

**VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS**

**FINANCIAL STATEMENTS**

**June 30, 2018 and 2017**

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 19

## 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, 2018 and 2017, 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, 2018 and 2017, 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.



November 28, 2018  
Roseville, California

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 485,407	\$ 539,031
Restricted cash available for current use (Note 4)	23,722	28,863
Total cash and cash equivalents	509,129	567,894
Accounts receivable	242,849	168,399
Pledges receivable, net (Note 3)	92,913	110,695
Spectrum Repack receivable (Note 20)	174,188	-
Inventory	27,761	22,776
Prepaid expenses	61,329	62,012
Total current assets	1,108,169	931,776
Endowment fund (Note 15)	209,814	16,126
Property and equipment, net (Note 6)	2,513,199	1,685,207
Total assets	<u>\$ 3,831,182</u>	<u>\$ 2,633,109</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 78,681	\$ 51,288
Accrued expenses	210,262	151,701
Deferred revenue (Note 7)	28,000	93,892
Line of credit (Note 20)	219,348	-
Contracts payable, current portion (Note 9)	60,069	58,880
Notes payable, current portion (Note 8)	12,898	12,261
Total current liabilities	609,258	368,022
Contracts payable, less current portion (Note 9)	16,500	76,568
Notes payable, less current portion (Note 8)	573,705	587,685
Total liabilities	1,199,463	1,032,275
Net assets:		
Unrestricted		
Board designated endowment (Note 14)	11,623	11,623
Other	2,350,215	1,504,681
Temporarily restricted (Note 14)	71,703	80,027
Permanently restricted endowment (Note 14)	198,178	4,503
Total net assets	2,631,719	1,600,834
Total liabilities and net assets	<u>\$ 3,831,182</u>	<u>\$ 2,633,109</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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Membership contributions	\$ 1,580,884	\$ -	\$ -	\$ 1,580,884	\$ 1,514,461	\$ -	\$ -	\$ 1,514,461
Community service grants	951,443	-	-	951,443	921,135	-	-	921,135
Underwriting	326,728	-	-	326,728	328,793	-	-	328,793
Production grants	388,958	-	-	388,958	373,178	-	-	373,178
Ready to Learn grants	667,305	-	-	667,305	516,901	-	-	516,901
Other grants	275,914	60,000	-	335,914	174,416	105,000	-	279,416
Spectrum Repack reimbursements	1,051,375	-	-	1,051,375	-	-	-	-
Special events	116,104	-	-	116,104	114,514	-	-	114,514
Other production income	302,325	-	-	302,325	284,785	-	-	284,785
Bequests	7,000	-	193,675	200,675	1,500	-	-	1,500
Other	5,843	-	-	5,843	1,226	-	500	1,726
Interest	285	13	-	298	382	-	1	383
Donated materials, services and facilities	980,338	-	-	980,338	975,101	-	-	975,101
Net assets released from restrictions:								
Grant expenditures	68,337	(68,337)	-	-	58,576	(58,576)	-	-
Total revenue and support	6,722,839	(8,324)	193,675	6,908,190	5,264,968	46,424	501	5,311,893
Expenses:								
Program services:								
Programming and production	1,952,145	-	-	1,952,145	1,796,833	-	-	1,796,833
Broadcast operations	585,803	-	-	585,803	513,177	-	-	513,177
Program information and outreach	1,140,831	-	-	1,140,831	1,094,871	-	-	1,094,871
Supporting services:								
Fundraising and membership	1,043,229	-	-	1,043,229	1,045,282	-	-	1,045,282
Management and general	726,302	-	-	726,302	703,361	-	-	703,361
Total program and supporting services expenses	5,448,310	-	-	5,448,310	5,153,524	-	-	5,153,524
Depreciation and amortization	319,725	-	-	319,725	365,656	-	-	365,656
(Gain) loss on disposal	109,270	-	-	109,270	1,279	-	-	1,279
Total expenses	5,877,305	-	-	5,877,305	5,520,459	-	-	5,520,459
Change in net assets	845,534	(8,324)	193,675	1,030,885	(255,491)	46,424	501	(208,566)
Net assets, beginning of year	1,516,304	80,027	4,503	1,600,834	1,771,795	33,603	4,002	1,809,400
Net assets, end of year	\$ 2,361,838	\$ 71,703	\$ 198,178	\$ 2,631,719	\$ 1,516,304	\$ 80,027	\$ 4,503	\$ 1,600,834

