CPB Board of Directors
U.S. Senate Committee on Homeland Security and Governmental Affairs
U.S. House of Representatives Committee on Oversight and Government Reform
U.S. Senate Committee on Commerce, Science and Transportation
U.S. House of Representatives Energy and Commerce Committee
U.S. Senate Committee on Appropriations
U.S. Senate Labor-HHS-Education Appropriations Subcommittee
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Labor-HHS-Education Appropriations Subcommittee

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EXECUTIVE SUMMARY

We have completed an audit of the Corporation for Public Broadcasting (CPB) grants awarded to Connecticut Public Broadcasting, Inc., also known as the Connecticut Public Broadcasting Network (CPBN), for the period July 1, 2016 through June 30, 2018, as presented in Exhibit A. Our objectives were to examine CPBN's certifications of compliance with CPB grant terms to: a) claim Non-Federal Financial Support (NFFS) on its Annual Financial Reports (AFRs) in accordance with CPB Financial Reporting Guidelines (Guidelines); b) expend grant funds in accordance with grant agreement requirements; and c) comply with the Certification of Eligibility requirements and the statutory provisions of the Communications Act of 1934, as amended (Act).

Based on our audit, CPBN complied with CPB grant and Act requirements, except for the following:

- overstated NFFS by \$652,002 resulting in Community Service Grant (CSG) overpayments of \$78,562;
- claimed undocumented salary costs under the New England News Collaborative (NENC) grant resulting in questioned grant costs totaling \$43,127; and
- did not discretely account for a portion of the CPB labor expenses in its CPB grant project account as required.

We have reported the CSG overpayments to CPBN as funds put to better use and recommended that CPB:

- recover the \$78,562 CSG overpayment;
- determine the reasonableness or recover questioned undocumented salary costs of \$43,127 claimed under the NENC grant;
- require CPBN to record salary costs expended for CPB grants under the appropriate CPB project accounting code to discretely account for these grant funds; and
- require CPBN to identify corrective actions it will implement to ensure future compliance with CPB requirements in these three areas.

In response to the draft report, CPBN management agreed with most of the recommendations concerning the reporting of NFFS and documentation of costs applied to CPB grants. CPBN's response also indicated it is implementing corrective actions to address future compliance for most of the recommendations. However, CPBN disagreed that it understated high-end premiums when reporting NFFS and did not discretely account for all CPB project grant funds. Based on CPBN's response to the draft report, we consider all six recommendations unresolved pending CPB's final management decision resolving the audit findings. CPBN's written response is summarized after each finding and the complete response is presented in Exhibit H.

This report presents the conclusions of the Office of Inspector General (OIG) and the findings do not necessarily represent CPB's final position on the issues. While we have made recommendations that are appropriate to resolve the findings, CPB officials will make final

determinations on our findings and recommendations in accordance with established CPB audit resolution procedures.

We performed this audit based on the OIG's annual audit plan objective to audit multiple TV and/or radio stations. We conducted our audit in accordance with *Government Auditing Standards* for attestation examination engagements. Our scope and methodology are discussed in Exhibit G.

BACKGROUND

Connecticut Public Television (CPTV) is the PBS member network for the state of Connecticut. It is owned by Connecticut Public Broadcasting, Inc., that holds the licenses for all the PBS member stations licensed in the state and also owns the state's National Public Radio member station, Connecticut Public Radio. Together the television and radio stations make up CPBN. The network receives two Community Service Grants from CPB, one for TV and a second for radio. The network is the state's only locally owned public media organization producing TV, radio, print, and internet content for distribution to Connecticut's wide-ranging and diverse communities.

CPBN as a nonprofit organization provides nonprofit and noncommercial television and radio services to serve the Connecticut community and contribute to the advancement of educational programs. It reaches more than 500,000 television viewers and 250,000 radio listeners each week. CPBN's wholly owned for-profit subsidiary, MediaVision Productions, Inc., provides television and radio equipment and services to third parties.

Since CPBN began broadcasting more than 50 years ago, the community-supported, statewide public broadcasting network has served a wide variety of communities and entertained millions of viewers with a mix of educational, entertainment, children's, news, and public affairs programming. CPBN has produced original documentaries about Connecticut's history and culture, as well as children's shows, sports broadcasts, concert specials and informational and lifestyle programs. Awards for original productions have included two National Daytime Emmy Awards, 98 Regional Emmy Awards, 410 Regional Emmy Award nominations, seven CINE Golden Eagle Awards, one Gracie Allen Award, as well as numerous local awards and acknowledgements.

According to its website, CPBN is one of the country's most respected and award-winning PBS stations. It has earned the distinction of being a leading producer and presenter of national public television shows. Recent examples of original programming include *At Wonder's Peak: Discovering Science on Talcott Mountain*, *Made Possible: The Business Of Junior Achievement*, and *Power Over Parkinson's*.

CPB's Community Service Grant Program

The Act provides that specific percentages of the appropriated funds CPB receives annually from the United States Treasury must be allocated and distributed to licensees and permittees of public TV and radio stations. After funds are designated as either TV or radio funds, they

are placed in the appropriate CSG grant pool for distribution to eligible stations. TV funds can be distributed only to TV stations and radio funds must go to radio stations.

Each year CPB awards CSG grants to public TV and radio stations based in part on the amount of NFFS claimed by all stations on their AFRs. The CSG calculation process starts with separate amounts appropriated for the TV and radio CSG pools adjusted by base grants and supplemental grants. The funds that remain are called the Incentive Grant Pools; one is for TV and the other is for radio.

The Incentive Rate of Return (IRR) is calculated by dividing the Incentive Grant Pools by the total adjusted NFFS claimed by all TV and radio stations. The IRR is then multiplied by each station's total amount of adjusted NFFS to calculate the incentive award amount of the station's total CSG. There is a two-year lag between the reported NFFS and CPB's calculation of the FY's CSG amount. For example, CPB used the NFFS reported by CPBN on its FY 2015 AFRs to determine the amount of the TV and radio CSG funds the station received in FY 2017.

As shown in Exhibit A, CPBN received CSG, Interconnection, Universal Service Support and Distance Service grant funds totaling \$3,671,302 for FYs 2017 and 2018 from CPB (\$2,856,027 for TV and \$815,275 for radio), as well as, an American Graduate and NENC grant. The station reported combined TV and radio NFFS of \$15,789,287 in FY 2017 and \$16,154,184 in FY 2018 as shown in Exhibit D. CPBN's audited financial statements for the two FYs we audited reported total support and revenues of \$21,471,170 in FY 2017 and \$21,021,439 in FY 2018. CPBN's fiscal year begins July 1 and ends June 30.

RESULTS OF REVIEW

In our opinion, except for the noncompliance issues described below, CPBN complied with the requirements in the following paragraph for the FYs 2017 and 2018 grant funds examined in Exhibits B, C, E, and F.

We reviewed CPBN management's assertions of compliance with CPB grant requirements: a) CSG Certification of Eligibility; b) CSG Legal Agreement; and c) AFR Signature Page. The CSG Certification of Eligibility includes CPBN's compliance with AFR/NFFS reporting in accordance with CPB's Guidelines; Act requirements for open meetings, open financial records, Community Advisory Board, equal employment opportunity (EEO) reporting and donor lists; discrete accounting requirements; and other non-CSG requirements. Our responsibility is to express an opinion on management's assertions about its compliance based on our examination.

Our audit was conducted in accordance with the *Government Auditing Standards* for attestation examination engagements and, accordingly, included examining, on a test basis, evidence about CPBN's compliance with CPB's requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. However, it does not provide a legal determination on CPBN's compliance with specified requirements.

Based on our audit, CPBN complied with CPB grant and Act requirements, except for the following:

- overstated NFFS by \$652,002 resulting in CSG overpayments of \$78,562;
- claimed undocumented salary costs under the NENC grant resulting in questioned CPB costs totaling \$43,127; and
- did not discretely account for a portion of the CPB labor expenses in its CPB grant project account as required.

We reported the CSG overpayments as funds put to better use.

FINDINGS AND RECOMMENDATIONS

I. Overstated NFFS

Our audit found \$652,002 in overstated NFFS (\$443,348 FY 2017 and \$208,654 in FY 2018) reported on CPBN’s AFRs. As a result, CPB made CSG overpayments of \$53,941 to CPBN in FY 2019 and \$24,621 in FY 2020, resulting in total overpayments of \$78,562. We classified the overpayments as funds put to better use for reporting purposes, because the funds overpaid to CPBN could have been distributed to other public broadcasting entities. These results are summarized in the following table and explained below in more detail.

