

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

FINANCIAL STATEMENTS

June 30, 2016 and 2015

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Valley Public Television, Inc. dba ValleyPBS
Fresno, California

We have audited the accompanying financial statements of Valley Public Television, Inc. dba ValleyPBS (the "Station"), a non-profit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Valley Public Television, Inc. dba ValleyPBS, as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Propp Christensen Caniglia LLP

September 15, 2016
Roseville, California

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 441,394	\$ 689,357
Restricted cash available for current use (Note 4)	35,467	118,255
	<u>476,861</u>	<u>807,612</u>
Accounts receivable	3,558	37,882
Pledges receivable, net (Note 3)	125,071	131,081
Underwriting receivable	108,486	85,428
Inventory	16,226	4,843
Prepaid expenses	36,554	48,994
Other assets	2,279	2,279
	<u>769,035</u>	<u>1,118,119</u>
Unrestricted designated cash for a future quasi-endowment (Note 13)	11,619	11,614
Restricted cash for a future endowment (Note 13)	4,002	3,500
Property and equipment, net (Note 6)	1,342,129	1,454,452
	<u>\$ 2,126,785</u>	<u>\$ 2,587,685</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 36,234	\$ 47,449
Accrued expenses	157,442	117,028
Deferred revenue (Note 7)	35,238	153,225
Notes payable, current portion (Note 8)	8,580	66,539
	<u>237,494</u>	<u>384,241</u>
Notes payable, less current portion (Note 8)	79,891	156,875
	<u>317,385</u>	<u>541,116</u>
Net assets:		
Unrestricted		
For a future quasi-endowment (Note 13)	11,619	11,614
Other	1,760,176	1,938,944
Temporarily restricted (Note 13)	33,603	92,511
Permanently restricted (Note 13)	4,002	3,500
	<u>1,809,400</u>	<u>2,046,569</u>
Total liabilities and net assets	<u>\$ 2,126,785</u>	<u>\$ 2,587,685</u>

The accompanying notes are an integral part of these financial statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Membership contributions	\$ 1,458,943	\$ -	\$ -	\$ 1,458,943	\$ 1,443,554	\$ -	\$ -	\$ 1,443,554
Community service grants	900,358	-	-	900,358	905,909	-	-	905,909
Underwriting	336,642	-	-	336,642	263,443	-	-	263,443
Production grants	221,225	-	-	221,225	195,225	-	-	195,225
Ready to Learn grants	333,495	-	-	333,495	247,000	-	-	247,000
Other grants	190,909	250,000	-	440,909	356,957	39,234	-	396,191
Auction	-	-	-	-	92,665	-	-	92,665
Special events	185,912	-	-	185,912	64,162	-	-	64,162
Other production income	124,305	-	-	124,305	166,210	-	-	166,210
Bequests	33,323	-	-	33,323	15,900	-	-	15,900
Other	15,826	-	500	16,326	12,260	-	-	12,260
Interest	923	-	2	925	1,070	-	-	1,070
Donated materials, services and facilities	997,785	-	-	997,785	870,122	-	-	870,122
Net assets released from restrictions:								
Grant expenditures	308,908	(308,908)	-	-	346,472	(346,472)	-	-
Total revenue and support	<u>5,108,554</u>	<u>(58,908)</u>	<u>502</u>	<u>5,050,148</u>	<u>4,980,949</u>	<u>(307,238)</u>	<u>-</u>	<u>4,673,711</u>
Expenses:								
Program services:								
Programming and production	1,626,617	-	-	1,626,617	1,540,495	-	-	1,540,495
Broadcast operations	478,350	-	-	478,350	319,701	-	-	319,701
Program information and outreach	955,375	-	-	955,375	976,351	-	-	976,351
Supporting services:								
Fundraising and membership	1,082,466	-	-	1,082,466	1,030,832	-	-	1,030,832
Management and general	799,199	-	-	799,199	664,615	-	-	664,615
Total program and supporting services expenses	<u>4,942,007</u>	<u>-</u>	<u>-</u>	<u>4,942,007</u>	<u>4,531,994</u>	<u>-</u>	<u>-</u>	<u>4,531,994</u>
Depreciation and amortization	345,810	-	-	345,810	384,122	-	-	384,122
(Gain) loss on disposal	(500)	-	-	(500)	154,418	-	-	154,418
Total expenses	<u>5,287,317</u>	<u>-</u>	<u>-</u>	<u>5,287,317</u>	<u>5,070,534</u>	<u>-</u>	<u>-</u>	<u>5,070,534</u>
Change in net assets	(178,763)	(58,908)	502	(237,169)	(89,585)	(307,238)	-	(396,823)
Net assets, beginning of year	<u>1,950,558</u>	<u>92,511</u>	<u>3,500</u>	<u>2,046,569</u>	<u>2,040,143</u>	<u>399,749</u>	<u>3,500</u>	<u>2,443,392</u>
Net assets, end of year	<u>\$ 1,771,795</u>	<u>\$ 33,603</u>	<u>\$ 4,002</u>	<u>\$ 1,809,400</u>	<u>\$ 1,950,558</u>	<u>\$ 92,511</u>	<u>\$ 3,500</u>	<u>\$ 2,046,569</u>