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, 2018 and 2017

	2018 Program Services				2017 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	\$ 222,761	\$ 340,096	\$ 272,395	\$ 835,252	\$ 275,600	\$ 328,887	\$ 243,056	\$ 847,543
Telephone charges	360	1,393	510	2,263	645	1,525	180	2,350
Tower and transmitter lease	-	24,078	-	24,078	-	23,276	-	23,276
Rental equipment	462	-	66	528	2,809	-	83	2,892
Repairs and maintenance	6,596	81,574	2,359	90,529	5,270	57,757	683	63,710
Utilities	-	75,053	-	75,053	-	65,562	-	65,562
Mileage reimbursement	-	-	2,172	2,172	252	-	523	775
Travel and training	21,858	7,645	4,304	33,807	11,827	3,212	686	15,725
Food and beverage	8,331	363	38,288	46,982	7,562	796	28,919	37,277
Postage	2,146	1,968	196	4,310	1,356	520	151	2,027
Regular printing	3,538	153	3,404	7,095	4,942	117	3,403	8,462
Materials and supplies	14,471	3,258	33,749	51,478	1,548	2,585	28,080	32,213
Professional services	363,608	46,277	71,137	481,022	204,928	22,460	67,491	294,879
Advertising and promotion	23,986	5	16,357	40,348	2,998	90	16,775	19,863
Artist/graphics	98	-	1,000	1,098	1,500	-	-	1,500
Audio and video tape	576	-	-	576	52	-	-	52
Props and sets	1,125	-	-	1,125	65	-	-	65
Copyright fees	300	-	-	300	-	-	-	-
Closed captioning	25,364	-	-	25,364	2,921	-	-	2,921
Other programming costs	80,218	-	2,333	82,551	76,370	-	-	76,370
PBS programming costs	974,213	-	-	974,213	939,693	-	-	939,693
Custom programming costs	36,000	-	-	36,000	36,000	519	-	36,519
Taxes and licenses	-	547	-	547	-	878	-	878
Dues and subscriptions	704	2,295	114	3,113	1,762	3,460	-	5,222
Personnel recruitment	200	951	-	1,151	678	1,530	-	2,208
Bank charges	-	147	-	147	7	3	-	10
Interest expense	4,978	-	-	4,978	4,926	-	-	4,926
Donated materials, services and facilities	160,032	-	692,447	852,479	213,122	-	704,841	917,963
Miscellaneous expense	220	-	-	-	-	-	-	-
Subtotal	1,952,145	585,803	1,140,831	3,678,559	1,796,833	513,177	1,094,871	3,404,881
Depreciation and amortization	-	319,725	-	319,725	-	365,656	-	365,656
(Gain) loss on disposal	-	(2,537)	-	(2,537)	-	-	-	-
Total program services expenses	\$ 1,952,145	\$ 902,991	\$ 1,140,831	\$ 3,995,747	\$ 1,796,833	\$ 878,833	\$ 1,094,871	\$ 3,770,537