Overstated NFFS and CSG Overpayments

Questioned	Overstated Radio NFFS		Overstated TV NFFS		Totals
	FY 2017	FY 2018	FY 2017	FY 2018	
<i>Schedule A: Direct Revenues</i>					
Incorrect Amount of Premiums Offset Against Membership	\$164,936	\$48,396	\$271,817	\$9,194	
Funds Received from a Public Broadcasting Entity				60,000	
Presenting Fees			6,595	53,000	
Radio Funds Erroneously Claimed as TV NFFS	(147,500)	(86,460)	147,500	86,460	
Net Overstated NFFS	\$17,436	\$0	\$425,912	\$208,654	\$652,002
FYs 2019 & 2020 IRRs	5.21259919%	5.00967788%	12.45142294%	11.79986616%	
Overpaid CSG Grant Funds	\$909	\$0	\$53,032	\$24,621	\$78,562

Incorrect Premiums Offset Against Membership

CPBN overstated the NFFS reported to CPB on its FYs 2017 and 2018 TV and radio AFRs because it understated the amount of high-end premiums excluded from membership revenues. CPBN records showed that the Fair Market Value (FMV) of all “thank you gifts” (premiums) the station provided TV and radio donors during FYs 2017 and 2018, were valued at \$1,481,468. We determined that \$358,440 of this amount was for low-end premiums and the remaining \$1,123,028 was for high-end premiums that CPBN should have deducted from NFFS. On its TV and radio AFRs CPBN only reported a total of \$628,685 as high-end premiums on line 10.1 to be deducted from the station’s NFFS. By reporting the incorrect

amount on line 10.1 of its AFRs, the station overstated its NFFS by \$494,343 (\$1,123,028 - \$628,685), as detailed in the table below.

Analysis of High-end Premium Reporting

FMV of High-end Premiums Reported on Line 10.1					
	FY 2017		FY 2018		Totals
	Radio	TV	Radio	TV	
Per OIG	\$216,830	\$405,814	\$163,349	\$337,035	\$1,123,028
By CPBN	\$51,894	\$133,997	\$114,953	\$327,841	\$628,685
Overstated NFFS	\$164,936	\$271,817	\$48,396	\$9,194	\$494,343

CPBN reported only \$628,685 on line 10.1 because it considered premiums with FMVs less than \$21.50 to be insubstantial. CPBN personnel advised us they used the IRS guidance for deducting business gifts that provides no more than \$25 of the cost of business gifts can be deducted. Station personnel further explained they deducted only \$21.50 instead of the \$25 prescribed to be conservative when valuing insubstantial premiums. We determined that the IRS Guidance used by CPBN was not the proper guidance for valuing premiums provided to donors and resulted in overstated NFFS of \$494,343 (\$1,123,028 - \$628,685).

CPB Guidelines require stations to exclude from NFFS the FMV of high-end premiums that are not of insubstantial value. The Guidelines state:

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

The IRS issues guidance¹ on charitable contributions, including disclosure statements that must be provided to donors in instances where the premium is not of insubstantial value. The contribution portion that is deductible for federal income tax purposes is limited to the excess of the payment over the fair market value of the premium provided by the charitable organization.

For CPB’s purposes the portion of the payment that is not considered a contribution by the IRS may not be included as NFFS. CPB expects that all grantees are compliant with IRS rules and regulations on these matters.

¹ IRS Guidance on *Charitable Contributions – Substantiation and Disclosure Requirements*, Publication 1771: <https://www.irs.gov/pub/irs-pdf/p1771.pdf>, Publication 1771.

However, CPB does not provide guidance beyond that provided by the IRS. Questions about compliance with these provisions should be addressed to your IPA or other tax practitioner or directly to the IRS. The method by which grantees track this information in order to be compliant is also the responsibility of each grantee.

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

Guidelines Line 10 – Membership and Subscriptions (net of write-offs)

Additionally, IRS Publication 1771, *Charitable Contributions—Substantiation and Disclosure Requirements* referenced in the CPB Guidelines provides that goods and services with “insubstantial value” as defined by the IRS are fully deductible. This Publication indicates that fair market value or cost can be used to value premiums. For calendar years 2017 and 2018, this guidance describes premiums as being fully deductible if their cost (as opposed to their fair market value) does not exceed \$10.70 and \$10.90 in FYs 2017 and 2018 respectively. As a result, CPBN should have considered \$358,440 of the premium provided to donors to be low-end premiums and reported the remaining \$1,123,028 (\$1,481,468 - \$358,440) on line 10.1 of its AFRs to be deducted from the NFFS reported to CPB.

The \$494,343 in overstated NFFS when netted against under-reported radio revenues discussed on page 7, resulted in \$35,839 of CSG overpayments (\$34,754 in FY 2019 and \$1,085 in FY 2020).

Funds Received from CPB

Our audit identified \$60,000 of American Graduate grant funds received from CPB that were reported as NFFS. These funds are ineligible for NFFS. CPBN officials explained they were aware that funds received from CPB should not have been reported as NFFS and reporting them on Line 8, Foundations and nonprofit associations, instead of on Line 2 of its FY 2018 TV AFR was an inadvertent error.

Guidelines, Section 5, Completing AFR Schedule A – Direct Revenue, Line Item Instructions explain that funds received from public broadcasting entities are ineligible for NFFS. More specifically these guidelines state in part that:

Line 2 - Amounts provided by Public Broadcasting Entities

Public Broadcasting funds are reported on this line and will be forwarded to line 24 to be automatically excluded from NFFS.

Specific Line Instructions:

B. CPB – all other funds from CPB (e.g., DDF, RTL, Programming Grants)

Use this line to report all non-CSG funds received from CPB including digital grants and production grants....

CPB Guidelines Section 5, Line 2, Amounts provided by Public Broadcasting Entities.

Reporting the \$60,000 received from CPB as NFFS resulted in a FY 2020 TV CSG overpayment totaling \$7,080.

Ineligible Presenting Fees Claimed as NFFS

CPBN reported two ineligible payments, totaling \$59,595, as NFFS. These payments received from a non-educational foundation and a for-profit company were compensation for acting as a presenting station. CPB’s Guidelines provide that presenting fees from these types of organizations do not meet the source criteria for NFFS and are ineligible payments for NFFS purposes.

Presenting Fees Claimed as NFFS

Organization Type	FY 2017	FY 2018
Non-educational Foundation		\$53,000
For Profit Company	\$6,595	

CPBN officials did not agree that the services provided were payments for presenting fees but believed they were like various other grant agreements received to complete a production. We disagreed. The agreement between CPBN and the foundation provided that a series will be produced by the foundation. It also provided that the copyright to the series belongs to the foundation, and CPBN will present and distribute the program to U.S. public television services. This same agreement listed numerous duties CPBN needed to perform as “Licensee and Presenting Station.” Similarly, CPBN’s agreement with the for-profit company provided that CPBN, “will fulfill the standard presenting station, promotion, and station relations services....”

Guidelines, Section 2.3.2 Interpretations, provides the following specific instructions for claiming presenting fees as NFFS:

Presenting Station Fees for Introducing Programs into Public Broadcasting Distribution

A public broadcasting entity sometimes charges an independent program producer a fee for introducing a program into distribution among public broadcasters by acting, for example, as a “presenting station”... [T]he fee that is received or retained for introducing a program into public broadcasting distribution represents an exchange transaction, and not a contribution. Therefore, the “Presenting Station” fee is ineligible for NFFS.

Because the \$59,595 of presenting fee payments are ineligible, including those fees as NFFS resulted in \$7,075 of CSG overpayments (\$821 in FY 2019 and \$6,254 in FY 2020).

Radio Revenues Erroneously Claimed as TV NFFS

CPBN erroneously reported \$233,960 (\$147,500 and \$86,460 for FYs 2017 and 2018 respectively) of radio NFFS as TV NFFS on its AFRs, which improperly increased the TV CSG funds the station received from CPB as detailed below.

Misclassification of Radio and TV NFFS

NFFS Categories	Understated Radio NFFS		Overstated TV NFFS	
	FY 2017	FY 2018	FY 2017	FY 2018
Radio Funds Erroneously Claimed as TV NFFS	(\$147,500)*	(\$86,460)*	\$147,500	\$86,460
FYs 2019 and 2020 IRRs			12.45142294%	11.79986616%
<i>Overpaid CSG Funds</i>			\$18,366	\$10,202

*Offset against overstated NFFS reported in other categories.

During FYs 2017 and 2018, CPBN received grants totaling more than \$3.4 million that it reported as TV NFFS on the station’s AFRs. Our review disclosed that \$462,920 of this amount required CPBN to produce both radio and TV deliverables. However, the grant agreements did not specify how much of this grant revenue should be for TV and radio. When we informed CPBN personnel they overstated the station’s TV NFFS because a portion of the \$462,920 should have been claimed as radio NFFS, they explained that it was not apparent to them that claiming the entire amount as TV would appreciably overstate the CSG funds they received.

With assistance from CPBN’s personnel, we reviewed the grant agreements and the station’s website to identify the deliverables produced by these grants to equitably split the revenue between TV and radio. From this joint review, we determined the station erroneously overreported \$233,960 of TV revenue and understated its radio revenue by the same amount, resulting in a total CSG TV overpayment of \$28,568 (\$18,366 in FY 2019 and \$10,202 in FY 2020).

The station cannot retroactively report the \$233,960 (\$147,500+\$86.460) of radio NFFS it did not include on its FYs 2017 and 2018 radio AFRs or claim the underpaid CSG funds that resulted from the underreporting of radio NFFS. As a result, we offset the \$233,960 of understated radio funds against other ineligible radio NFFS we identified during our audit. This offsetting process reduced the station’s overall CSG overpayment from \$88,675 to the \$78,562 shown in the *Overstated NFFS and CSG Overpayment* chart on page 4.

After offsetting the underreported NFFS, the incorrect classification of FM NFFS as TV caused a \$18,366 overpayment of TV CSG funds in FY 2019 and a \$10,202 overpayment in FY 2020.