The accompanying notes are an integral part
of these financial statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016 Program Services				2015 Program Services			
	Programming and Production	Broadcast Operations	Program Information and Outreach	Total	Programming and Production	Broadcast Operations	Program Information and Outreach	Total
Salaries and benefits	\$ 284,399	\$ 276,902	\$ 161,109	\$ 722,410	\$ 156,543	\$ 129,836	\$ 318,797	\$ 605,176
Telephone charges	360	1,095	265	1,720	-	842	545	1,387
Tower and transmitter lease	45	22,491	-	22,536	-	21,815	-	21,815
Rental equipment	318	-	390	708	-	-	100	100
Repairs and maintenance	3,519	61,566	-	65,085	4,088	70,010	454	74,552
Utilities	-	50,585	-	50,585	-	62,258	-	62,258
Mileage reimbursement	-	37	2,294	2,331	42	-	4,605	4,647
Travel and training	3,306	2,521	200	6,027	1,662	2,524	461	4,647
Food and beverage	6,526	551	18,739	25,816	2,254	3,136	8,415	13,805
Postage	777	1,300	134	2,211	999	475	155	1,629
Regular printing	2,744	39	521	3,304	589	-	7,443	8,032
Materials and supplies	4,987	14,152	25,939	45,078	3,267	12,551	15,334	31,152
Professional services	76,395	41,761	43,715	161,871	84,365	14,403	107,681	206,449
Advertising and promotion	7,620	-	14,108	21,728	65	-	15,582	15,647
Artist/graphics	49	-	-	49	96	-	920	1,016
Audio and video tape	27	-	-	27	2,352	-	1,515	3,867
Props and sets	626	-	-	626	-	-	32	32
Copyright fees	2,024	-	-	2,024	-	-	-	-
Closed captioning	-	-	-	-	2,203	-	-	2,203
Other programming costs	53,351	-	-	53,351	54,725	-	15,080	69,805
PBS programming costs	926,313	-	-	926,313	913,365	-	-	913,365
Custom programming costs	36,000	-	-	36,000	36,000	-	-	36,000
Taxes and licenses	25	634	-	659	-	626	-	626
Dues and subscriptions	798	1,181	2,955	4,934	838	35	275	1,148
Personnel recruitment	1,131	3,138	661	4,930	1,014	229	-	1,243
Bank charges	-	-	30	30	-	-	50	50
Interest expense	3,577	397	-	3,974	2,383	961	-	3,344
Donated materials, services and facilities	211,700	-	684,315	896,015	273,645	-	478,907	752,552
Subtotal	1,626,617	478,350	955,375	3,060,342	1,540,495	319,701	976,351	2,836,547
Depreciation and amortization	-	321,027	-	321,027	-	378,922	-	378,922
Total program services expenses	\$ 1,626,617	\$ 799,377	\$ 955,375	\$ 3,381,369	\$ 1,540,495	\$ 698,623	\$ 976,351	\$ 3,215,469

The accompanying notes are an integral part of these financial statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended June 30, 2016 and 2015