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, 2018 and 2017

	2018 Supporting Services			2017 Supporting Services		
	Fundraising and Membership	Management and General	Total	Fundraising and Membership	Management and General	Total
Salaries and benefits	\$ 583,216	\$ 287,203	\$ 870,419	\$ 578,718	\$ 368,819	\$ 947,537
Telephone charges	945	15,094	16,039	1,035	16,761	17,796
Tower and equipment lease	-	3,025	3,025	3,139	3,955	7,094
Rental equipment	12,410	-	12,410	6,015	83	6,098
Repairs and maintenance	1,051	50,611	51,662	713	31,502	32,215
Utilities	-	69,855	69,855	-	72,941	72,941
Mileage reimbursement	629	34	663	1,440	-	1,440
Travel and training	10,743	4,782	15,525	11,097	8,217	19,314
Food and beverage	7,583	5,499	13,082	32,636	6,763	39,399
Direct mail	114,967	-	114,967	104,452	-	104,452
Bulk mail postage	11,205	-	11,205	10,685	-	10,685
Postage	33,272	1,890	35,162	34,176	1,687	35,863
Regular printing	34,902	738	35,640	28,442	709	29,151
Materials and supplies	8,183	4,425	12,608	13,337	6,525	19,862
Professional services	36,256	44,860	81,116	42,535	22,114	64,649
Talent fees	10,479	-	10,479	-	-	-
Advertising and promotion	1,846	-	1,846	685	-	685
Closed captioning	-	-	-	143	-	143
Premium expense	129,603	-	129,603	127,455	-	127,455
Telemarketing expense	788	-	788	6,138	-	6,138
Volunteer expense	205	-	205	169	-	169
Taxes and licenses	26	4,574	4,600	-	4,456	4,456
Dues and subscriptions	510	22,781	23,291	1,023	21,209	22,232
Legal fees	-	39,541	39,541	-	7,020	7,020
Pension plan administration	-	1,700	1,700	-	1,700	1,700
Audit fees	-	25,000	25,000	-	25,000	25,000
Insurance	-	41,333	41,333	-	36,369	36,369
Personnel recruitment	500	2,782	3,282	-	-	-
Bank charges	32,237	3,340	35,577	27,804	7,937	35,741
Interest expense	-	40,658	40,658	-	15,901	15,901
Donated materials, services and facilities	11,250	51,603	62,853	13,445	43,693	57,138
Miscellaneous expense	423	4,974	5,397	-	-	-
Subtotal	1,043,229	726,302	1,769,531	1,045,282	703,361	1,748,643
Depreciation and amortization	-	-	-	-	-	-
(Gain) loss on disposal	-	111,807	111,807	-	1,279	1,279
Total supporting services expenses	<u>\$ 1,043,229</u>	<u>\$ 838,109</u>	<u>\$ 1,881,338</u>	<u>\$ 1,045,282</u>	<u>\$ 704,640</u>	<u>\$ 1,749,922</u>
Total expenses			<u>\$ 5,877,085</u>			<u>\$ 5,520,459</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Unrestricted cash received from members, grantors and other support	\$ 4,604,214	\$ 4,354,363
Cash paid to vendors and employees	(4,449,954)	(4,179,291)
Interest income received	298	383
Interest expense paid	<u>(45,636)</u>	<u>(20,827)</u>
Net cash provided by operating activities	<u>108,922</u>	<u>154,628</u>
Cash flows from investing activities:		
Purchases of property and equipment	(55,980)	(710,013)
Additions to construction in progress	(1,136,007)	-
Purchase of endowment investment	(200,000)	-
Change in restricted endowment cash, noncurrent	4,503	(501)
Change in board designated endowment cash, noncurrent	<u>1,809</u>	<u>(4)</u>
Net cash used in investing activities	<u>(1,385,675)</u>	<u>(710,518)</u>
Cash flows from financing activities:		
Cash received for Spectrum Repack	877,187	-
Cash received for restricted endowment	193,675	-
Proceeds from contract payable	-	135,448
Payments on contract payable	(58,879)	-
Net proceeds from line of credit	219,348	-
Proceeds from notes payable	-	599,946
Principal payments on notes payable	<u>(13,343)</u>	<u>(88,471)</u>
Net cash provided by financing activities	<u>1,217,988</u>	<u>646,923</u>
Net increase (decrease) in cash	<u>(58,765)</u>	<u>91,033</u>
Unrestricted cash, beginning of year	539,031	441,394
Restricted cash available for current use, beginning of year	<u>28,863</u>	<u>35,467</u>
Cash, beginning of year	<u>567,894</u>	<u>476,861</u>
Unrestricted cash, end of year	485,407	539,031
Restricted cash available for current use, end of year	<u>23,722</u>	<u>28,863</u>
Cash, end of year	<u>\$ 509,129</u>	<u>\$ 567,894</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,030,885	\$ (208,566)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	319,725	365,656
(Gain) loss on disposition of equipment	109,270	1,279
Donated equipment and services	(65,000)	-
Cash received for restricted endowment	(193,675)	-
Cash received for Spectrum Repack	(877,187)	-
Change in operating assets and liabilities:		
Accounts receivable	(74,450)	(56,355)
Pledges receivable	17,782	14,376
Spectrum Repack receivable	(174,188)	-
Inventory	(4,985)	(6,550)
Prepaid expenses	683	(25,458)
Other assets	-	2,279
Accounts payable	27,393	15,054
Accrued expenses	58,561	(5,741)
Deferred revenue	(65,892)	58,654
Net cash provided by operating activities	<u>\$ 108,922</u>	<u>\$ 154,628</u>
<u>Supplemental schedule of non-cash investing and financing activities:</u>		
Donated equipment and services	<u>\$ 65,000</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, 2018 and 2017

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, 2018 and 2017

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 \$477,121 and \$377,640 at June 30, 2018 and 2017, 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, 2018 and 2017

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.

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.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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.

