Audited Financial Statements

WMTJ-TV, Channel 40
(A Public Telecommunications Division of
Sistema Universitario Ana G. Méndez, Incorporado)
As of and For the Years Ended July 31, 2019 and 2018
With Report of Independent Auditors

Building a better
working world

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(A Public Telecommunications Division of
Sistema Universitario Ana G. Méndez, Incorporado)

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As of and For the Years Ended July 31, 2019 and 2018

Contents

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Report of Independent Auditors

The Board of Directors of
Sistema Universitario Ana G. Méndez, Incorporado

We have audited the accompanying financial statements of WMTJ-TV, Channel 40 (the "Channel") (a public telecommunications division of Sistema Universitario Ana G. Méndez, Incorporado) (the "Institution"), which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WMTJ-TV, Channel 40 (a public telecommunications division of Sistema Universitario Ana G. Méndez, Incorporado) as of July 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Standards

As discussed in notes to the financial statements, the Institution adopted ASU 2016-14, *Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Not-for-Profit Entities*, among the adoption of other less significant standards effective August 1, 2018. ASU 2016-14 simplifies and improves how a not-for-profit entity classifies its net assets as well as presenting in its footnotes information about liquidity, financial performance, and cash flows. ASU 2014-09 and ASU 2018-08 change the way entities recognize revenues from contracts and grants and clarify accounting guidance for contributions received and contributions made. Our opinion is not modified with respect to these matters.

Ernst & Young LLP

February 12, 2020

Stamp No. E401068
affixed to
original of
this report.

WMTJ-TV, Channel 40
(A Public Telecommunications Division of
Sistema Universitario Ana G. Méndez, Incorporado)

Statements of Financial Position

	July 31 2019	July 31 2018
Assets		
Cash	**$ 175**	$ 200
Receivables:		
Trade	**22,560**	39,700
Grants	**325,157**	343,259
	347,892	383,159
Prepaid expenses	**141,938**	132,769
Property and equipment, net	**1,375,660**	1,589,351
Total assets	**$ 1,865,490**	$ 2,105,279
Liabilities and division account		
Liabilities:		
Contracts payable	**$ 10,101**	$ –
Accounts payable and other liabilities	**513,852**	1,375,741
Obligation under capital leases	**12,563**	29,675
Due to Sistema Universitario Ana G. Méndez, Incorporado	**844,200**	908,600
	1,380,716	2,314,016
Division account - net assets without donor restrictions	**484,774**	(208,737)
Total liabilities and division account	**$ 1,865,490**	$ 2,105,279

See accompanying notes.

WMTJ-TV, Channel 40

(A Public Telecommunications Division of
Sistema Universitario Ana G. Méndez, Incorporado)

Statements of Activities

	Year Ended July 31 2019	Year Ended July 31 2018
Revenues and other support:		
General appropiation from Sistema Universitario Ana G. Méndez, Incorporado	**$ –**	$ 6,195
Contributions	**25,462**	–
Indirect administrative support from Sistema Universitario Ana G. Méndez, Incorporado	**437,702**	467,136
Federal and state grants and contracts	**1,799,288**	3,211,349
Telecasting, production and other income	**965,942**	999,946
Total revenues and other support	**3,228,394**	4,684,626
Expenses:		
Program services:		
Programming and production	**37,175**	342,114
Broadcasting	**869,687**	587,822
Total program services	**906,862**	929,936
Supporting services:		
Management and general expenses, including depreciation and amortization of $550,379 and $660,912 in 2019 and 2018, respectively, and interest expense of $44,988 and $48,935 in 2019 and 2018, respectively	**2,298,180**	2,306,667
Instruction	**200,874**	271,831
Total supporting services	**2,499,054**	2,578,498
Total expenses	**3,405,916**	3,508,434
Change in division account - without donor restrictions	**(177,522)**	1,176,192
Division account - net assets without donor restrictions at beginning of year	**(208,737)**	618,389
Net transfers from (to) Sistema Universitario Ana G. Méndez, Incorporado	**871,033**	(2,003,318)
	662,296	(1,384,929)
Division account - net assets without donor restrictions at end of year	**$ 484,774**	$ (208,737)

See accompanying notes.