Recommendations:

We recommend that CPB management take the following actions:

- 1) recover CSG overpayment of \$78,562 based upon overstated NFFS; and
- 2) require CPBN to identify the corrective actions and controls it will implement to ensure future compliance with NFFS reporting requirements.

CPBN Response

In response to the draft report, CPBN management agreed it reported ineligible NFFS that included funds received from CPB, presenting fees, and radio revenues erroneously claimed as TV NFFS. To ensure future compliance in these areas CPBN indicated it will add additional reviews and modify its tracking practices for these types of revenues. However, CPBN did not agree that it understated the amount of high-end premiums excluded from NFFS.

CPBN contends that while the draft report assumes mandatory use of IRS Publication 1771, nothing in CPB's Financial Reporting Guidelines actually mandates the use of the thresholds in IRS Publication 1771 of \$10.70 (for 2017) and \$10.80 (for 2018) for marking the distinction between premiums of insubstantial value and high end premiums. Instead CPBN applied the advice given in IRS Publication 463 (*IRS Guidance on Travel, Gift and Car Expenses*), which provides that \$25 is the appropriate threshold for determining the deductibility for gifts. This IRS publication limits deducting the cost of a gift for tax reporting purposes to \$25. CPBN argues that while the CPB guidelines reference IRS Publication 1771, they do not require its use in establishing the difference between high-end premiums and premiums of insubstantial value. CPB only requires stations to follow IRS requirements.

While CPBN agrees with the report's conclusion regarding the presenting fees transactions discussed in the report, it requests clarification whether payments from qualifying entities i.e., educational institutions or a state or local agency for similar services would qualify as NFFS.

OIG Response

Based on CPBN's response to the draft audit report, we consider both recommendations 1 and 2 unresolved pending CPB's final management decision. We disagree with CPBN's response regarding high-end premiums. By referencing IRS Publication 1771 in its Guidelines, CPB is directing stations to the appropriate IRS Guidelines for determining the amount of high-end premiums to be deducted from NFFS. Notably, the Guidelines do not reference IRS publication 463, but specifically reference IRS Publication 1771. CPBN did not address any corrective actions regarding this requirement.

Regarding presenting fees received from qualifying sources, CPBN is seeking clarification from CPB whether presenting fees paid by educational institutions or state or local governments would qualify for NFFS. We do not agree they would qualify as NFFS. Further, CPBN's proposed corrective actions only addressed completing a review of the underlying source of payment to determine the appropriateness of NFFS reporting and did not address the ineligibility of presenting fees from any source.

II. Questioned CPBN Grant Salary Costs

CPBN did not maintain adequate records of the time its personnel spent on NENC grant activities needed to verify all salary costs claimed. As a result, we questioned salary costs of \$43,127 claimed under the NENC grant.

The NENC grant agreement budget estimated that CPBN personnel would need to spend 4 hours per week performing program management and 3 hours per week on financial

administration and estimated \$43,127 would be spent for these functions during the grant term. Our review disclosed that CPBN did not maintain timesheets or other documents, as required by the grant agreement and CPB's term and conditions, to record actual labor expenses of its personnel performing program management and financial administration on the NENC grant.

Discussions with CPBN's personnel disclosed the time used for these functions were not recorded via timesheets or attested to by employees because CPBN employees expended far in excess of the 3 and 4 hours per week budgeted for this work. CPBN personnel also indicated they claimed these salary expenses based on the budget in the grant agreement.

The NENC grant agreement requires CPBN to comply with the CPB Terms and Conditions for Television, Radio and Other Media Production Grants, April 2013 Edition. Section 4G of the Terms and Conditions require that:

A grantee must keep books, records, and accounts relating to the Grant and the Grant Project sufficient to:

- i) enable CPB to verify all direct costs, overhead, and administrative allocations associated with the grant project;
- ii) allow CPB, by examination of the Grantee's general ledger and other records, to account for the Grant project level of activities in sufficient detail to enable an audit to verify the investment of the CPG funds in the approved expenses of the Grant project;
- iii) disclose fully the amount and use of the proceeds of the Grant, the Total Project Cost, and the amount and nature of any portion of the Total Project Cost supplied by sources other than CPB; and
- iv) permit an effective audit.

CPBN personnel believed the timekeeping systems they used were sufficient to equitably record time charges and indicated they were unaware of the need for timesheets or labor distribution records. Without timesheets or a labor distribution system required by CPB's Terms and Conditions, we were unable to validate and accept the \$43,127 claimed under the NENC grants. We acknowledge that CPBN completed grant deliverables for this grant, but without evidence of the hours worked, we could not attest to the accuracy of the salary charges reported to complete those deliverables. As a result, we questioned salary expenses of \$43,127 that were not adequately documented.

Recommendations:

We recommend that CPB management take the following actions:

- 3) determine reasonableness of or recover questioned undocumented salary expenses of \$43,127 claimed under the NENC grant; and
- 4) require CPBN to identify the corrective actions and controls it will implement to ensure future compliance with CPB labor timekeeping requirements.

CPBN Response

CPBN agrees it did not maintain timesheets to document \$43,127 in salary expenses but provided the following context on this issue. The NENC grant involved \$1,313,820 in personnel expenses. This work, totaling 37,682 hours, was completed over a 30-month period. CPBN also explained it maintained verifications and attestations for over 97.9 percent of the hours charged to the grant. However, it was an oversight on CPBN's part that the program manager and financial administrator, who completed this work, did not complete adequate attestations for their work. CPBN will implement a new control to assure all attestations will be completed prior to finalizing periodic financial and narrative reporting.

OIG Response

Based on CPBN's response to the draft report, we consider recommendations 3 and 4 unresolved pending CPB's final management decision. CPBN's response indicated it would implement a new control but did not specify what that control will be when implemented.

III. Labor Expenses Not Recorded in CPB Project Grant Accounts

CPBN discretely accounted for all CSG (TV and radio) revenues and expenditures as required by CPB. We also found that CPBN separately accounted for American Graduate and NENC revenues but not for all grant expenses, as required by each of the grant agreements between CPB and CPBN.

As of June 30, 2018, CPBN expended \$53,860 of the American Graduate grant funds: \$27,662 for labor and \$26,198 for other expenses. While the \$26,198 of other expenses were properly recorded and accounted for in a CPB account, the \$27,662 in labor expenses were not. CPBN personnel explained that these labor expenses were recorded in the station's payroll accounts with all of CPBN's other labor expenses, but these expenses were not journaled or recorded in the American Graduate project expenditure accounts. Instead, these payroll expenses were tracked via an excel worksheet.

Additionally, as of June 30, 2018, \$1,342,496 was expended under the NENC grant. Of this amount, \$973,227 was for the labor expenses of the seven stations participating in the collaborative news grant project, freelance journalists, and travel. These expenses were separately accounted for as required by the grant. CPBN incurred the remaining \$369,269 for the labor expenses of its employees. These expenses included \$326,142 for the CPBN editor and digital journalists and \$43,127 for program management and financial administration of the grant, also performed by CPBN employees. Like the American Graduate expenses, these CPBN labor expenses were only recorded in the station's overall payroll accounts with CPBN's other labor expenses. They were not journaled or recorded in the NENC project expenditure accounts. Again, CPBN tracked these payroll expenses using an excel worksheet.

While CPBN believed they were compliant with CPB's accounting requirements, its American Graduate and NENC project accounting records did not adequately account for all CPB expenditures, as required by the agreements. In the future, CPBN needs to comply with CPB's

accounting requirements and record all CPB expenditures in each grant's project accounting records to provide a complete audit trail to permit an effective audit.

Section 7 of the American Graduate grant agreement required CPBN to comply with the CPB Terms and Conditions for Television, Radio and Other Media Production Grants, November 2015 Edition. Section 4G of these Terms and Conditions require that:

A grantee...must keep books, records, and accounts relating to the Grant and the Grant Project sufficient to:

enable CPB to verify all direct costs, overhead, and administrative allocations associated with the Grant Project.

- i) allow CPB, by examination of grantees general ledger and other records, to account for the Grant Project level of activities in sufficient detail to enable an audit to verify the investment of CPB funds in the approved expenses of the Grant Project;
- ii) disclose fully the amount and use of the proceeds of the Grant, the Total Project Cost, and the amount and nature of any portion of the Total Project Cost supplied by the sources other than CPB...
- v) permit an effective audit.

The NENC grant agreement also required CPBN to comply with the CPB Terms and Conditions for Television, Radio and Other Media Production Grants, April 2013 Edition.² Section 4G of these Terms and Conditions require the same actions as the April 2015 Edition that were referenced in the American Graduate grant agreement.

Recommendations:

We recommend that CPB management require CPBN to take the following actions:

- 5) record CPB labor expenses under the appropriate CPB project accounting code to discretely account for the funds expended under CPB grants; and
- 6) identify the corrective actions and controls it will implement to ensure future compliance with grant recordkeeping requirements.