Endowment

During 2018, the Station established an endowment fund that holds investments that are subject to restrictions of gift instruments which require that the principal be invested in perpetuity and that the investment income, including net realized gains and losses, be used to support the mission of the endowment fund which is to provide cash flow for operations in future years, as well as providing a strong financial basis for future needs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Station classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Station and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Station, and (7) the investment policies of the Station.

The Station is in the process of adopting the investment and spending policies for the endowment fund.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2018 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through November 28, 2018, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pledges receivable	\$ 103,237	\$ 122,994
Less estimated uncollectible pledges	<u>10,324</u>	<u>12,299</u>
Pledges receivable, net	<u>\$ 92,913</u>	<u>\$ 110,695</u>

NOTE 4: RESTRICTED CASH

Restricted cash consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Available for current use:		
Grant funds	<u>\$ 23,722</u>	<u>\$ 28,863</u>

NOTE 5: BROADCAST LICENSES

Broadcast licenses consist of legal fees incurred to establish or renew broadcast licenses. The costs to acquire the licenses were capitalized and amortized over the license periods. As of June 30, 2015, the licenses were fully amortized.

	<u>2018</u>	<u>2017</u>
Broadcast licenses	\$ 19,138	\$ 19,138
Less accumulated amortization	<u>19,138</u>	<u>19,138</u>
Broadcast licenses, net	<u>\$ -</u>	<u>\$ -</u>

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 217,653	\$ 217,653
Construction in progress	1,141,335	117,135
Bakersfield Channel 18	581,538	581,537
Building	1,319,024	1,319,023
Tower equipment	1,217,962	1,217,961
Broadcast equipment	2,707,984	3,408,733
Production equipment	1,379,036	1,346,781
Office furniture and equipment	167,771	230,281
Vehicles and related equipment	<u>125,216</u>	<u>60,217</u>
	8,857,519	8,499,321
Less accumulated depreciation	<u>6,344,320</u>	<u>6,814,114</u>
Property and equipment, net	<u>\$ 2,513,199</u>	<u>\$ 1,685,207</u>

Depreciation expense totaled \$319,725 and \$365,656 for the years ended June 30, 2018 and 2017, 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 revenue totaled \$28,000 and \$93,892, as of June 30, 2018 and 2017, respectively.

NOTE 8: NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Note payable to Bank of the Sierra, interest at 5% for the first 7 years with monthly principal and interest payments of \$3,533, then 5.25% for the remaining term with monthly principal and interest payments of \$3,602, secured by a first deed of trust, maturing in June 2042	\$ 586,603	\$ 599,946
	<u>586,603</u>	<u>599,946</u>
Less current portion	<u>12,898</u>	<u>12,261</u>
Total notes payable, less current portion	<u>\$ 573,705</u>	<u>\$ 587,685</u>

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 8: NOTES PAYABLE (CONTINUED)

The following is a schedule of five-year maturities as of June 30, 2018:

<u>Year Ending June 30:</u>	
2019	\$ 12,898
2020	13,487
2021	14,267
2022	15,007
2023	15,786
Thereafter	<u>515,158</u>
Total	<u>\$ 586,603</u>

NOTE 9: CONTRACTS PAYABLE

The Station has entered into payment contracts for the purchase of equipment with two vendors. The contracts payable balance was \$76,569 at June 30, 2018.

The following is a schedule of the contracts payable maturities as of June 30, 2018:

<u>Year Ending June 30:</u>	
2019	\$ 60,069
2020	<u>16,500</u>
Total	<u>\$ 76,569</u>

NOTE 10: 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, 2018 and 2017.

During 2018, the Station secured a commercial equity line of credit from Bank of the Sierra in the amount of \$498,000. See Note 21 FCC Spectrum Repack for additional information.

NOTE 11: OPERATING LEASE

The Station rents office equipment under an operating lease agreement which expires April 2021. The Station also leases the right to utilize towers and transmitter buildings under operating lease agreements which expire in September 2019 and November 2022.

Rental expense for the years ended June 30, 2018 and 2017, was \$27,103 and \$30,370, respectively.