WMTJ-TV, Channel 40
(A Public Telecommunications Division of
Sistema Universitario Ana G. Méndez, Incorporado)

Statements of Cash Flows

	Year Ended July 31	
	2019	**2018**
Operating activities		
Change in division account - without donor restrictions	**$ (177,522)**	$ 1,176,192
Adjustments to reconcile change in division account - without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization	**550,379**	660,912
Bad debt expense	**5,826**	9,637
Loss on disposal of property, plant and equipment	**–**	11,575
Changes in operating assets and liabilities:		
Trade receivable	**11,313**	25,330
Grants receivable	**18,102**	(222,776)
Prepaid expenses	**(9,169)**	(18,981)
Cost incurred for programs not yet broadcasted	**–**	4,373
Contracts payable	**10,101**	(30,785)
Accounts payable and other liabilities	**(861,889)**	486,177
Due to Sistema Universitario Ana G. Méndez, Incorporado	**(81,512)**	(98,336)
Net transfers (to) from Sistema Universitario Ana G. Méndez, Incorporado	**871,033**	(2,003,318)
Net cash provided by operating activities	**336,662**	–
Investing activities		
Purchase of property and equipment	**(336,687)**	–
Cash at beginning of year	**200**	200
Cash at end of year	**$ 175**	$ 200
Disclosure of cash flow information		
Interest paid	**$ –**	$ –

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

WMTJ-TV, Channel 40 (the “Channel”) is a noncommercial public television station operating from Fajardo, Puerto Rico, including its retransmitting station WQTO-Channel 26 in Ponce. The Channel is a public telecommunications division of Sistema Universitario Ana G. Méndez, Incorporado (“SUAGM” or the “Institution”), a private, nonprofit, educational institution incorporated under the laws of the Commonwealth of Puerto Rico and licensed by the Federal Communications Commission.

The accompanying financial statements present the assets and liabilities, and changes in division account - unrestricted net assets of only that portion of the Institution that is attributable to the transactions of the Channel. These financial statements have been prepared from the separate records maintained by the Channel and may not necessarily be indicative of the conditions that would have existed or the changes in net assets if the Channel had operated as an unaffiliated entity. Portions of certain revenues and expenses represent allocations made from Institution items applicable to the Channel as a whole. SUAGM performs all cash management functions on behalf of the Channel. Accordingly, all payments and collections are handled by SUAGM.

The summary of significant accounting policies followed by the Channel is set forth below:

Receivables and Allowance for Doubtful Accounts

Receivables are reported at the estimated net realizable amount. An allowance for doubtful accounts is provided, if necessary, based upon management’s judgment including factors such as prior collection history and nature of accounts receivable.

Basis of Presentation

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the division account of the Channel and changes therein are classified as follows:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations (donors include other types of contributors, including makers of certain grants). Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Institution and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions. Contributions are reported as increases in the appropriate category of net assets, except contributions that impose restrictions that are met in the same fiscal year they are received, which are included in revenues without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

The Channel does not have net assets with donor restrictions for the year ended.

Liquidity and Availability of Resources

As of July 31, 2019 and 2018, financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2019	**2018**
Cash and cash equivalents	**$ 175**	$ 200
Accounts receivable, net	**347,717**	382,959
Financial assets available within one year for general expenditures	**$ 347,892**	$ 383,159

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Liquidity and Availability of Resources (continued)

In addition to these available financial assets, a significant portion of the Channel's annual expenditures will be funded by current year operating revenues, including grants and contracts, and auxiliary operations. As part of the Channel's liquidity management strategy, the Channel structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Because the Channel is a division of SUAGM, the Channel has the support from the Institution, which will provide the Channel with the required funds to meet its obligations, if needed.

Contributions

Contributions, including unconditional promises to give, are recorded as revenue in the period received. Contributions received with donor-imposed restrictions that are met in the same fiscal year are reported as revenue from net assets without donor restrictions. Conditional promises to give are not recognized as revenue until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted, if practicable, at an appropriate discount rate commensurate with the risk involved.

An allowance for uncollectible contributions receivable is provided, if necessary, based upon management's judgment including factors such as prior collection history, type of contribution and nature of fund-raising activity.

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Functional Expense Allocation

Expenses are reported in the statements of activities in categories recommended by the National Association of College and University Business Officers. The Channel's primary program services are instruction, research and public service. Expenses reported as academic support, student services and auxiliary enterprises are incurred in support of the Channel's primary program. Institutional support mainly includes management and general expenses. Certain expenses such as operation and maintenance of plant, depreciation, amortization and interest costs, which are related to more than one category, are allocated among the appropriate categories based primarily on equipment usage and building square footage, as appropriate.