CPBN Response

CPBN disagrees it did not discretely account for all American Graduate and NENC grant expenses. CPBN explained the draft report criticizes the station because expenses were not journaled or recorded in project expenditure accounts. CPBN believes the grant agreements only require it to keep books, records and accounts to enable CPB to accomplish the tasks prescribed in CPB's Terms and Conditions (as noted in the draft report). CPBN stated the draft report appears to take issue with the location of the records, not that CPBN failed to

² Because the NENC grant was awarded prior to the American Graduate grant, the NENC grant required compliance with CPB's 2013 Terms and Conditions.

meet grant agreement's documentation standards. As such, CPBN believes it complied with the terms of its existing grant agreements and should not be penalized

OIG Response

After evaluating CPBN's response our position remains unchanged. CPB's Terms and Conditions require that CPBN records allow for an effective audit, by examination of the grantee's general ledger and other records to verify the investment of CPB funds in approved expenses for the Grant Project. Without recording all labor expenses into CPB specific grant project expenditure accounts, we could not perform an effective audit without the assistance of CPBN personnel. CPBN's response did not propose any corrective actions.

Based on CPBN's response, we consider recommendations 5 and 6 unresolved pending CPB's final management decision.

**CPB Grant Payments to CPBN
July 1, 2016 – June 30, 2018**

CPB Grants	FY 2017	FY 2018	Totals
TV - CSG	-	-	
Community Service	\$1,448,658	\$1,250,024	\$2,698,682
Interconnection	\$27,395	\$23,851	\$51,246
Distance Service	\$36,712	\$36,463	\$73,175
Universal Service Support	\$16,482	\$16,442	\$32,924
Total TV - CSG	\$1,529,247	\$1,326,780	\$2,856,027
Radio - CSG			
Unrestricted Community Service	\$306,770	\$295,321	\$602,091
Restricted Community Service	\$108,177	\$105,007	\$213,184
Total Radio - CSG	\$414,947	\$400,328	\$815,275
Other Grants			
American Graduate – No.34679	\$0	\$60,000	\$60,000
NENC - No.34285**	\$140,000	\$220,000	\$360,000
Total Other Grants	<u>\$140,000</u>	<u>\$280,000</u>	<u>\$420,000</u>
Total All CPB Grants	<u>\$2,084,194</u>	<u>\$2,007,108</u>	<u>\$4,091,302</u>

Total TV & radio CSG payments in both FYs was \$3,671,302 (\$2,856,027 + \$815,275)

**CPB paid \$200,000 under this grant in FY 16. Including CPB's FY 2019 final payment of \$57,548, total payments under this grant equaled \$617,548.

**CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Schedule A		
1. Amounts provided directly by federal government agencies	\$9,374	\$9,655
A. Grants for facilities and other capital purposes (PTFP and others)	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (specify)	\$9,374	\$9,655
2. Amounts provided by Public Broadcasting Entities	\$1,633,758	\$1,453,346
A. CPB - Community Service Grants	\$1,448,658	\$1,250,024
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$80,589	\$76,756
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$0	\$0
E. Public broadcasting stations - all payments	\$7,502	\$20,504
F. Other PBE funds (American Public Television \$106,042)	\$97,009	\$106,062
3. Local boards and departments of education or other local government or agency sources	\$19,618	\$5,015
3.1 NFFS Eligible	\$4,918	\$0
A. Program and production underwriting	\$4,918	\$0
B. Grants and contributions other than underwriting		\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
3.2 NFFS Ineligible	\$14,700	\$5,015
A. Rental income	\$8,700	\$0
B. Fees for services	\$6,000	\$5,015
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
4. State boards and departments of education or other state government or agency sources	\$0	\$0
4.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
4.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
5. State colleges and universities	\$0	\$0
5.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
5.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
6. Other state-supported colleges and universities	\$0	\$0
6.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
6.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
7. Private colleges and universities	\$0	\$0
7.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
7.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
8. Foundations and nonprofit associations	\$3,421,901	\$3,167,148
8.1 NFFS Eligible	\$3,401,451	\$3,162,023
A. Program and production underwriting	\$3,398,649	\$3,162,023
B. Grants and contributions other than underwriting	\$2,802	\$0
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
8.2 NFFS Ineligible	\$20,450	\$5,125
A. Rental income	\$0	\$0
B. Fees for services	\$20,450	\$5,125

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
D. NFFS Ineligible – Other activities unrelated to public broadcasting	\$0	\$0
Form of Revenue		
13. Auction revenue (see instructions for Line 13)	\$0	\$0
A. Gross auction revenue	\$0	\$0
B. Direct auction expenses	\$0	\$0
14. Special fundraising activities (see instructions for Line 14)	\$226,097	\$94,570
A. Gross special fundraising revenues	\$344,852	\$128,040
B. Direct special fundraising expenses	\$118,755	\$33,470
15. Passive income	\$29,303	\$49,143
A. Interest and dividends (other than on endowment funds)	\$11,590	\$34,697
B. Royalties	\$0	\$0
C. PBS or NPR pass-through copyright royalties	\$17,713	\$14,446
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)	\$4,267	(\$10,278)
A. Gains from sales of property and equipment (do not report losses)	\$9,662	\$0
B. Realized gains/losses on investments (other than endowment funds)	(\$4,934)	(\$1,607)
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)	(\$461)	(\$8,671)
17. Endowment revenue	\$2,626,754	\$1,438,195
A. Contributions to endowment principal	\$126,795	\$67,246
B. Interest and dividends on endowment funds	\$375,665	\$583,312
C. Realized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$1,054,966	\$565,355
D. Unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen, e.g., "-1,765")	\$1,069,328	\$222,282
18. Capital fund contributions from individuals (see instructions)	\$18,449	\$100,847
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	\$18,449	\$100,847
B. Other	\$0	\$0
19. Gifts and bequests from major individual donors	\$447,174	\$434,041
19.1 Total number of major individual donors	FY 2017 data	FY 2018 data
	408	421
20. Other Direct Revenue	\$0	\$0
21. Proceeds from the FCC Spectrum Incentive Auction, interest earned on these funds, channel sharing revenues, and spectrum leases	\$272,695	\$31,324,811
A. Proceeds from sale in spectrum auction	\$0	\$6,484,810
B. Interest earned on proceeds from sale in spectrum auction (TV only)	\$272,695	\$859,099
C. Payments from spectrum auction speculators	\$0	\$0
D. Channel sharing and spectrum leases revenues	\$0	\$23,980,902

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
22. Total Revenue (Sum of lines 1 through 12, 13.A, 14.A, and 15 through 21)	\$17,918,755	\$47,372,161
Adjustments to Revenue		
23. Federal revenue from line 1.	\$9,374	\$9,655
24. Public broadcasting revenue from line 2.	\$1,633,758	\$1,453,346
25. Capital funds exclusion—TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	\$18,449	\$100,847
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	\$0	\$0
27. Other automatic subtractions from total revenue	\$7,277,664	\$36,665,532
A. Auction expenses – limited to the lesser of lines 13a or 13b	\$0	\$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	\$118,755	\$33,470
C. Gains from sales of property and equipment – line 16a	\$9,662	\$0
D. Realized gains/losses on investments (other than endowment funds) – line 16b	(\$4,934)	(\$1,607)
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	(\$461)	(\$8,671)
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	\$2,124,294	\$787,637
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	\$75,282	\$33,620
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	\$872,042	\$795,708
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	\$0	\$0
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	\$3,766,082	\$3,081,721
K. FMV of high-end premiums (Line 10.1)	\$133,997	\$327,841
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	\$61,861	\$96,291
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	(\$151,611)	\$194,711
N. Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases from line 21 (TV only)	\$272,595	\$31,324,811
28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$8,979,510	\$9,142,781
Schedule B - Worksheet		
Schedule B Totals		
1. Total support activity benefiting station	\$0	\$0
2. Occupancy value	\$0	\$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	\$0	\$0

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	\$0	\$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$0	\$0
6. Please enter an institutional type code for your licensee.		
Schedule C		
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$7,631	\$4,655
A. Legal	\$6,166	\$2,767
B. Accounting and/or auditing	\$0	\$0
C. Engineering	\$0	\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	\$1,465	\$1,888
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$152,053	\$155,170
A. Annual rental value of space (studios, offices, or tower facilities)	\$152,053	\$155,170
B. Annual value of land used for locating a station-owned transmission tower	\$0	\$0
C. Station operating expenses	\$0	\$0
D. Other (see specific line item instructions in Guidelines before completing)	\$0	\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$0	\$0
A. ITV or educational radio	\$0	\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0	\$0
C. Local advertising	\$0	\$0
D. National advertising	\$0	\$0
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$159,684	\$159,825
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
A. Compact discs, records, tapes and cassettes	\$0	\$0
B. Exchange transactions	\$0	\$0
C. Federal or public broadcasting sources	\$0	\$0
D. Fundraising related activities	\$0	\$0
E. ITV or educational radio outside the allowable scope of approved activities	\$0	\$0
F. Local productions	\$0	\$0
G. Program supplements	\$0	\$0
H. Programs that are nationally distributed	\$0	\$0
I. Promotional items	\$0	\$0

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
J. Regional organization allocations of program services	\$0	\$0
K. State PB agency allocations other than those allowed on line 3(B)	\$0	\$0
L. Services that would not need to be purchased if not donated	\$0	\$0
M. Other	\$0	\$0
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	\$159,684	\$159,825
Schedule D		
1. Land (must be eligible as NFFS)	\$0	\$0
2. Building (must be eligible as NFFS)	\$0	\$0
3. Equipment (must be eligible as NFFS)	\$0	\$0
4. Vehicle(s) (must be eligible as NFFS)	\$0	\$0
5. Other (specify) (must be eligible as NFFS)	\$0	\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	\$0	\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
a) Exchange transactions	\$0	\$0
b) Federal or public broadcasting sources	\$0	\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$0	\$0
d) Other (specify)	\$0	\$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	\$0	\$0
Schedule E-EXPENSES		
1. Programming and production	\$10,161,393	\$8,127,022
A. TV CSG	\$1,445,658	\$1,250,024
B. TV Interconnection	\$27,395	\$23,851
C. Other CPB Funds	\$53,194	\$52,905
D. All non-CPB Funds	\$8,632,146	\$6,800,242
2. Broadcasting and engineering	\$1,762,101	\$1,541,976
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,762,101	\$1,541,976
3. Program information and promotion	\$811,652	\$798,149
A. TV CSG	\$0	\$0