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

<u>Year Ending June 30:</u>	
2019	\$ 24,595
2020	17,021
2021	14,687
2022	<u>15,042</u>
Total	<u>\$ 71,345</u>



VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 12: GRANTS

The following are production, development, educational services and other educational services grants received during the years ended June 30, 2018 and 2017:

	2018	2017
Development grants:		
Mr. and Mrs. Dennis Lowe	\$ 100	\$ -
Kern Co. Court	100	-
Martin & Marianne Well	-	200
Person & Henrich Family Foundation	-	200
Fresno Police Chief's Foundation	500	-
Jim and Amy Davis	500	-
Mr. and Mrs. Jim Brisc	500	-
Bolen Charitable Trust	500	500
Arthur Jing Family Trust	750	750
Roxanne Bates	1,000	-
Wayne Short	1,000	-
Warfield Family Trust	1,000	-
Greg and Penny Baxter	1,000	-
Christopher and Judy Patin	1,000	-
WGBH	1,000	9,000
Allstate Foundation	-	1,000
Bank of The Sierra	-	1,000
Valley Children's Hospital	-	1,000
Central CA Women's Conference	1,500	-
Gerald & Nanette Lyles Foundation	1,500	2,910
Irvine Foundation	-	1,500
Lyles Foundation	1,725	3,450
Eaton and Gibson Family Foundation	2,000	-
Eaton and Gibson Family	2,000	-
Dollar General	-	2,000
Esther Aspergers Foundation	2,500	-
Fischer	2,500	-
Electric Motor Shop	2,500	-
Mr. and Mrs. William Lyles	2,500	-
Garabedian Foundation	2,500	2,000
Bonner Family Foundation	2,500	2,500
William Lyles Foundation	2,500	-
WNET Chasing The Dream	3,000	-
Cal Viva	-	3,000
Dolores Huerta Event	3,500	-
Twin Cities Public Television	5,000	-
City Projects, LLC	5,000	-
WHYY Articulate Grant	5,000	-
Tantau Family Charitable Trust	5,500	20,000
Kern Community Foundation	7,500	7,500
Lyles Diversified Charitable Fund	7,500	7,500
WETA	8,000	7,000
WHYY	9,500	-
Smittcamp Family Foundation	10,000	-
George & Desa Belyea Charitable Trust	10,000	10,000
Leon S. Peters Foundation	10,000	25,000
Gar & Esther Tootelian Charitable Foundation	-	10,000
Meyers Farms Family Trust	-	10,000
Wicks Family Fund	20,000	5,500
Central Valley Community Foundation	25,000	-
Dan Martin Foundation	25,000	10,000
Wayne Town Family Foundation	48,000	-
Subtotal	\$ 242,675	\$ 143,510

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 12: GRANTS (CONTINUED)

	<u>2018</u>	<u>2017</u>
Production grants:		
City of Fresno	\$ 250	\$ -
NTD Media	2,224	-
FCSOS Fresno County Superintendent	5,000	-
Clovis Veterans Memorial	5,000	-
JACL/Central California District Council	-	5,000
WNET Chasing The Dream	7,000	-
WNET American Graduate	7,500	-
WETA	10,000	-
The Brandt Foundation	10,000	25,000
Valley Children's Hospital	15,000	-
WF Foundation	20,000	-
Meyers Farms (From Deferred Revenue)	-	20,000
Central Valley Community Foundation	-	35,000
California Civil Liberties	60,000	-
Kitahara Foundation	-	40,000
Meyers Farms Family Trust	-	40,000
State of CA	-	40,000
Gar & Esther Tootelian Charitable Foundation	-	65,000
National Parks Service	246,984	103,178
Subtotal	<u>388,958</u>	<u>373,178</u>
Educational services grants:		
Kings River Elementary	-	1,500
Westside Elementary School	-	3,000
Garfield Elementary (From Deferred Revenue)	6,000	-
Fowler Unified School District	8,000	-
Habitat for Humanity	-	9,000
American Union Elementary	10,500	-
Stratford Elementary	-	16,800
FCOE Internal Finance	-	24,000
Central Union School District	30,000	14,400
Rocky Mountain Public Television	33,333	-
Central Unified School District	34,500	22,500
Madera Unified School District	63,000	63,000
Selma Unified School District	66,000	9,000
Fresno County Office of Education	76,500	-
Fresno Unified School District	339,472	353,701
Subtotal	<u>667,305</u>	<u>516,901</u>
Other educational services grants:		
Packard Foundation	60,000	-
ITVS	-	11,000
Rocky Mountain PBS	-	16,667
Fresno Unified School District	33,239	33,239
Schmidt Family Foundation	-	75,000
Subtotal	<u>93,239</u>	<u>135,906</u>
Total	<u>\$ 1,392,177</u>	<u>\$ 1,169,495</u>

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 13: CORPORATION FOR PUBLIC BROADCASTING 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 \$911,417 and \$885,773 for the years ended June 30, 2018 and 2017, respectively. The Station recognized Interconnect grants as revenue in the amounts of \$17,390 and \$16,750 for the years ended June 30, 2018 and 2017, respectively. The Station recognized Universal Service Support grants as revenue in the amount of \$22,636 and \$18,612 for the years ended June 30, 2018 and 2017.