Channel 40's functional expenses by natural classification for the year ended July 31, 2019, are as follows:

	Program Activities		Supporting Activities		
Accounts	Programming and Production	Broadcasting	Management and General	Instruction	Total
Salaries	$ 33,684	$ 258,289	$ –	$ –	$ 291,973
Services	(1,200)	298,642	5,376	98,913	401,731
Operation and maintenance	–	31,117	543,899	–	575,016
Fringe benefits and payroll taxes	6,691	56,072	42,899	–	105,662
Depreciation	–	–	550,379	–	550,379
Indirect support	–	–	437,703	–	437,703
General appropriation	–	–	666,615	–	666,615
Miscellaneous	(2,000)	10,288	5,883	66,100	80,271
Interest	–	–	43,715	–	43,715
Occupancy	–	195,581	1,711	–	197,292
Other facilities and administrative	–	1,093	–	–	1,093
Conferences and travel	–	7,162	–	6,781	13,943
Minor PP&E	–	11,443	–	–	11,443
Student scholarships and other	–	–	–	24,825	24,825
Materials and supplies	–	–	–	4,255	4,255
	$ 37,175	$ 869,687	$ 2,298,180	$ 200,874	$ 3,405,916

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Appropriations from Sistema Universitario Ana G. Méndez, Incorporado

General appropriation from the Institution to the Channel's operation represents the amount required to pay for certain expenses incurred not supported by the revenue generated by the Channel and for the acquisition of property and equipment.

United States Government Grants and Contracts Revenue

Revenue from United States government grants and contracts is recognized upon incurring allowable expenditures in accordance with the grant agreements.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation and amortization are provided using the straight-line method over the estimated useful life of the respective assets, as follows:

	Useful Life
Improvements	15 to 50 years
Antenna, transmitter and other broadcasting equipment	10 to 50 years
Software	7 years
Equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Equipment held under capital leases is amortized over the useful life of the asset or the lease term, whichever is shorter. All construction in progress is carried in a temporary account until the construction is completed; at which time a transfer is made to the appropriate property, plant or-equipment account.

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Cost Incurred for Programs not Yet Broadcasted

Costs associated with license agreements for program materials not yet broadcasted are deferred and presented at amortized cost. As the programs are broadcasted, the costs incurred are charged as expenses using the straight-line method based on the estimated number of showings.

Indirect Administrative Support

A portion of the Institution's general overhead costs relates to and benefits the Channel. Such items include administration, utilities, maintenance and repairs. The costs of these services have been allocated to the Channel and are reported under supporting services management and general expenses in the accompanying statements of activities.

Use of Estimates

Management of the Institution has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Leases

A lease which transfers substantially all of the benefits and risk incidental to ownership of property is classified as a capital lease and recorded as the acquisition of an asset and the assumption of an obligation. All other are accounted for as operating leases wherein rental payments are expensed as incurred.

1. Organization and Summary of Significant Accounting Policies (continued)

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceed its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the long-lived assets exceeds its fair value.

On September 20, 2017, Hurricane Maria made landfall in Puerto Rico as a Category 4 hurricane. The storm surge and high winds caused widespread damage to the overall island, classifying it as a federal disaster zone. The Institution's insurance coverage provides reimbursement for the replacement cost for the damage to the SUAGM campuses, which includes certain clean-up and repair costs, exceeding the applicable deductible.

As of July 31, 2019, all insurance claims related to property damages were resolved. All proceeds and related contingencies were recorded by the Channel accordingly.

Deferred Revenues

The Channel has deferred revenues of approximately $71,000 and $235,000 as of July 31, 2019 and 2018, respectively. Deferred revenues consist of cash received in advance on contracts the Institution has on behalf of the Channel with third parties, mainly related to the lease of excess broadband capacity.

Income Taxes

The Institution, as a nonprofit organization, is exempt from the payment of income taxes under U.S. Internal Revenue Code Section 501(c)(3) and the Puerto Rico Internal Revenue Code Section 1101.01(a)(2).

The Institution is also exempt from the payment of taxes on property devoted to education.

