

Valley Public Television, Inc. DBA ValleyPBS Fresno, CA

Financial Statements

For the Year Ended June 30, 2023



PRICE PAIGE & COMPANY
Certified Public Accountants

TABLE OF CONTENTS

	PAGE
Independent Auditor’s Report	1
Financial Statements:	
Statement of Financial Position.....	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to the Financial Statements	10



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Valley Public Television, Inc. DBA ValleyPBS (the Station), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540
fax 559.299.2344

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Price Pange & Company

Clovis, California
December 29, 2023

FINANCIAL STATEMENTS

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS | JUNE 30, 2023
Statement of Financial Position

ASSETS

Current assets:

Cash and cash equivalents:

Unrestricted \$ 516,682

Restricted 35,000

Total cash and cash equivalents 551,682

Contracts receivable 235,334

Pledges receivable, net 98,827

Investments 276,520

Inventory 35,797

Prepaid expenses 98,766

Total current assets 1,296,926

Right-of-use assets 123,052

Property and equipment, net 1,069,997

Total assets \$ 2,489,975

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable \$ 94,204

Accrued liabilities 141,837

CPB payable 294,457

Deferred revenue 35,000

Line of credit 133,179

Notes payable, current portion 32,504

Total current liabilities 731,181

Lease liability 125,615

Notes payable, less current portion 512,708

Total liabilities 1,369,504

Net assets:

Without donor restrictions:

Board designated endowment 11,623

Undesignated 817,434

With donor restrictions 291,414

Total net assets 1,120,471

Total liabilities and net assets \$ 2,489,975

See Independent Auditor's Report and Notes to the Financial Statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS | FOR THE YEAR ENDED JUNE 30, 2023
Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions:			
Cash and other financial assets	\$ 1,622,884	\$ -	\$ 1,622,884
Nonfinancial assets	565,864	-	565,864
Grants:			
Community service grants	986,345	-	986,345
Ready to Learn grants	7,500	-	7,500
Other grants	13,248	-	13,248
Underwriting	265,408	50,000	315,408
Other production income	440,837	-	440,837
Special events, net of direct expenses of \$74,100	192,110	-	192,110
Investment income, net	19,938	3,959	23,897
Other revenue	10,764	-	10,764
Total revenues and support before net assets released from restrictions	4,124,898	53,959	4,178,857
Net assets released from restrictions:	75,000	(75,000)	-
Total revenues and support after reclassification of net assets released from restrictions	4,199,898	(21,041)	4,178,857
Costs and expenses:			
Program services:			
Programming and production	1,548,144	-	1,548,144
Broadcast operations	651,902	-	651,902
Program information and outreach	1,021,139	-	1,021,139
Supporting services:			
Fundraising and membership	806,803	-	806,803
Management and general	895,917	-	895,917
Total costs and expenses	4,923,905	-	4,923,905
Changes in net assets	(724,007)	(21,041)	(745,048)
Net assets, beginning of year	1,553,064	312,455	1,865,519
Net assets, end of year	\$ 829,057	\$ 291,414	\$ 1,120,471

See Independent Auditor's Report and Notes to the Financial Statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS | FOR THE YEAR ENDED JUNE 30, 2023
Statement of Functional Expenses

	Program Services			Supporting Services		
	Programming and Production	Broadcast Operations	Program Information and Outreach	Fundraising and Membership	Management and General	Total
Costs and expenses:						
Advertising and promotion	\$ -	\$ -	\$ 16,982	\$ -	\$ -	\$ 16,982
Audit fees	-	-	-	-	32,500	32,500
Bank charges	-	-	-	35,188	3,195	38,383
Board/staff/donor relations	-	-	-	650	2,792	3,442
Bulk mail postage	-	-	-	28,044	-	28,044
Closed captioning	8,475	-	-	88	863	9,426
Custom programming expense	151,613	-	4,700	-	-	156,313
Depreciation	81,204	91,866	64,071	149,019	69,402	455,562
Direct mail	-	-	-	120,959	-	120,959
Donated materials, services and facilities	-	-	565,864	-	-	565,864
Dues and subscriptions	7,498	3,614	15,125	19,868	16,376	62,481
Food and beverage	862	835	2,487	7,879	7,688	19,751
Insurance	-	-	-	-	66,885	66,885
Interest expense	7,132	8,104	5,627	13,088	6,095	40,046
Maintenance contracts	-	177,419	-	-	8,487	185,906
Materials and supplies	2,873	6,419	4,302	13,252	5,856	32,702
Other expenses	-	-	-	-	119,118	119,118
Other programming costs	77,938	-	-	-	-	77,938
PBS programming costs	865,324	-	-	-	-	865,324
Postage	8	1,057	36	1,010	2,186	4,297
Premium expense	-	-	-	67,272	25	67,297
Professional services	88,545	4,431	12,265	57,342	92,993	255,576
Props and sets	174	-	201	290	-	665
Regular printing	-	-	128	33,530	5,234	38,892
Rental equipment	-	7,510	159	427	11,644	19,740
Repairs and maintenance	678	24,197	-	-	14,813	39,688
Salaries and benefits	232,151	226,732	312,759	221,882	387,080	1,380,604
Taxes and licenses	-	-	-	-	16,912	16,912
Telephone charges	2,851	3,226	2,250	5,232	2,437	15,996
Tower and equipment lease	-	5,088	-	-	-	5,088
Travel and training	6,012	5,207	2,501	4,613	10,681	29,014
Utilities	14,806	86,197	11,682	27,170	12,655	152,510
Total costs and expenses	<u>\$ 1,548,144</u>	<u>\$ 651,902</u>	<u>\$ 1,021,139</u>	<u>\$ 806,803</u>	<u>\$ 895,917</u>	<u>\$ 4,923,905</u>

See Independent Auditor's Report and Notes to the Financial Statements.