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$811,652	\$798,149
4. Management and general	\$1,643,116	\$1,483,641
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,643,116	\$1,483,641
5. Fund raising and membership development	\$1,861,387	\$1,779,312
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,861,387	\$1,779,312
6. Underwriting and grant solicitation	\$0	\$0
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$1,444,898	\$1,647,448
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,444,898	\$1,647,448
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$17,684,547	\$15,377,548
A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$1,448,658	\$1,250,024
B. Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$27,395	\$23,851
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	\$53,194	\$52,905
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$16,155,300	\$14,050,768
9. Total capital assets purchased or donated	\$561,324	\$358,717
9a. Land and buildings	\$119,761	\$4,500
9b. Equipment	\$265,202	\$264,394
9c. All other	\$176,361	\$89,823
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$18,245,871	\$15,736,265
11. Total expenses (direct only)	\$17,518,285	\$15,210,367
12. Total expenses (indirect and in-kind)	\$166,262	\$167,181

CPBN – TV Annual Financial Reports
Years Ending June 30, 2017 and 2018

Description	FY 2017	FY 2018
13. Investment in capital assets (direct only)	\$561,324	\$358,717
14. Investment in capital assets (indirect and in-kind)	\$0	\$0
Schedule F		
1. Data from AFR		
a. Schedule A, Line 22	\$17,918,755	\$47,372,161
b. Schedule B, Line 5	\$0	\$0
c. Schedule C, Line 6	\$159,684	\$159,825
d. Schedule D, Line 8	\$0	\$0
e. Total from AFR	\$18,078,439	\$47,531,986
2. FASB Model A proprietary enterprise-fund financial statements with business-type activities only		
a. Total support and revenue - unrestricted	\$17,995,115	\$47,393,336
b. Total support and revenue - temporarily restricted	\$89,902	\$146,006
c. Total support and revenue - permanently restricted	\$0	\$0
d. Total from AFS, lines 2a-2c	\$18,085,017	\$47,539,342
Reconciliation		
3. Difference (line 1 minus line 2)	(\$6,578)	(\$7,356)
4. If the amount on line 3 is not equal to \$0, click the “Add” button and list the reconciling items.		
Description	Amount	
Donated personal services of volunteers	-\$6,578 & -\$7,356	
		(\$6,578) (\$7,356)

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
Schedule A		
1. Amounts provided directly by federal government agencies	\$0	\$0
A. Grants for facilities and other capital purposes (PTFP and others)	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (Federal Bureau of Investigations \$9,374)	\$0	\$0
2. Amounts provided by Public Broadcasting Entities	\$555,572	\$685,928
A. CPB - Community Service Grants	\$414,947	\$400,328
B. CPB - all other funds from CPB (e.g. DDF, RTL, Programming Grants)	\$140,000	\$285,538
C. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
D. NPR - all payments except pass-through payments. See Guidelines for details.	\$125	\$0
E. Public broadcasting stations - all payments	\$500	\$62
F. Other PBE funds (American Public Television \$97,009)	\$0	\$0
3. Local boards and departments of education or other local government or agency sources	\$0	\$0
3.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting		\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
3.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
4. State boards and departments of education or other state government or agency sources	\$0	\$0
4.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
4.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
5. State colleges and universities	\$0	\$0
5.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
5.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
6. Other state-supported colleges and universities	\$0	\$0
6.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0

Exhibit C (continued)

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
6.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
7. Private colleges and universities	\$0	\$0
7.1 NFFS Eligible	\$0	\$0
A. Program and production underwriting	\$0	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Appropriations from the licensee	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
E. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
F. Other income eligible as NFFS (specify)	\$0	\$0
7.2 NFFS Ineligible	\$0	\$0
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$0
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (TV only)	\$0	\$0
E. Other income ineligible for NFFS inclusion	\$0	\$0
8. Foundations and nonprofit associations	\$100,000	\$114
8.1 NFFS Eligible	\$100,000	\$0
A. Program and production underwriting	\$100,000	\$0
B. Grants and contributions other than underwriting	\$0	\$0
C. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign (Radio only)	\$0	\$0
D. Gifts and grants received through a capital campaign but not for facilities and equipment	\$0	\$0
E. Other income eligible as NFFS (specify)	\$0	\$0
8.2 NFFS Ineligible	\$0	\$114
A. Rental income	\$0	\$0
B. Fees for services	\$0	\$114
C. Licensing fees (not royalties – see instructions for Line 15)	\$0	\$0
D. Gifts and grants for facilities and equipment as restricted by the donor or received through a capital campaign TV only)	\$0	\$0

Exhibit C (continued)

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
25. Capital funds exclusion - TV (3.2D, 4.2D, 5.2D, 6.2D, 7.2D, 8.2D, 9.2D, 18A)	\$0	\$0
26. Revenue on line 20 not meeting the source, form, purpose, or recipient criteria	\$0	\$0
27. Other automatic subtractions from total revenue	\$988,100	\$507,901
A. Auction expenses – limited to the lesser of lines 13a or 13b	\$0	\$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	\$318,988	\$291,254
C. Gains from sales of property and equipment – line 16a	\$519,937	\$0
D. Realized gains/losses on investments (other than endowment funds) – line 16b	(\$69)	(\$1,027)
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	(\$1,239)	\$3,079
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c, line 17d	\$51,351	\$23,445
G. Rental income (3.2A, 4.2A, 5.2A, 6.2A, 7.2A, 8.2A, 9.2A)	\$0	\$0
H. Fees for services (3.2B, 4.2B, 5.2B, 6.2B, 7.2B, 8.2B, 9.2B)	\$3,521	\$486
I. Licensing Fees (3.2C, 4.2C, 5.2C, 6.2C, 7.2C, 8.2C, 9.2C)	\$0	\$0
J. Other revenue ineligible as NFFS (3.2E, 4.2E, 5.2E, 6.2E, 7.2E, 8.2E, 9.2E)	\$0	\$0
K. FMV of high-end premiums (Line 10.1)	\$51,894	\$114,953
L. All bad debt expenses from NFFS eligible revenues including but not limited to pledges, underwriting, and membership (Line 10.2)	\$43,717	\$75,711
M. Revenue from subsidiaries and other activities ineligible as NFFS (12.B, 12.C, 12.D)	\$0	\$0
N. Proceeds from spectrum auction, interest earned on these funds, channel sharing revenues, and spectrum leases from line 21 (TV only)	\$0	\$0
28. Total Direct Nonfederal Financial Support (Line 22 less Lines 23 through 27). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$6,648,793	\$6,845,590
Schedule B - Worksheet		
Schedule B Totals		
1. Total support activity benefiting station	\$0	\$0
2. Occupancy value	\$0	\$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	\$0	\$0
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	\$0	\$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$0	\$0
6. Please enter an institutional type code for your licensee.		
Schedule C		
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$1,300	\$5,988
A. Legal	\$0	\$4,245
B. Accounting and/or auditing	\$0	\$0
C. Engineering	\$0	\$0

Exhibit C (continued)

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
D. Other professionals (see specific line item instructions in Guidelines before completing)		
Description Amount		
Payroll Services \$1743	\$1,300	\$1,743
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$0	\$0
A. Annual rental value of space (studios, offices, or tower facilities)	\$0	\$0
B. Annual value of land used for locating a station-owned transmission tower	\$0	\$0
C. Station operating expenses	\$0	\$0
D. Other (see specific line item instructions in Guidelines before completing)	\$0	\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$0	\$0
A. ITV or educational radio	\$0	\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0	\$0
C. Local advertising	\$0	\$0
D. National advertising	\$0	\$0
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$1,300	\$5,988
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
A. Compact discs, records, tapes and cassettes	\$0	\$0
B. Exchange transactions	\$0	\$0
C. Federal or public broadcasting sources	\$0	\$0
D. Fundraising related activities	\$0	\$0
E. ITV or educational radio outside the allowable scope of approved activities	\$0	\$0
F. Local productions	\$0	\$0
G. Program supplements	\$0	\$0
H. Programs that are nationally distributed	\$0	\$0
I. Promotional items	\$0	\$0
J. Regional organization allocations of program services	\$0	\$0
K. State PB agency allocations other than those allowed on line 3(B)	\$0	\$0
L. Services that would not need to be purchased if not donated	\$0	\$0
M. Other	\$0	\$0
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	\$1,300	\$5,988
Schedule D		
1. Land (must be eligible as NFFS)	\$0	\$0
2. Building (must be eligible as NFFS)	\$0	\$0
3. Equipment (must be eligible as NFFS)	\$0	\$0
4. Vehicle(s) (must be eligible as NFFS)	\$0	\$0

Exhibit C (continued)

