

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

Section 1

Introduction

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1.1 Background

The Public Telecommunications Financing Act of 1978 (Public Law 95-567) required that the Corporation for Public Broadcasting (CPB), in consultation with the Comptroller General of the United States, “develop accounting principles which shall be used uniformly by all public broadcasting entities receiving funds... taking into account organizational differences among various categories of such entities.” To meet its responsibilities under this statutory mandate, CPB developed the *Application of Principles of Accounting and Financial Reporting to Public Telecommunications Entities* (the *Principles*) to provide guidance on accounting and reporting for public broadcasting entities.

A wide variety of users are interested in the financial statements of public broadcasting entities. Among the principal users are (1) contributors, (2) the entity’s trustees or directors, (3) its employees, (4) the Corporation for Public Broadcasting, (5) the U.S. Congress, state legislatures, and governmental grant-making departments and agencies, (6) the entity’s creditors and potential creditors, and (7) constituent organizations.

CPB’s intention in providing financial reporting requirements for CPB grantees is that improved accounting and financial reporting by all public broadcasting entities will:

- Produce financial statements throughout the public broadcasting industry that are in conformity with Generally Accepted Accounting Principles (GAAP)
- Help managers and members of the grantees’ governing boards fulfill their fiduciary responsibility with regard to financial management
- Meet the challenge of greater public accountability mandated by Congress and the contributing public
- Increase the amount of meaningful and comparable financial information available to the public broadcasting community.

1.2 Overview

This overview defines the nature, scope, and applicability of accounting requirements and the basic financial statements to be prepared by public broadcasting entities as a condition of receipt of funds from CPB. The accounting principles apply to all public broadcasting entities which are CPB grant recipients, regardless of the manner in which such entities are owned, operated, or affiliated with other public or private organizations.

The *Principles* are outlined as follows:

Section 1	<i>Introduction</i>
Section 2	<i>Generally Accepted Accounting Principles for Public Broadcasting Entities</i>
Section 3	<i>Accounting and Reporting for Public Broadcasting Entities Following FASB</i>
Section 4	<i>Accounting and Reporting for Public Broadcasting Entities Following GASB</i>
Appendix A	<i>Glossary of Acronyms Used</i>
Appendix B	<i>Glossary of Term Used</i>
Appendix C	<i>Index of Pronouncements and Issuance Dates</i>



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The *Principles* outline accounting and reporting requirements for public broadcasting entities under GAAP and CPB guidance. CPB grant recipients are required to follow the financial accounting and reporting standards of recognized sources of established accounting principles under the Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB). In addition, the *Principles* indicate CPB reporting and disclosure preferences in areas where flexibility exists under GAAP.

Public broadcasting entities and their auditors are expected to apply GAAP treatment in situations where conflicts with the current CPB *Principles* arise because earlier references have been superseded by new accounting literature. If FASB and/or GASB have required reporting entities to adopt new pronouncements by a specified date, the fact that – as of that date – CPB's *Principles* may not have been revised to take account of the new pronouncements does not relieve grantees of their obligation to adopt and follow authoritative guidance from the standards bodies.

Public broadcasting entities must determine whether they will follow either the standards of FASB or those of GASB, on the basis of the governmental or non-governmental nature of their organization, as described in greater detail in Section 2 of these *Principles*.

References to and excerpts from relevant authoritative pronouncements are provided throughout these *Principles* to ensure proper application of the requirements. The first time a pronouncement is referenced in the *Principles*, the full title is used. Subsequent references will provide the abbreviated name and number.

Public broadcasting entities may be subject to additional requirements from parent organizations or other funding sources, such as private donors or state and federal government grant-making agencies. Public broadcasting entities should be aware of these additional regulations and respond to them appropriately.

These *Principles* address accounting and financial reporting, not basic accounting systems or the manner in which financial records are maintained and need not be applied to immaterial items.

This edition of the *Principles* supersedes and replaces both the 1990 and earlier editions and the 1996 *Supplemental Guide*. CPB reserves the right to issue updates and to revise these *Principles*.

This edition of the *Principles* is effective for public broadcasting entities' financial statements for periods beginning on or after July 1, 2005.