	2016 Supporting Services			2015 Supporting Services		
	Fundraising and Membership	Management and General	Total	Fundraising and Membership	Management and General	Total
Salaries and benefits	\$ 548,564	\$ 453,812	\$ 1,002,376	\$ 515,020	\$ 257,630	\$ 772,650
Telephone charges	395	13,111	13,506	-	12,583	12,583
Tower and equipment lease	10,523	2,172	12,695	3,964	2,896	6,860
Rental equipment	10,312	-	10,312	6,382	-	6,382
Repairs and maintenance	3,252	34,835	38,087	427	52,331	52,758
Utilities	-	75,244	75,244	35	64,096	64,131
Mileage reimbursement	2,611	310	2,921	1,055	104	1,159
Travel and training	18,906	11,463	30,369	13,263	11,709	24,972
Food and beverage	29,390	14,521	43,911	20,651	10,369	31,020
Direct mail	110,700	-	110,700	111,872	-	111,872
Bulk mail postage	9,463	-	9,463	7,128	-	7,128
Postage	33,861	1,607	35,468	28,651	1,178	29,829
Regular printing	16,384	1,784	18,168	7,327	510	7,837
Materials and supplies	11,090	7,125	18,215	5,913	11,784	17,697
Professional services	47,141	19,504	66,645	42,217	51,318	93,535
Talent fees	7,000	-	7,000	13,050	-	13,050
Advertising and promotion	33	-	33	2,949	50	2,999
Artist/graphics	-	5	5	-	-	-
Closed captioning	-	-	-	333	-	333
Premium expense	141,983	210	142,193	139,258	-	139,258
Telemarketing expense	23,977	-	23,977	29,267	-	29,267
Volunteer expense	133	50	183	312	-	312
Taxes and licenses	-	5,248	5,248	-	4,539	4,539
Dues and subscriptions	700	18,633	19,333	505	16,733	17,238
Legal fees	-	14,296	14,296	-	13,755	13,755
Pension plan administration	-	1,700	1,700	-	2,200	2,200
Audit fees	-	25,000	25,000	-	25,000	25,000
Insurance	-	40,272	40,272	-	36,277	36,277
Personnel recruitment	-	1,481	1,481	529	29,174	29,703
Bank charges	26,739	177	26,916	27,306	220	27,526
Interest expense	65	8,329	8,394	-	10,252	10,252
Donated materials, services and facilities	29,244	38,310	67,554	53,418	49,402	102,820
Miscellaneous expense	-	10,000	10,000	-	505	505
Subtotal	1,082,466	799,199	1,881,665	1,030,832	664,615	1,695,447
Depreciation and amortization	-	24,783	24,783	-	5,200	5,200
(Gain) loss on disposal	-	(500)	(500)	-	154,418	154,418
Total supporting services expenses	<u>\$ 1,082,466</u>	<u>\$ 823,482</u>	<u>\$ 1,905,948</u>	<u>\$ 1,030,832</u>	<u>\$ 824,233</u>	<u>\$ 1,855,065</u>
Total expenses			<u>\$ 5,287,317</u>			<u>\$ 5,070,534</u>

The accompanying notes are an integral part of these financial statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Unrestricted cash received from		
members, grantors and other support	\$ 3,716,011	\$ 3,948,270
Cash paid to vendors and employees	(3,901,099)	(3,651,378)
Interest income received	925	1,070
Interest expense paid	(12,367)	(13,595)
	<u>(196,530)</u>	<u>284,367</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(180,122)	(125,115)
Proceeds from the sale of vehicle	500	-
Additions to construction in progress	(19,149)	(90,698)
Change in restricted cash, noncurrent	(502)	-
Change in board designated cash, noncurrent	(5)	(11,614)
	<u>(199,278)</u>	<u>(227,427)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Cash received from restricted capital bequest	200,000	-
Proceeds from equity line of credit	138,910	51,012
Payments on equity line of credit	(212,001)	(11,866)
Principal payments on notes payable	(61,852)	(62,417)
	<u>65,057</u>	<u>(23,271)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash	<u>(330,751)</u>	<u>33,669</u>
Unrestricted cash, beginning of year	689,357	445,388
Restricted cash available for current use, beginning of year	118,255	328,555
	<u>807,612</u>	<u>773,943</u>
Cash, beginning of year		
Unrestricted cash, end of year	441,394	689,357
Restricted cash available for current use, end of year	35,467	118,255
	<u>476,861</u>	<u>807,612</u>
Cash, end of year	<u>\$ 476,861</u>	<u>\$ 807,612</u>