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
5. Other (specify) (must be eligible as NFFS)	\$0	\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	\$0	\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0	\$0
a) Exchange transactions	\$0	\$0
b) Federal or public broadcasting sources	\$0	\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$0	\$0
d) Other (specify)	\$0	\$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	\$0	\$0
Schedule E-EXPENSES		
1. Programming and production	\$3,229,853	\$4,264,475
A. TV CSG	\$108,177	\$105,007
B. TV Interconnection	\$306,770	\$295,321
C. Other CPB Funds	\$140,000	\$285,538
D. All non-CPB Funds	\$2,674,906	\$3,578,609
2. Broadcasting and engineering	\$240,141	\$262,192
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$240,141	\$262,192
3. Program information and promotion	\$384,862	\$389,752
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$384,862	\$389,752
4. Management and general	\$1,424,748	\$1,481,564
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,424,748	\$1,481,564
5. Fund raising and membership development	\$1,982,753	\$2,067,672
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$1,982,753	\$2,067,672

Exhibit C (continued)

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
6. Underwriting and grant solicitation	\$0	\$0
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$0	\$0
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$73,696	\$137,084
A. TV CSG	\$0	\$0
B. TV Interconnection	\$0	\$0
C. Other CPB Funds	\$0	\$0
D. All non-CPB Funds	\$73,696	\$137,084
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$7,336,053	\$8,602,739
A. Total TV CSG (sum of Lines 1.A, 2.A, 3.A, 4.A, 5.A, 6.A, 7.A)	\$108,177	\$105,007
B. Total TV Interconnection (sum of Lines 1.B, 2.B, 3.B, 4.B, 5.B, 6.B, 7.B)	\$306,770	\$295,321
C. Total Other CPB Funds (sum of Lines 1.C, 2.C, 3.C, 4.C, 5.C, 6.C, 7.C)	\$140,000	\$285,538
D. Total All non-CPB Funds (sum of Lines 1.D, 2.D, 3.D, 4.D, 5.D, 6.D, 7.D)	\$6,781,106	\$7,916,873
INVESTMENT IN CAPITAL ASSETS		
9. Total capital assets purchased or donated	\$57,460	\$284,737
9a. Land and buildings	\$1,162	\$114,714
9b. Equipment	\$18,804	\$170,023
9c. All other	\$37,494	\$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$7,393,513	\$8,887,476
11. Total expenses (direct only)	\$7,328,923	\$8,589,960
12. Total expenses (indirect and in-kind)	\$7,130	\$12,779
13. Investment in capital assets (direct only)	\$57,460	\$284,737
14. Investment in capital assets (indirect and in-kind)	\$0	\$0
Schedule F		
1. Data from AFR		
a. Schedule A, Line 22	\$8,192,465	\$8,039,419
b. Schedule B, Line 5	\$0	\$0
c. Schedule C, Line 6	\$1,300	\$5,988
d. Schedule D, Line 8	\$0	\$0
e. Total from AFR	\$8,193,765	\$8,045,407
2. FASB Model A proprietary enterprise-fund financial statements with business-type activities only		
a. Total support and revenue - unrestricted	\$7,978,546	\$7,904,259
b. Total support and revenue - temporarily restricted	\$120,276	\$147,939
c. Total support and revenue - permanently restricted	\$100,773	\$0

**CPBN – WPKT-FM Annual Financial Reports
Years Ending June 30, 2017 and 2018**

Description	FY 2017	FY 2018
d. Total from AFS, lines 2a-2c	\$8,199,595	\$8,052,198
Reconciliation		
3. Difference (line 1 minus line 2)	(\$5,830)	(\$6,791)
4. If the amount on line 3 is not equal to \$0 click the "Add" button and list the reconciling items		
Description	Amount	
Donated personal services of volunteers	-\$5,830 & -\$6,791	(\$6,791)
	(\$5,830)	(\$6,791)

**CPBN Summary of Non-Federal Financial Support
For the Years Ending June 30, 2017 and 2018
Certified by Head of Grantee and Independent Account's Report**

AFR Line	CPBN-TV Description	FY 2017	FY 2018	Totals
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$8,979,510	\$9,142,781	\$18,122,291
2	Indirect Administrative (Schedule B)	\$0	\$0	\$0
	3a. In-Kind Contributions (Schedule C)	\$159,684	\$159,825	\$319,509
	3b. In-Kind Contributions (Schedule D)	\$0	\$0	\$0
4	Total Non-Federal Financial Support	<u>\$9,139,194</u>	<u>\$9,302,606</u>	<u>\$18,441,800</u>

AFR Line	CPBN-RADIO Description	FY 2017	FY 2018	Totals
	<i>Summary of Non-Federal Financial Support:</i>			
1	Direct Revenue (Schedule A)	\$6,648,793	\$6,845,590	\$13,94,383
2	Indirect Administrative (Schedule B)	\$0	\$0	\$0
	3a. In-Kind Contributions (Schedule C)	\$1,300	\$5,988	\$7,288
	3b. In-Kind Contributions (Schedule D)	\$0	\$0	\$0
4	Total Non-Federal Financial Support	<u>\$6,650,093</u>	<u>\$6,851,578</u>	<u>\$13,501,671</u>

NFFS reported in FY 2017 totaled \$15,789,287 and the total reported in FY 2018 was \$16,154,184

American Graduate Grant Phase Three: Grant No. 34679
Interim Financial Report and Questioned Costs
as of June 30, 2018

		BUDGET	ACTUAL	VARIANCE	QUESTIONED
CPB Revenue		\$199,395	\$60,000	\$139,395	\$0
	<i>Total Revenue</i>	\$199,395	\$60,000	\$139,395	\$0
EXPENSES					
Personnel (% of FTE)					
Employees (% of FTE)		\$68,039	\$22,006	\$46,033	\$0
Subcontractors		\$71,030	\$11,238	\$59,792	\$0
	<i>Personnel Subtotal</i>	\$139,069	\$33,243	\$105,826	\$0
Fringe Benefits (For Personnel)		\$20,411	\$5,657	\$14,754	\$0
Other Expenses					
Travel		\$4,710	\$2,355	\$2,355	\$0
Production		\$5,940	\$2,970	\$2,970	\$0
Community Engagement Activities		\$481	\$481	\$0	\$0
Marketing/promotion		\$6,000	\$3,000	\$3,000	\$0
	<i>Other Expenses Subtotal</i>	\$17,131	\$8,806	\$8,325	\$0
Indirect Cost (@12.9%)		\$22,784	\$6,154	\$16,630	\$0
	TOTAL EXPENSES	\$199,395	\$53,860	\$145,535	\$0

Regional Journalism Collaboration: New England News Collaborative Grant No. 34285
Final Financial Report and Questioned Costs
as June 30, 2018

	BUDGET	ACTUAL	VARIANCE	QUESTIONED
PERSONNEL EXPENSES (Salaries):				
CPBN Editor (1 FTE)	\$180,994	\$180,994	\$0	\$0
CPBN Digital Journalist (1 FTE)	\$69,884	\$69,884	\$0	\$0
Benefits @ 30%	\$75,264	\$75,264	\$0	\$0
Subtotal - Connecticut Public Broadcasting Network	\$326,142	\$326,142	\$0	\$0
WBUR Multimedia Reporter (1 FTE)	\$117,500	\$117,500	\$0	\$0
Benefits @ 30%	\$35,250	\$35,250	\$0	\$0
Subtotal - WBUR (Trustees of Boston University)	\$152,750	\$152,750	\$0	\$0
MPBN Multimedia Reporter (1 FTE)	\$95,842	\$95,842	\$0	\$0
Benefits @ 30%	\$28,753	\$28,753	\$0	\$0
Subtotal - Maine Public Broadcasting Network	\$124,595	\$124,595	\$0	\$0
NHPR Multimedia Reporter (1 FTE)	\$84,882	\$84,882	\$0	\$0
Benefits @ 30%	\$25,465	\$25,465	\$0	\$0
Subtotal - New Hampshire Public Radio	\$110,347	\$110,347	\$0	\$0
VPR Multimedia Reporter (1 FTE)	\$89,375	\$89,375	\$0	\$0
Benefits @ 30%	\$26,813	\$26,813	\$0	\$0
Subtotal - Vermont Public Radio	\$116,188	\$116,188	\$0	\$0
NEPR Multimedia Reporter (1 FTE)	\$119,983	\$119,983	\$0	\$0
Benefits @ 30%	\$35,995	\$35,995	\$0	\$0
Subtotal - New England Public Radio	\$155,977	\$155,977	\$0	\$0
RIPR Multimedia Reporter (1 FTE)	\$92,947	\$92,947	\$0	\$0
Benefits @ 30%	\$27,884	\$27,884	\$0	\$0
Subtotal - Rhode Island Public Radio	\$120,831	\$120,831	\$0	\$0
WSHU Multimedia Reporter (1 FTE)	\$90,385	\$90,385	\$0	\$0
Benefits @ 30%	\$27,115	\$27,115	\$0	\$0
Subtotal - WSHU (Sacred Heart University)	\$117,500	\$117,500	\$0	\$0
Subtotal - All Stations	\$1,224,330	\$1,224,330	\$0	\$0
Freelance Data Journalists	\$52,000	\$46,363	\$5,637	\$0
CPBN Administration Personnel:				
Program Manager (4 hours per week)	\$21,377	\$21,377	\$0	\$21,377

Regional Journalism Collaboration: New England News Collaborative Grant No. 34285
Final Financial Report and Questioned Costs
as June 30, 2018

	BUDGET	ACTUAL	VARIANCE	QUESTIONED
Financial Administration (3 hours per week)	\$21,750	\$21,750	\$0	\$21,750
PERSONNEL EXPENSES TOTAL	\$1,319,457	\$1,313,820	\$5,637	\$0
DIRECT OPERATING EXPENSES:				
Travel	\$20,000	\$22,339	-\$2,339	\$0
Meetings and Miscellaneous Expenses	\$20,000	\$6,337	\$13,663	\$0
TOTAL PERSONNEL & OPERATING EXPENSES	<u>\$1,359,457</u>	<u>\$1,342,496</u>	<u>\$16,961</u>	<u>\$43,127</u>

SCOPE AND METHODOLOGY

We performed an attestation examination to determine CPBN's compliance with CPB Financial Reporting Guidelines, provisions of the Communications Act, grant certification requirements, and other grant provisions. The scope of the audit included reviews and tests of the information reported by CPBN on its AFRs that we reconciled to audited financial statements for the fiscal years ending June 30, 2017 and June 30, 2018; grant certifications of compliance with Act requirements; and certifications on its financial reports submitted to CPB.