NOTE 14: NET ASSETS

At June 30, 2018, unrestricted net assets totaled \$2,361,838, of which \$11,623 is designated for the endowment. At June 30, 2017, unrestricted net assets totaled \$1,516,304, of which \$11,623 was designated to fund a future quasi-endowment.

Temporarily restricted net assets were available for the following purposes as of June 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Valley's Gold Kids Outreach	\$ 21,690	\$ 37,299
Just Transit	-	42,728
Bright by Text Program	50,000	-
Endowment Interest	13	-
	<u>          </u>	<u>          </u>
Total	<u>\$ 71,703</u>	<u>\$ 80,027</u>

Permanently restricted net assets are held in the Station's endowment fund. At June 30, 2018 and 2017, permanently restricted net assets consist of funds contributed to be kept in perpetuity in the amount of \$198,178 and \$4,503, respectively.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 15: ENDOWMENT FUND

During 2018, the Station established an Endowment Fund. Prior to the establishing of the Endowment Fund, the Station had previously received \$4,503 to fund an endowment and the Board had designed \$11,623 to fund an endowment. The following is a reconciliation of the beginning and ending balances of the donor-restricted endowment for the years ending June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2017	\$ 11,623	\$ -	\$ 4,503	\$ 16,126
Contributions	-	-	193,675	193,675
Interest and dividends	-	13	-	13
Balance at June 30, 2018	<u>\$ 11,623</u>	<u>\$ 13</u>	<u>\$ 198,178</u>	<u>\$ 209,814</u>

At June 30, 2018, the Endowment Fund held a \$200,000 certificate of deposit and \$9,814 in cash.

NOTE 16: DONATED SERVICES, MATERIALS AND EQUIPMENT

For the years ended June 30, 2018 and 2017, the Station received donated services amounting to \$909,040 and \$969,056, respectively, from various local marketing, promotion and other professionals. Donated materials, such as operating supplies, amounted to \$6,298 and \$6,045 for the years ended June 30, 2018 and 2017, respectively. These amounts are reported as expenses according to functional classification. Donated equipment received for the year ended June 30, 2018 amounted to \$65,000, and are capitalized at fair market value as of the date received. For the year ended June 30, 2017, no donated equipment and was received that was capitalized.

NOTE 17: RELATED PARTY TRANSACTIONS

A Director of the Station is also the President and Chief Executive Officer of the Gar and Esther Tootelian Charitable Foundation, a Foundation that pledged donations to the Station during the fiscal year ending June 30, 2017, totaling \$75,000.

NOTE 18: 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 90 days 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 years ended June 30, 2018 and 2017 totaled \$13,936 and \$17,366, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 19: 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, 2017, the charitable trust holds cash and real property that is currently listed for sale. During 2018, the trust sold all the real property and as of June 30, 2018, the charitable trust holds cash. The Station is anticipating the closing of the trust within the next fiscal year.

NOTE 20: FCC SPECTRUM REPACK

As required by the Federal Communications Commission (FCC) as part of the Spectrum Auction Repack, the Station is currently in the process of moving to a new channel assignment. The Spectrum Act requires that the FCC reimburse costs reasonably incurred by licensees that are reassigned to new channels. At June 30, 2018 the Station's allocation from the FCC was \$2,461,166. During 2018, the Station received \$877,187 from the FCC and \$174,188 was receivable from the FCC at June 30, 2018. The Station is in Phase 1 of the FCC Spectrum Repack and is scheduled to transition to the new channel on October 15, 2018.

During 2018, in conjunction with Spectrum Repack the Station secured a commercial equity line of credit from Bank of the Sierra in the amount of \$498,000. The equity line of credit matures on July 10, 2024 and advances have an interest rate of 4.625%. The line of credit is secured by the real property at 1544 Van Ness Ave, Fresno, California. As of June 30, 2018, the line of credit has a balance of \$219,348.

During 2018, in conjunction with Spectrum Repack the Station secured a term loan in the amount of \$502,000 from Bank of the Sierra. The term loan matures on July 10, 2018, and has an interest rate of 5.0% on borrowings from the term loan. The term loan is secured by the real property at 1544 Van Ness Ave, Fresno, California. As of June 30, 2018, no amounts were outstanding. Subsequent to year end, the term loan was extended to mature on January 10, 2019.