The accompanying notes are an integral part
of these financial statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (237,169)	\$ (396,823)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	345,810	384,122
(Gain) loss on disposition of equipment	(500)	154,418
Donated equipment and services	(34,216)	-
Contributions and grant revenue restricted for purchase of equipment	(200,000)	-
Change in operating assets and liabilities:		
Accounts receivable	34,324	991
Pledges receivable	6,010	21,071
Underwriting receivable	(23,058)	(54,697)
Grant receivables	-	62,500
Inventory	(11,383)	488
Prepaid expenses	12,440	(4,355)
Accounts payable	(11,215)	(28,880)
Accrued expenses	40,414	29,646
Deferred revenue	(117,987)	115,886
Net cash provided by (used in) operating activities	<u>\$ (196,530)</u>	<u>\$ 284,367</u>
<u>Supplemental schedule of non-cash investing and financing activities:</u>		
Donated equipment and services	<u>\$ 34,216</u>	<u>\$ -</u>

The accompanying notes are an integral part
of these financial statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1: NATURE OF OPERATIONS

Valley Public Television, Inc. dba ValleyPBS (the "Station") is a nonprofit corporation incorporated in 1977 under the laws of the State of California. Its purpose is to enrich the lives of Central Valley residents through programs and services that foster citizenship, celebrate culture, encourage exploration, and leverage the joy of learning and the power of diverse perspectives. The Station is supported primarily through individual contributions, corporate underwriting, and grants supporting programming, local productions, and educational outreach services.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Station have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification No. 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, the Station is required to present a statement of cash flows. Accordingly, net assets of the Station and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Station and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted revenues have been recorded as unrestricted revenues when the funds are received and expended within the same fiscal year.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Station. Generally, the donors of these assets permit the Station to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents

The Station considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the Station to concentrations of credit risk consist principally of cash and contribution receivables. The Station does not generally require collateral for these receivables and operations are dependent upon these contributions. The Station's contributors are primarily located within and are dependent upon the economy of the broadcast areas of Merced and Bakersfield.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

The Station maintains its cash and cash equivalents in multiple bank deposit accounts which, at times, exceed the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. Cash and cash equivalents exceeding federally insured limits totaled \$148,841 and \$399,234 at June 30, 2016 and 2015, respectively.

Inventory

Inventory consists of membership thank you gifts, and books and supplies for Ready to Learn educational workshops. Inventory is stated at the lower of cost or fair market value under the first-in, first-out method of valuation.

Property and Equipment

Property and equipment in excess of \$2,500 are capitalized and are stated at cost or, if donated, at fair market value at the date of receipt. The Station provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 3 to 32 years. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Equipment purchased with grant funds from the National Telecommunications and Information Administration is to revert to that agency if the Station wishes to dispose of the equipment within 10 years from the date of the grant, which varies for each piece of equipment depending upon when the grant was funded to purchase the equipment.

Programming Rights

Programming broadcast rights in excess of \$3,000 are capitalized and expensed on a pro-rata basis over the period covered by the contract. All Public Broadcasting Service ("PBS") program rights and other contracts less than \$3,000 are expensed annually as purchased.

Revenue Recognition

In accordance with the provisions of FASB ASC 958-605, *Not-for-Profit – Revenue Recognition*, unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions are recorded when the conditions on which they depend are substantially met. Unconditional promises to give (pledges) are recognized as revenues after the initial payment on a membership or capital campaign pledge has been received. The receivable for the remaining payments and the corresponding revenue are recognized concurrently. Rental revenue is recognized over the life of the contract.

Unrestricted grants are recognized as support in the statement of activities upon receipt or accrual. The Station reports certain grants as restricted support if they are received with grantor stipulations that limit their use.