We tested the allowability of the NFFS claimed on CPBN's AFRs by performing financial reconciliations and comparisons to CPBN's underlying accounting records (general ledger) and the audited financial statements. We reviewed underwriting and grant agreements and other documentation supporting revenues reported. Specifically, we reviewed NFFS revenue transactions totaling \$2,648,817 of the \$15,789,287 reported in FY 2017 and \$3,278,324 of the \$16,154,184 reported in FY 2018.

We reviewed the allowability of expenses CPBN charged to the CSGs received from CPB during FYs 2017 and 2018. We also reviewed the expenses CPBN claimed under the American Graduate and the NENC grants. To determine whether CPBN incurred CSG expenditures in accordance with grant terms, we reviewed \$3,153,962 of the \$3,669,302 in CSG expenses incurred by CPBN during our audit period. We also reviewed \$628,334 of the expenses totaling \$1,396,356, that CPBN claimed under of the American Graduate and NENC grants. For all the grant expenses reviewed, we examined supporting documentation, including invoices, proof of payments, and other documentation for judgmentally selected transactions.

We reviewed policies, records, and documents supporting the station's compliance with the Act's requirements to provide advance notice of public meetings; make financial and EEO information available to the public; an operating Community Advisory Board; and safeguard donor lists. We also reviewed CPBN's website to determine its compliance with CPB's transparency requirements. Our procedures included interviewing station officials and the station's independent public accountant.

We gained an understanding of internal controls over the preparation of AFRs, cash receipts, and cash disbursements. We also gained an understanding of CPBN's policies and procedures for compliance with certification of eligibility requirements, Communication Act, and CPB grant agreement terms for allowable costs. We used this information to assess risks and plan the nature and extent of our testing to conclude on our objectives.

We conducted fieldwork from August 12, 2019 through December 4, 2019. We performed our audit in accordance with the *Government Auditing Standards* for attestation examination.



February 28, 2020

Mr. William J. Richardson III
Deputy Inspector General
Corporation for Public Broadcasting
401 Ninth Street, NW
Washington, DC 20004-2129

RE: Audit of Community Service and Other Grants at Connecticut Public Broadcasting, Inc., Hartford, Connecticut, for the Period July 1, 2016 through June 30, 2018 - Draft Report No. ASJ1909-XXXX

Dear Mr. Richardson,

Thank you for this opportunity to respond to the Office of Inspector General (“OIG”) Draft Audit Report in the matter indicated above. We worked closely and collegially with your staff and truly appreciate the professionalism they exhibited throughout the audit process. The management team at Connecticut Public Broadcasting, Inc. (“Connecticut Public”) believes we have learned a great deal from the audit that will improve our internal practices as we move forward. We also appreciate, and are proud that, the OIG staff found, with the exception of very few matters pointed out in the Draft Audit Report, Connecticut Public complied with CPB requirements for both its Community Service Grants (“CSGs”) and other project-based grants from the Corporation for Public Broadcasting (“CPB”).

While we agree with most of the recommendations concerning the reporting of non-Federal Financial Support (“NFFS”) and documentation of costs applied to CPB project-based grants, we would like to take this opportunity to address the Draft Report’s findings and recommendations concerning reporting premium offsets when reporting NFFS, and how Connecticut Public discretely accounted for CPB project-based grant funds.

For your convenience, we have organized our discussion of the Draft Report findings according to the Draft Report’s six (6) recommendations. Recommendations 1 and 2 in the Draft Report deal with Connecticut Public’s reporting of NFFS on its Annual Financial Reports (“AFRs”), comprised of four (4) subcategories of criticisms. Recommendations 3 and 4 deal with questioned undocumented salary expenses for one CPB project-based grant, and Recommendations 5 and 6 deal with discrete accounting for two CPB project-based grants.

OIG Recommendations 1 and 2

The Draft Audit Report recommends that CPB management: a) recover CSG overpayment of \$78,562 based upon overstated NFFS; and b) require Connecticut Public to identify the corrective actions and controls it will implement to ensure future compliance with NFFS reporting requirements.

As noted, the Draft Report arrives at Recommendations 1 and 2 based on findings about four (4) different categories of ways in which the Draft Report concluded Connecticut Public overstated NFFS reported on Connecticut Public's AFRs: 1) incorrect amount of premium offsets against membership; 2) funds received from a public broadcasting entity; 3) presenting fees; and 4) radio revenues erroneously claimed as television NFFS. We will address each of these categories in turn.

Premium Offsets

The Draft Report concluded Connecticut Public overstated NFFS because Connecticut Public understated the amount of high-end premiums excluded from membership revenues. Connecticut Public does not agree with this conclusion.

As noted in the Draft Report, CPB's Financial Reporting Guidelines require CSG recipient stations to exclude from NFFS the value of premiums given to donors that are not of insubstantial value. However, the CPB Financial Guidelines do not stipulate how stations are to determine which premiums qualify as insubstantial (and do not need to be deducted from NFFS) as opposed to "high-end" premiums (which must be deducted from NFFS). Instead, the Financial Reporting Guidelines generally admonish stations to comply with Internal Revenue Service ("IRS") rules and regulations on this matter.

In a footnote, the CPB Financial Reporting Guidelines refer to IRS Publication 1771, which provides IRS Guidance on substantiation and disclosure requirements for charitable contributions. However, nothing in CPB's Financial Reporting Guidelines *requires* stations to specifically use the methodology explained in IRS Publication 1771 to determine which premiums are counted as having insubstantial value.

The Draft Report concludes Connecticut Public overstated its NFFS because Connecticut Public did not use IRS Publication 1771 in determining the fair market values of premiums to be deducted from NFFS. Specifically, the Draft Audit Report states:

Additionally, IRS Publication 1771, Charitable Contributions—Substantiation and Disclosure Requirements referenced in the CPB Guidelines provides that goods and services with "insubstantial value" as defined by the IRS are fully deductible. This Publication indicates that fair market value or cost can be used to value premiums. For calendar years 2017 and 2018, this guidance describes premiums as being fully deductible if their cost (as opposed to their fair market value) does not exceed \$10.70 and \$10.90 in FYs 2017 and 2018 respectively.

However, while the Draft Audit Report assumes the mandatory use of IRS Publication 1771, nothing in CPB's Financial Reporting Guidelines actually mandates the use of the thresholds in IRS Publication 1771 of \$10.70 (for 2017) and \$10.90 (for 2018) for marking the distinction between premiums of insubstantial value and high-end premiums.

Instead, when determining which premiums qualify as high-end premiums, Connecticut Public applied the advice given in IRS Publication 463 (IRS Guidance on *Travel, Gift, and Car Expenses*; Publication 463), which provides that \$25 is the appropriate threshold determining the deductibility for gifts. IRS Publication 463 limits deducting the cost of a gift for tax reporting purposes to \$25, regardless of the fair market value of the gift. As such, Connecticut Public used the \$25 threshold provided in IRS Publication 463 as the demarcation point between premiums of insubstantial value and high-end premiums.

Connecticut Public utilized Publication 463 based on the rationale that the IRS determined \$25 was the appropriate threshold for when the cost of a gift may be excluded from taxes (or in this case when

the value of a gift rises to a level where it must be deducted from the charitable nature of NFFS). Under the advice given in IRS Publication 463, a business may deduct from its taxes, the cost of a gift to a customer of up to \$25. As such, Connecticut Public believed a consistent rationale should apply in determining the point where the cost of a premium should be deducted from NFFS. In the absence of specific requirements in the Financial Reporting Guidelines, Connecticut Public believes it should not be penalized for applying methodology from IRS Publication 463 instead of IRS Publication 1771.

Further, when reporting its NFFS, Connecticut Public actually took a more conservative approach to demarcating between premiums of insubstantial value and high-end premiums. Connecticut Public utilized a threshold of \$21.50 as the demarcation point under which a premium became a high-end premium and therefore must be deducted from NFFS. While the CPB Financial Guidelines reference IRS Publication 1771, they do not require its use in establishing the difference between high-end premiums and premiums of insubstantial value. CPB only requires station follow IRS requirements and guidelines. As such, Connecticut Public should not be penalized for utilizing in good faith the advice given in IRS Publication 463 to distinguish its premiums of insubstantial value and high-end premiums.