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS | FOR THE YEAR ENDED JUNE 30, 2023
Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from members, grantors, customers, and other support	\$ 3,181,627
Cash paid to vendors and employees	(3,827,335)
Interest and investment income received	6,685
Interest expense	<u>(40,046)</u>

Net cash provided by (used in) operating activities	<u>(679,069)</u>
---	------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(62,567)</u>
-------------------------------------	-----------------

Net cash provided by (used in) investing activities	<u>(62,567)</u>
---	-----------------

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on notes payable	<u>(32,354)</u>
-------------------------------------	-----------------

Net cash provided by (used in) financing activities	<u>(32,354)</u>
---	-----------------

Net increase (decrease) in cash	(773,990)
---------------------------------	-----------

Cash and cash equivalents, beginning of year	<u>1,325,672</u>
--	------------------

Cash and cash equivalents, end of year	<u><u>\$ 551,682</u></u>
--	--------------------------

Reconciliation to statement of financial position:

Unrestricted cash	\$ 516,682
Restricted cash	<u>35,000</u>

Total cash and cash equivalents	<u><u>\$ 551,682</u></u>
---------------------------------	--------------------------

Supplemental disclosures:

Right-of-use assets after ASU 2016-02 implementation	<u><u>\$ 140,946</u></u>
--	--------------------------

VALLEY PUBLIC TELEVISION, INC. DBA VALLEYPBS | FOR THE YEAR ENDED JUNE 30, 2023

Statement of Cash Flows

(Continued)

**Reconciliation of change in net assets to net cash
provided by (used in) operating activities:**

Change in net assets	\$ (745,048)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	455,562
(Gain)/Loss on investments	(17,212)
Reduction in basis of right of use assets	17,893
Increase (decrease) in operating assets and liabilities:	
Accounts receivable	(179,440)
Pledges receivable	5,060
Inventory	(12,493)
Prepaid expenses	30,388
Accounts payable	(80,628)
Accrued liabilities	18,237
CPB payable	80,117
Deferred revenue	(235,258)
Lease liabilities	<u>(16,247)</u>
Net cash provided by (used in) operating activities	<u>\$ (679,069)</u>

**Supplemental schedule of non-cash investing and
financing activities:**

Donated services	<u>\$ 565,864</u>
------------------	-------------------

See Independent Auditor's Report and Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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

New Accounting Pronouncement

During the year ended June 30, 2023, the Station adopted Accounting Standards Update (ASU) 2016-02, *Leases* (also referred to as ASC842, *Leases*) which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. The Station elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU 2016-02, the Station recognized right-of-use assets of \$140,946 and lease liabilities totaling \$141,862 in its Statement of Financial Position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended June 30, 2023.

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

The financial statements of the Station have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Station to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Station. These net assets may be used at the discretion of the Station's management and Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Station or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions without donor restrictions are reported as revenues which increase net assets without donor restrictions. Expirations of donor restrictions on contributions whose restrictions are met in the same reporting period have been reported as without donor restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 seven counties in the Central Valley from Merced to Bakersfield and are dependent upon the economy of the broadcast areas. 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 \$299,414 at June 30, 2023.

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.

Leases

The Station determines if an arrangement is or contains a lease at inception. Leases are included in right-of use (ROU) assets and lease liabilities in the Statement of Financial Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Station does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Lease terms may include options to extend or terminate certain leases. The value of a lease option is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

Operating leases are included in right-of-use assets and long-term liabilities in the Statement of Financial Position. Finance leases are included in property and equipment and long-term liabilities in the Statement of Financial Position.

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.

See Independent Auditor's Report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

The Station receives substantially all of its grant and contract revenue from foundations; businesses and non-profit organizations; Corporation for Public Broadcasting, and some direct state and local revenues. The Station recognizes contract revenue (up to the contract ceiling) from its contracts, either on a cost reimbursement basis or on a production basis depending on how performance is defined by the respective contracts. Revenue recognition depends on the contract.

Contract revenue that has not yet been expended for the purpose of the grant/contract is recorded as deferred revenue.

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.

Contributed Nonfinancial Assets

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.

Land and assets that are contributed to the Station will be either sold or utilized based on the current needs of the Station. The Station assigns values based on fair market value of the land or asset.