1. Organization and Summary of Significant Accounting Policies (continued)

Advertising Expense

The Channel expenses the costs of all advertising campaigns and promotions as they are incurred. Advertising expense amounted to $0 and approximately $37,000 in 2019 and 2018 respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements. The guidance requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. In August 2015, the FASB issued ASU No. 2015-14 which is an Update to ASU 2014-09 to defer effective date for all entities by one year. The guidance requires entities to apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Entities may apply the guidance in Update 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period. Entities also may apply the guidance in Update 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning after one year after the annual reporting period in which the entity first applies the guidance in Update 2014-09. The Channel adopted ASU 2014-09 in fiscal year 2019, using the retrospective with cumulative effect transition method, resulting in no material impact to the financial statements or adjustments to beginning net assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU No. 2016-02 that amends the guidance for accounting and disclosure of leases. This new standard requires that lessees recognize the asset and liabilities that arise from leases on the balance sheet, including leases classified as operating leases under current GAAP, and disclose qualitative and quantitative information about leasing agreements. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019. Early application of the amendments in this Update is permitted for all entities. The Board issued a proposal that would defer the effective date of the new leases standard by one year for entities other than public business entities, not-for-profit entities that are conduit bond obligors and employee benefit plans that file or furnish financial statements with or to the Securities and Exchange Commission (SEC). For affected entities, the standard would be effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. The Channel is currently in the process of evaluating the impact of the adoption of ASU 2016-02 on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-14 that simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows as required in ASC Topic 958. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in this Update is permitted. The amendments in this Update should be initially adopted only for an annual fiscal period or for the first interim period within the fiscal year of adoption. The amendments in this Update should be applied on a retrospective basis in the year that the Update is first applied. Additionally, the ASU increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location (see Note 1). The Channel adopted ASU 2016-14 in fiscal year 2019, and applied changes accordingly.

1. Organization and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new guidance is intended to reduce diversity in practice on how certain transactions are classified in the statement of cash flows. The Update addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this Update are effective for public business entities for annual financial statements issued for fiscal years beginning after December 15, 2017 and December 15, 2018 for all other entities. The adoption of the Update did not impact the presentation of the Statement of Cash Flows for fiscal year 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the scope and the accounting guidance for contributions received and contributions made*. The amendments in this update provide a more robust framework in determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The Channel adopted the new guidance, resulting in no material impact to the financial statements.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities* (Topic 958): Updating the Definition of Collections. The amendments in this Update modify the definition of the term collections, allowing the proceeds from the sale of collection items to be used to support the direct care of existing collections in addition to the current requirement that proceeds from sales of collection items be used to acquire other items for collections. The Update is effective for annual financial statements issued for fiscal years beginning after December 15, 2019. Early application is permitted, and should be applied on a prospective basis. The Channel is currently in the process of evaluating the impact of the adoption of ASU 2019-03 on its financial statements.

1. Organization and Summary of Significant Accounting Policies (continued)

Subsequent Events

The Channel evaluates subsequent events and the evidence they provide about conditions existing at the date of the statements of financial position as well as conditions that arose after the statements of financial position date, but before the financial statements are issued. The effect of conditions that existed at the date of the statements of financial position date is recognized in the financial statements. Events and conditions arising after the statements of financial position date, but before the financial statements are issued, are evaluated to determine if disclosure is required to keep the financial statements from being misleading. To the extent such events and conditions exist, disclosures are made regarding the nature of events and the estimated financial effects for those events and conditions. For purposes of preparing the accompanying financial statements and the following notes to these financial statements, the Channel evaluates subsequent events through the date the financial statements are available to be issued.

2. Property and Equipment, net

Property and equipment at July 31, 2019 and 2018, are summarized as

	2019	2018
Land	**$ 298,404**	$ 298,404
Antenna, transmitter and other broadcasting equipment	**12,648,546**	12,410,753
Furniture and fixtures	**430,503**	430,503
Vehicles	**174,885**	200,140
Software	**27,717**	27,717
Equipment	**1,998,198**	2,002,053
Improvements	**3,357,662**	3,258,768
Total	**18,935,915**	18,628,338
Less accumulated depreciation and amortization	**17,560,255**	17,038,987
Property and equipment, net	**$ 1,375,660**	$ 1,589,351

3. Due to Sistema Universitario Ana G. Méndez, Incorporado

Due to Sistema Universitario Ana G. Méndez, Incorporado at July 31, 2019 and 2018, represents 8an allocation of amounts borrowed by the Institution and used for the purchase of equipment for the Channel's ITF Tower project. Outstanding balances are amortized once the related payments of the long-term debt are made by the Institution. Interest charged in 2019 and 2018, amounted to approximately $45,000 and $49,000, respectively.