Receivable balances are stated at unpaid balance, less an allowance for doubtful accounts. The Station provides for losses on receivable balance using the allowance method. This method is based on experience and other circumstances which may affect the collectability of the balance. Uncollectible receivables are charged off when management determines the receivable will not be collected.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sustainer Giving Program

The Station has a sustainer membership program that enables donors to sign up to donate an ongoing set monthly amount and their membership will automatically renew each year unless the donor chooses to stop or change their membership at any time. These contributions qualify as intentions to give under FASB ASC 958-605 and are recognized as revenues upon receipt.

In August 2013, the program was modified such that certain sustainer memberships may include an initial pledge for an annual amount paid in monthly installments for one year, to fulfill the initial pledge, and then continuing the same monthly contributions until the donor chooses to stop or change the amount. The initial one year pledge qualifies as a promise to give under FASB ASC 958-605 and is recognized at the time of the pledge. The continuing contributions taking place after the fulfillment of the initial pledge revert to regular sustainer memberships and qualify as intentions to give under FASB ASC 958-605 and are recognized as revenues upon receipt.

Non-Cash Gifts

The Station reports the fair market values of gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Station. Volunteers also provide assistance in program and supporting services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 are not met.

Advertising Expenses

The Station uses advertising to promote its programs and fundraising events, and the costs of the advertising are expensed as incurred.

Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Station is exempt from income taxes under the provisions of the Internal Revenue Code (IRC) Section 501(c)(3) and from franchise taxes under the provisions of the California Revenue and Taxation Code Section 23701d, except as they may be levied for unrelated business income. After they are filed, the Station's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns. In addition, the Station has been determined not to be a private foundation within the meaning of Section 509(a) of the IRC.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Commitments and Contingencies

Certain funds received by the Station come with donor restrictions or compliance requirements. Funding sources may, from time to time, request a return of funds. It is the Station's policy, as an organization exempt under IRC Section 501(c)(3), that upon satisfaction of donor restrictions or compliance requirements, such gifts are irrevocable. Strict adherence with its specific tax-exempt purpose requires that the Station avoid issues of inurement and other activities, which could lead to intermediate sanctions. The Board of Directors reviews such instances on a case-by-case basis.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through September 15, 2016, the date that these financial statements were available to be issued.

NOTE 3: PLEDGES RECEIVABLE

Pledges receivable expected to be received in one year or less consist of the following at June 30, 2016 and 2015:

	2016	2015
Pledges receivable	\$ 138,968	\$ 145,646
Less estimated uncollectible pledges	13,897	14,565
Pledges receivable, net	<u>\$ 125,071</u>	<u>\$ 131,081</u>

NOTE 4: RESTRICTED CASH

Restricted cash consists of the following at June 30, 2016 and 2015:

	2016	2015
Available for current use:		
Grant funds	<u>\$ 35,467</u>	<u>\$ 118,255</u>

NOTE 5: BROADCAST LICENSES

Broadcast licenses consist of legal fees incurred to establish or renew broadcast licenses which expired December 31, 2014. The costs to acquire the licenses were capitalized and amortized over the remaining license periods. Amortization expense totaled \$994 for the year ended June 30, 2015. As of June 30, 2015, the licenses were fully amortized.

	2016	2015
Broadcast licenses	\$ 19,138	\$ 19,138
Less accumulated amortization	19,138	19,138
Broadcast licenses, net	<u>\$ -</u>	<u>\$ -</u>

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 217,653	\$ 217,653
Construction in progress	112,846	90,698
Bakersfield Channel 18	581,537	581,537
Building	1,311,966	1,193,736
Tower equipment	1,217,961	1,217,961
Broadcast equipment	2,746,246	2,718,912
Production equipment	1,311,881	1,285,391
Office furniture and equipment	230,280	225,212
Vehicles and related equipment	60,217	50,001
	<u>7,790,587</u>	<u>7,581,101</u>
Less accumulated depreciation	<u>6,448,458</u>	<u>6,126,649</u>
Property and equipment, net	<u>\$ 1,342,129</u>	<u>\$ 1,454,452</u>

Depreciation expense totaled \$345,810 and \$383,128 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7: DEFERRED REVENUE

Deferred revenue consists of advances received but not yet disbursed or used in operating activities and of grant or other funds received for pending projects. Revenue is deferred when cash, receivables, or other assets are realized prior to the services being completed. Deferred revenues totaled \$35,238 and \$153,225, as of June 30, 2016 and 2015, respectively.

