

# Application of Principles of Accounting and Financial Reporting To Public Broadcasting Entities

---

<b>1</b>	<b>INTRODUCTION .....</b>	<b>2</b>
1.1	Background.....	2
1.2	Overview .....	2
<b>2</b>	<b>GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR PUBLIC BROADCASTING ENTITIES .....</b>	<b>5</b>
2.1	Application and Hierarchy of GAAP.....	5
2.2	Application of FASB or GASB by a Public Broadcasting Entity.....	8
2.3	Organizations That Are Not Discrete Legal Entities.....	10
<b>3</b>	<b>ACCOUNTING AND REPORTING FOR PUBLIC BROADCASTING ENTITIES FOLLOWING FASB .....</b>	<b>12</b>
3.1	Overview .....	12
3.1.1	Accrual Basis of Accounting .....	12
3.1.2	AICPA Audit and Accounting Guide <i>Not-for-Profit Organizations</i> ..	12
3.2	Financially Interrelated Organizations.....	14
3.2.1	Investments in For-Profit Majority Owned Subsidiaries.....	15
3.2.2	Investments in For-Profit Entities with 50 Percent or Less Voting Interest .....	17
3.2.3	Financially Interrelated Not-for-Profit Organizations.....	17
3.3	Contributions .....	20
3.3.1	Promises to Give (Pledges).....	27
3.3.2	Materials, Supplies, Facilities, and Property .....	29
3.3.3	Volunteer Services Not Requiring Specialized Skills.....	32
3.3.4	Services That Create or Enhance Non-Financial Assets or That Require Specialized Skills .....	32
3.3.5	Advertising and Promotion.....	36
3.3.6	Indirect Administrative Support .....	37
3.4	Transfers .....	38
3.4.1	Government Transfers .....	38
3.4.2	Contributions Raised or Held for Others.....	39
3.5	Fundraising Costs .....	39
3.5.1	Accounting for Fundraising Costs .....	42
3.5.2	Allocation of Fundraising Costs .....	42

# Application of Principles of Accounting and Financial Reporting To Public Broadcasting Entities

---

<b>3.6</b>	<b>Investments .....</b>	<b>44</b>
3.6.1	Determining Fair Value .....	44
3.6.2	Income .....	45
3.6.3	Net Asset Classification .....	45
3.6.4	Financial Reporting .....	46
3.6.5	Disclosure Requirements.....	47
<b>3.7</b>	<b>Program Production .....</b>	<b>49</b>
3.7.1	Independently Funded Program Production .....	49
3.7.2	Productions Not Independently Funded .....	56
<b>3.8</b>	<b>Financial Reporting for a Not-for-Profit Public Broadcasting Entity .....</b>	<b>58</b>
3.8.1	Overview of Reporting Requirements.....	58
3.8.2	Purpose and Required Components of Financial Statements .....	58
3.8.3	Comparative Financial Statements.....	59
3.8.4	Statement of Financial Position .....	59
3.8.5	Statement of Activities .....	68
3.8.6	Statement of Cash Flows .....	75
3.8.7	Reporting Expenses by Functional Classification .....	84
3.8.8	Reporting Expenses by Natural Classification .....	92
3.8.9	Notes to Financial Statements.....	95
3.8.10	Summary of Significant Accounting Policies.....	95
<b>3.9</b>	<b>Example Financial Statements for a Not-for-profit Public Broadcasting Entity .....</b>	<b>110</b>
<b>4</b>	<b>ACCOUNTING AND REPORTING FOR PUBLIC BROADCASTING ENTITIES FOLLOWING GASB .....</b>	<b>118</b>
<b>4.1</b>	<b>Overview .....</b>	<b>118</b>
4.1.1	Basis of Accounting .....	120
4.1.2	Reporting Under GASBS Nos. 34 and 35 .....	120
4.1.3	AICPA Audit and Accounting Guide <i>Audits of State and Local Government Units</i> .....	121
<b>4.2</b>	<b>Fund Accounting.....</b>	<b>123</b>
4.2.1	Proprietary Funds .....	124
4.2.2	Governmental Funds .....	125
4.2.3	Fiduciary Funds.....	126
<b>4.3</b>	<b>Financially Interrelated Organizations.....</b>	<b>127</b>
<b>4.4</b>	<b>Cash and Investments.....</b>	<b>129</b>
4.4.1	Deposits and Investments, including Repurchase Agreements .....	129
4.4.2	Governmental External Investment Pools .....	130

# Application of Principles of Accounting and Financial Reporting To Public Broadcasting Entities

---

<b>4.5</b>	<b>Contributions</b> .....	<b>132</b>
4.5.1	Non-exchange Transactions.....	132
4.5.2	Contributed Materials, Supplies, Facilities and Property.....	139
4.5.3	Volunteer Services Not Requiring Specialized Skills.....	139
4.5.4	Services that Create or Enhance Non-financial Assets or That Require Specialized Skills .....	140
4.5.5	Advertising and Promotion.....	141
4.5.6	Indirect Administrative Support .....	142
<b>4.6</b>	<b>Fundraising Costs</b> .....	<b>143</b>
4.6.1	Accounting for Fundraising Costs .....	143
4.6.2	Allocation of Fundraising Costs .....	143
<b>4.7</b>	<b>Pensions</b> .....	<b>144</b>
<b>4.8</b>	<b>Program Production</b> .....	<b>145</b>
4.8.1	Independently Funded Program Production .....	145
4.8.2	Productions Not Independently Funded .....	151
<b>4.9</b>	<b>Financial Reporting for Public Broadcasting Entities following GASB</b>	<b>154</b>
4.9.1	Overview of Reporting Requirements.....	154
4.9.2	Purpose and Required Components of Financial Statements.....	155
4.9.3	Management’s Discussion and Analysis .....	156
4.9.4	Proprietary Fund Statements.....	171
4.9.5	Reporting Expenses by Functional Classification .....	172
4.9.6	Notes to Financial Statements.....	176
4.9.7	Summary of Significant Accounting Policies.....	176
4.9.8	Supplemental Information Combining Television and Radio .....	192
<b>4.10</b>	<b>Additional Financial Reporting Considerations – Non-Business Type Activities</b> .....	<b>195</b>
4.10.1	Public-Broadcasting-Entity-Wide Financial Statements.....	196
4.10.2	Governmental Fund Financial Statements.....	203
4.10.3	Fiduciary Fund Financial Statements .....	215
<b>4.11</b>	<b>Example Financial Statements for a Governmental Public Broadcaster Following GASB, with Mixed Governmental and Business-Type Activities</b> .....	<b>216</b>
<b>Appendix A:</b>	<b>Glossary of Acronyms Used</b> .....	<b>254</b>
<b>Appendix B:</b>	<b>Glossary of Terms Used</b> .....	<b>255</b>
<b>Appendix C:</b>	<b>Index of Pronouncements and Issuance Dates</b> .....	<b>257</b>