On June 27, 2012, the Institution entered into a loan agreement with AFICA under which AFICA issued $78,380,000 in Higher Education Revenue Bonds ("AFICA 2012"). The net proceeds from these loans have been and are being used to: (a) provide financing for the construction, improvement and equipping of certain educational facilities owned by the Institution; (b) refund all of AFICA 1998 bonds, of which $15,100,000 were outstanding at the refund date, and all of AFICA 1999 bonds, of which $31,620,000 were outstanding at the refund date; (c) fund a deposit to AFICA 2012 Reserve Account in satisfaction of the Reserve Requirement; (d) pay capitalized interest on a portion of AFICA 2012 for a period of 24 months; and (e) pay certain expenses of the offering of the bonds.

Allocated debt from SUAGM is as follows:

	2019	**2018**
Higher Education Revenue Bonds	**$844,200**	$908,600

3. Due to Sistema Universitario Ana G. Méndez, Incorporado (continued)

Aggregate maturities on the allocated debt from SUAGM is summarized below:

Year Ending July 31,	Amount
2020	$ 68,000
2021	70,400
2022	73,800
2023	77,600
2024	81,400
Thereafter	473,000
Total	$ 844,200

4. Leases

The Channel has various operating leases, for certain properties and facilities, some of which include escalation clauses. For the years ended July 31, 2019 and 2018, rent expense amounted to approximately $196,000 and $155,000, respectively. At July 31, 2019, the future minimum lease payments, under no cancelable operating leases related to certain properties and facilities, are as follows:

2020	$ 75,221
2021	43,800
2022	43,800
2023	5,400
2024 and thereafter	5,400
Total minimum lease payments	$ 173,621

The Institution is obligated under capital leases for vehicle that expire during the next five years.

4. Leases (continued)

At July 31, 2019 and 2018, the gross amount of vehicle and the related accumulated amortization recorded under capital leases and included in property, plant and equipment in the accompanying consolidated statements of financial position is as follows:

	2019	**2018**
Vehicle	**$ 80,237**	$ 80,237
Less accumulated amortization	**67,552**	51,505
Vehicle, net	**$ 12,685**	$ 28,732

Amortization of vehicle under capital leases and interest expense are included in accompanying consolidated statements of activities.

Future minimum capital lease payments as of July 31, 2019, are as follow:

2020	$ 11,252
2021	1,645
Total minimum lease payments	12,897
Less amount representing interest (at rates 5.49%)	334
Net minimum capital lease payments	$ 12,563

5. Federal and State Grants and Contracts

In 2019 and 2018, the Channel received grants from the Corporation for Public Broadcasting amounting $946,499 and $1,157,045, respectively. These grants are to support the operations of the Channel, to finance the production of programs, and to support other telecommunication activities. These grants are included in federal and state grants and contracts under revenues and other support in the accompanying statements of activities. Certain guidelines must be satisfied in connection with the application for and use of the grants to maintain eligibility and compliance requirements. These grants are subject to audits. Such audits could result in claims against the resources of the Institution. No provision has been made for any liability, which may arise from such audits since amounts, if any, cannot be determined at this date.

6. Employee Benefit Plans

The Channel employees are participants of the Institution's contributory defined benefit pension plan and defined contribution savings and investment plan. Pension cost allocated to the Channel during the years ended July 31, 2019 and 2018, amounted to approximately $28,000 and $(12,000), respectively, and is included in management and general expenses in the accompanying statements of activities.

7. Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC 855, *Subsequent Events*, management has evaluated and reviewed the affairs of the Channel for subsequent events that would impact the financial statements for the years ended July 31, 2019 and 2018, through February 12, 2020, the date the financial statements were issued. Management is not aware of any subsequent events that could significantly impact the financial statements.

On July 31,2019 the Institution entered into an agreement with a third party for the sale of certain Educational Broadband Service licenses ("EBS licenses"). This transaction is subject to the Federal Communications Commission ("the FCC") order date July 11,2019 that amends certain rules applicable to EBS licenses ("the Order"). Among other things, the Order deletes Section 27.1201 of the FCC's Rule, the effect of which is to permit commercial entities to acquire EBS licenses, once the rule changes adopted in the Order become effective.

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