NOTE 8: NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note payable to Bank of the Sierra, interest at 6.507% per annum, monthly principal and interest payments of \$5,388, secured by a first deed of trust, maturing in August 2016	\$ 8,580	\$ 70,433
Note payable to Bank of the Sierra, \$600,000 Equity Line of Credit, interest at .375% above Wall Street Journal prime rate, interest only payments, secured by equipment and a second deed of trust, maturing in August 2023	<u>79,891</u>	<u>152,981</u>
	88,471	223,414
Less current portion	<u>8,580</u>	<u>66,539</u>
Total notes payable, less current portion	<u>\$ 79,891</u>	<u>\$ 156,875</u>

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 8: NOTES PAYABLE (CONTINUED)

The following is a schedule of five-year maturities as of June 30, 2016:

<u>Year Ending June 30:</u>		
2017	\$	8,580
2018		-
2019		-
2020		-
2021		-
Thereafter		<u>79,891</u>
Total	\$	<u>88,471</u>

NOTE 9: REVOLVING LINE-OF-CREDIT

The Station has available a \$150,000 line-of-credit from Bank of the Sierra maturing in August 2023. Advances on this line-of-credit bear interest at .375% above Wall Street Journal prime rate with interest-only payments until maturity date. There was no balance due on this line-of-credit at June 30, 2016 and 2015.

NOTE 10: OPERATING LEASE

The Station rents office equipment under an operating lease agreement which expires February 2017. The Station also leases the right to utilize towers and transmitter buildings under operating lease agreements which expire in November 2017.

Rental expense for the years ended June 30, 2016 and 2015, was \$35,231 and \$28,692, respectively.

The following is a schedule of future minimum noncancelable operating lease payments:

<u>Year Ending June 30:</u>		
2017	\$	22,005
2018		<u>6,120</u>
Total	\$	<u>28,125</u>

NOTE 11: GRANTS

The following are production, Ready to Learn and other grants received during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Production grants:		
Aldredge Foundation	\$ 1,000	\$ -
The Brandt Foundation	35,000	-
Gar and Esther Tootelian Charitable Foundation	65,000	40,000
Leon S. Peters Foundation	-	25,000
Meyers Farms Family Trust	110,225	130,225
WETA	10,000	-
Subtotal	<u>221,225</u>	<u>195,225</u>

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 11: GRANTS (CONTINUED)

	2016	2015
Ready to Learn grants:		
Bank of the Sierra	\$ 3,000	\$ -
Central Unified School District	21,000	-
FCOE Internal Finance	9,000	-
First Five Fresno County	-	20,000
Fresno County Library	2,295	-
Fowler Unified School District	4,500	4,500
Fresno Unified School District	184,200	200,000
Indianola Elementary	18,000	18,000
Jefferson Elementary	1,500	-
Madera Unified School District	51,000	-
Stratford Elementary	7,500	-
Tilley Elementary	-	4,500
Tranquility Elementary School	4,500	-
Washington Unified	18,000	-
West Park Elementary School	4,500	-
Westside Elementary School	4,500	-
Subtotal	<u>333,495</u>	<u>247,000</u>
Other grants:		
Belyea Charitable Trust	10,000	10,000
The California Endowment	-	33,294
Central Valley Community Foundation	5,000	-
William T. and Wanda G. Coyle Charitable Trust	200,000	-
CPB - DDF/Interconnect Grants	16,512	16,388
Daniel Martin Family Trust	10,000	-
Delaney Matrix	16,158	-
Fresno Unified School District	33,239	33,239
Gar and Esther Tootelian Charitable Foundation	10,000	10,000
Garabedian Foundation	5,000	5,000
Golden 1 Credit Union	7,000	-
ITVS	-	10,000
James Irvine Foundation	-	14,234
Kaiser Permanente	-	50,000
Leon S. Peters Foundation	25,000	40,000
Lyles Diversified	15,000	-
Lyles Foundation	-	26,725
Meyers Farms Family Trust	10,000	20,000
Radin Foundation	-	5,000
Public Media Platform Grant	5,500	-
San Joaquin Valley Air Pollution Control District	-	50,000
Smittcamp Family Foundation	-	10,000
Tantau Family Charitable Trust	20,000	20,000
Wayne Towne Foundation	20,000	9,000
WETA	5,000	20,000
Wicks Family Fund	5,500	5,500
WNET	10,000	-
Other grants	12,000	7,811
Subtotal	<u>440,909</u>	<u>396,191</u>
Total	<u>\$ 995,629</u>	<u>\$ 838,416</u>