Funds Received from a Public Broadcasting Entity

The Draft Audit Report also concluded Connecticut Public overstated NFFS based on the inclusion of funds from CPB, a public broadcasting entity. As funds from public broadcasting entities are excluded from NFFS under CPB's Financial Reporting Guidelines, Connecticut Public agrees with this conclusion.

During the audit process, Connecticut Public reviewed all revenue it received from CPB during the audit period, which was approximately \$4,091,302 and determined the questioned \$60,000 related to a single American Graduate project grant. This amount was inadvertently recorded, when received, to an incorrect revenue line item in Connecticut Public's financial system.

As a standard and routine practice, Connecticut Public uses a unique revenue line item code in its financial system called "CPB-Other", which is used to report all non-CSG and non-Interconnection Grant funds received from CPB.

In order to assure this error will not occur again, Connecticut Public is adding an additional review as part of its monthly financial reporting process for all revenue received from CPB.

Presenting Fees

The Draft Audit Report further concluded Connecticut Public overstated NFFS by including presenting fees (which are excluded from NFFS under CPB's Financial Reporting Guidelines) in its NFFS. Connecticut Public agrees with this conclusion with regard to the transactions discussed in the Draft Audit Report. Connecticut Public, though, also requests clarification on issues raised in the Draft Audit Report regarding whether payments for services provided to qualifying entities as part of such fees would qualify as NFFS.

Connecticut Public maintains a fairly substantial national program production and distribution business as part of the services it provides to its community and the public television service as a whole. This service includes programming that is produced and originated locally, local or national co-production arrangements, pledge specials, and programs Connecticut Public presents through the public television marketplace on behalf of producers (thus acting as a "presenting station"). Such programming

is funded through a variety of sources such as contributions from donors, corporate supporters, and payments from other third-party sources such as foundations, for-profit entities, and the State of Connecticut. The funding supports a variety of activities contributing to Connecticut Public's program production and distribution services. In situations when Connecticut Public acted as a presenting station, Connecticut Public determined whether the fee paid qualified, or did not qualify, as NFFS based upon the work Connecticut Public performed on the production without regard to the underlying source of the payment. During the audit, we learned that this approach was incorrect and neither of the transactions discussed in the Draft Audit Report would qualify as NFFS.

More broadly, though, the audit experience raised questions about whether some services provided by stations included within a presenting fee arrangement could qualify as NFFS. Certainly, a pure presenting fee is not eligible to be counted as NFFS. Further an exchange transaction payment from any entity other than an educational institution or state or local government agency also do not qualify as NFFS. However, Connecticut Public seeks clarification on whether payments for services are performed by a station (as part of a presenting fee), such as editing or other post production services, that involve costs to the station to complete a program would qualify as NFFS if such payments came from an educational institution or state or local government agency.

During the Connecticut Public audit, the auditor recognized Connecticut Public's role in certain productions was more significant than just presenting the completed program. In cases where Connecticut Public provided such services as part of a presenting fee arrangement, if the entity providing the fee qualifies as the type of entity whose payments may count as NFFS under CPB's Financial Reporting Guidelines, Connecticut Public believes it should not be penalized in its NFFS reporting merely because a payment is called a "presenting fee." In such cases, Connecticut Public believes it should be allowed to include some of these fees as part of NFFS when a station provides additional services to complete a production.

As a corrective measure, Connecticut Public will complete a detailed review of the underlying source of all payments made and determine the appropriateness of NFFS reporting.

Radio Revenues Claimed as Television NFFS

Finally, the Draft Audit Report concluded Connecticut Public misreported some radio NFFS on its Television AFR. Connecticut Public agrees with this conclusion.

Going forward, Connecticut Public has proactively implemented a number of processes to ensure the ongoing accuracy of its financial reporting to CPB. At the conclusion of the audit process, Connecticut Public reviewed its general ledger structure and posting process for segregating all revenue for its television and radio activities, which consequently affects how Connecticut Public reports its television and radio NFFS. Connecticut Public determined the error identified during the audit process related only to one type of revenue source (e.g. grants from foundations). These grants were not being tracked adequately between television and radio for grants that had both television and radio deliverables.

In order to properly track funds received from foundations with both television and radio deliverables, Connecticut Public is modifying its tracking practice to utilize the practice it already uses for all other sources of revenue received (e.g. membership, leadership gifts, etc.). This approach involves using unique departmental and project sub-accounting for all revenue received. This sub-accounting will now be consistent for all revenue sources and will allow the Connecticut Public staff who prepare the AFR to more easily identify and reconcile all television funds and keep them separated from radio funds.

OIG Recommendations 3 and 4

The Draft Audit Report recommends CPB management to a) determine the reasonableness of or recover questioned undocumented salary expenses of \$43,127 claimed under the New England News Collaborative (“NENC”) grant; and b) require Connecticut Public to identify the corrective actions and controls it will implement to ensure future compliance with CPB labor timekeeping requirements.

The Draft Audit Report concluded Connecticut Public did not maintain adequate records of the time its personnel spent on NENC grant activities to verify \$43,127 in salary costs. Connecticut Public agrees it did not maintain timesheets to document the \$43,127 in salary expenses criticized by the Draft Report but believes some context is in order.

The NENC grant involved \$1,313,820 in personnel expenses, which represents the work of an executive editor, eight reporters from the eight different New England stations, freelance journalists, one program manager, and one financial administrator. This work, totaling 37,682 hours, was completed over a 30-month period. Connecticut Public maintained verifications and attestations for 97.9% of the hours charged to the grant, which are not questioned by the Draft Audit Report. However, it was an oversight on Connecticut Public’s part, that the program manager and financial administrator, who completed their work, did not also complete adequate attestations (a total of 802 hours out of the 37,682 hours) for their work.

As a standard and routine practice, Connecticut Public requires all employees working on a grant project funded by CPB to complete either timesheets or written attestations of hours worked. In order to correct this oversight going forward for all CPB-funded grants, Connecticut Public will implement a new control to assure all attestations will be completed prior to finalizing periodic financial and narrative grant reporting.

OIG Recommendations 5 and 6

The Draft Audit Report recommends CPB management to a) require Connecticut Public record CPB salary costs under the appropriate CPB project accounting code to discretely account for the funds expended under the CPB grant; and b) identify the corrective actions and controls it will implement to ensure future compliance with grant recordkeeping requirements.

In reaching these recommendations, the Draft Audit Report concluded Connecticut Public discretely accounted for all American Graduate grant and NENC grant revenues but did not discretely account for all American Graduate grant and NENC grant expenses, as required by each of the grant agreements between CPB and Connecticut Public. Connecticut Public disagrees with this conclusion.

As the Draft Audit Report notes:

Section 7 of the American Graduate grant agreement required Connecticut Public to comply with the CPB Terms and Conditions for Television, Radio and Other Media Production Grants, November 2015 Edition. Section 4G of these Terms and Conditions require that:

A grantee...must keep books, records, and accounts relating to the Grant and the Grant Project sufficient to:

i) enable CPB to verify all direct costs, overhead, and administrative allocations associated with the Grant Project;

ii) allow CPB, by examination of grantees general ledger and other records, to account for the Grant Project level of activities in sufficient detail to enable an audit to verify the investment of CPB funds in the approved expenses of the Grant Project;

iii) disclose fully the amount and use of the proceeds of the Grant, the Total Project Cost, and the amount and nature of any portion of the Total Project Cost supplied by the sources other than CPB...

v) permit an effective audit. [Ellipsis in original]

The Draft Audit Report stated the same requirements were included in the NENC grant agreement. The Draft Audit Report also noted Connecticut Public maintained separate spreadsheets that included all of the expenses for both grants. However, the Draft Audit Report criticizes Connecticut Public because "...these expenses were not journaled or recorded in the American Graduate project expenditure accounts."

As Connecticut Public explained to the auditor, the grant agreements do not require Connecticut Public to keep the American Graduate and NENC expenses in any specific expenditure accounts. The grant agreements only require Connecticut Public to keep books, records, and accounts sufficient to enable CPB to accomplish a number of tasks quoted above (and noted in the Draft Audit Report). Connecticut Public met these standards. Connecticut Public maintained such records and the auditor was able to accomplish the tasks described in the grant agreements. The Draft Audit Report appears to take issue with the location of the records, not that Connecticut Public failed to meet the grant agreements' documentation standards, which require Connecticut Public to maintain records to allow CPB or an auditor to accomplish stated tasks. However, the grant agreements do not require such an accounting to be located in the general ledger or any other singular place. As the American Graduate and NENC grant agreements only require the keeping of records, and do not stipulate the location of where such documentation is maintained, Connecticut Public believes it has met the burden required by CPB's grant agreements and disagrees with the Draft Audit Report's criticisms. As such, while Connecticut Public acknowledges CPB may wish to amend its future grant agreements to prescribe where the records called for by current grant agreements are kept, Connecticut Public believes it has complied with the terms of its existing grant agreements and does not believe it should therefore be penalized. As such, any further actions are not warranted in this instance.

Thank you once again for the opportunity to comment on the Draft Audit Report. Please feel free to contact me or Connecticut Public staff if you have any questions or would like further information.

Sincerely,



Mark Contreras
President and Chief Executive Officer
Connecticut Public Broadcasting, Inc.