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 12: COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting ("CPB") is a private, nonprofit, grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. Each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the CSGs may be used to sustain activities begun with CSGs awarded in prior years.

The CSGs are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the CSGs to maintain eligibility and compliance requirements. These guidelines pertain to the use of CSG funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communications Commission. The Station recognized CSG grants as revenue in the amounts of \$900,358 and \$905,909 for the years ended June 30, 2016 and 2015, respectively.

NOTE 13: NET ASSETS

At June 30, 2016, unrestricted net assets totaled \$1,771,795, of which \$11,619 was designated to fund a future quasi-endowment. At June 30, 2015, unrestricted net assets totaled \$1,950,558, of which \$11,614 was designated to fund a future quasi-endowment.

At June 30, 2016, temporarily restricted net assets totaled \$33,603, which was restricted for expenditure on the Valley's Gold Kids Outreach Program under grants from the Gar and Esther Tootelian Charitable Foundation and Brandt, Inc.

At June 30, 2015, temporarily restricted net assets totaled \$92,511, of which \$20,141 was restricted for expenditure for the ValleyPBS leadership transition project under a grant from the James Irvine Foundation; \$33,800 was restricted for expenditure for promoting community health and reducing health disparities project under the California Endowment; and \$38,570 was restricted for expenditure on the Valley's Gold Kids Outreach Program under grants from the Gar and Esther Tootelian Charitable Foundation and Brandt, Inc.

Permanently restricted net assets as of June 30, 2016 and 2015 totaled \$4,002 and \$3,500, respectively, to fund a future endowment.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 14: DONATED SERVICES, MATERIALS AND EQUIPMENT

For the years ended June 30, 2016 and 2015, the Station received donated services amounting to \$945,569 and \$854,976, respectively, from various local marketing, promotion and other professionals. Donated materials, such as operating supplies, amounted to \$18,000 and \$395 for the years ended June 30, 2016 and 2015, respectively. These amounts are reported as expenses according to functional classification. Donated equipment and services received for the year ended June 30, 2016 amounted to \$34,216, and are capitalized at fair market value as of the date received and are included in the balance of property and equipment. For the year ended June 30, 2015, no donated equipment and services were received that were capitalized.

NOTE 15: RELATED PARTY TRANSACTIONS

A Director of the Organization is also the President and Chief Executive Officer of the Gar and Esther Tootelian Charitable Foundation, a Foundation that has pledged donations to the Organization during the fiscal year ending June 30, 2016 and 2015 totaling \$75,000 and \$50,000, respectively.

A Director of the Organization is also the President of JP Marketing, a Company that was awarded, through a competitive bid process, a contract to handle a creative marketing campaign for the Organization during the fiscal year ending June 30, 2015 totaling approximately \$13,500.

NOTE 16: RETIREMENT PLAN

The Station has a 403(b) plan in which employees are eligible to participate upon hire, and employees then become eligible for a discretionary employer match after they have been employed for one year by the Station. Employees must work a minimum of 1,000 hours per year to be eligible to defer earnings to the plan. The employer match for the year ended June 30, 2016 totaled \$5,820. There was no employer match for the year ended June 30, 2015.

NOTE 17: FUTURE BEQUEST

The Station is a beneficiary of a charitable trust that has yet to be liquidated and distributed. The Trustee has been holding certain parcels of real property in hopes of selling them under stronger economic conditions. During the year ended June 30, 2016, the Station received a distribution of \$200,000, which was restricted for capital expenditures. As of June 30, 2016 the charitable trust holds cash and real property that is currently listed for sale. Future distributions from the trust are not reasonably estimable and as such have not been accrued. The Station is anticipating the closing of the trust in one to two years.