Contributed services comprise of professional services that would otherwise be purchased. Contributed services are valued and reported at the estimated fair value based on current rates for similar services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expenses

The Station uses advertising to promote its programs and fundraising events, and the costs of the advertising are expensed as incurred. Total advertising costs were \$16,982 for the year ended June 30, 2023.

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.

Functional Expenses

The costs of providing the Station's various charitable and general services have been summarized on a functional basis in the statement of functional expenses. Accordingly, direct and indirect expenses have been allocated to program services or other activities based on their specific identification or the personnel resources utilized in the function. Supporting services consist principally of general, administrative and management costs and fundraising activities not directly allocable to program services.

Expenses that are allocated included the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Depreciation	Time and effort
Interest expense	Time and effort
Materials and supplies	Time and effort
Salaries and benefits	Time and effort
Telephone	Time and effort
Utilities	Time and effort

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.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Station's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 551,682
Accounts receivable	235,334
Pledges receivable, net	<u>98,827</u>
	885,843
Less amounts not available to be used in one year:	
Net assets with donor restriction	<u>291,414</u>
Financial assets available to meet general expenditures within one year	<u>\$ 594,429</u>

As part of the Station's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 – PLEDGES RECEIVABLE, NET

Pledges receivable expected to be received in one year or less consisted of the following at June 30, 2023:

Pledges receivable	\$ 116,267
Less estimated uncollectible pledges	<u>(17,440)</u>
Pledges receivable, net	<u>\$ 98,827</u>

NOTE 5 – RESTRICTED CASH

Restricted cash consisted of cash available for grant funds of \$35,000 at June 30, 2023.

NOTE 6 – INVESTMENTS

Investments, at fair value, for the year ended June 30, 2023, are as follows:

Equity funds	\$ 54,161
Certificates of deposit	<u>222,359</u>
Total investments	<u>\$ 276,520</u>

NOTE 6 – INVESTMENTS (Continued)

The components of investment return for the year ended June 30, 2023, are as follows:

Interest and dividends	\$	6,685
Unrealized gains (losses)		17,212
Investment fees		<u>-</u>
Total investment income, net	\$	<u>23,897</u>

In accordance with generally accepted accounting principles, fair value is defined as the price that the Station would receive upon selling an asset or paying to transfer a liability at the reporting date. Generally accepted accounting principles established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability, developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and fair value is determined through the use of other valuation methodologies.

Level 3 – Valuations based on inputs that are not observable and significant to the overall fair value measurement, including an organization's own assumptions in determining the fair value of assets or liabilities.

The following is a summary of the inputs used as of June 30, 2023 in valuing the Station's assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
Equity funds	\$ 54,161	\$ -	\$ -	\$ 54,161
Certificates of deposit	<u>-</u>	<u>222,359</u>	<u>-</u>	<u>222,359</u>
Total investment securities	<u>\$ 54,161</u>	<u>\$ 222,359</u>	<u>\$ -</u>	<u>\$ 276,520</u>

NOTE 7 – 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.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023:

Land	\$	217,653
Bakersfield Channel 18		585,104
Building		1,637,741
Tower equipment		2,244,296
Broadcast equipment		2,554,379
Production equipment		1,379,036
Office furniture and equipment		297,722
Vehicles and related equipment		<u>125,216</u>
Total property and equipment		9,041,147
Less accumulated depreciation		<u>7,971,150</u>
Total property and equipment, net	\$	<u><u>1,069,997</u></u>

Depreciation expense totaled \$455,562 for the year ended June 30, 2023.

NOTE 9 – LEASES

Right-of-use assets represent the Station's right to use underlying assets for the lease term, and the lease liabilities represent the Station's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms.

The Station entered into a lease for use of a tower in December 2021. The term of the lease is ten years with variable monthly rent ranging from \$1,044 - \$1,362 over the term of the lease. The lease asset and liability were calculated utilizing the incremental borrowing discount rate (4%). The Station also leases equipment for administrative purposes under operating leases expiring on various dates through 2026. The lease asset and liability were calculated utilizing the risk-free discount rate (5.4%)

The following operating lease payments are expected to be paid for each of the following years ending June 30:

2024	\$	21,145
2025		18,091
2026		17,806
2027		15,290
2028		14,741
Thereafter		<u>55,103</u>
Total		142,176
Less discount		<u>(16,561)</u>
Total	\$	<u><u>125,615</u></u>

Lease expense for the years ended June 30, 2023 was \$16,732.

NOTE 10 – 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 \$35,000 as of June 30, 2023.

NOTE 11 – NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2023:

Notes payable to Bank of the Sierra, interest at 5% for the first 7 years with monthly principal and interest payments of \$3,533, then the prime rate plus 1.25% for the remaining term with monthly principal and interest payments of \$3,602, secured by a first deed of trust, maturing in June 2042.	\$ 515,333
Note payable to PG&E, interest at 0% with monthly principal payments of \$1,299, maturing in March 2025.	<u>29,878</u>
Total notes payable	545,211
Less current portion	<u>32,504</u>
Total notes payable, less current portion	<u>\$ 512,707</u>

The following is a schedule of five-year maturities as of June 30, 2023:

2024	\$ 32,504
2025	32,139
2026	18,763
2027	19,723
2028	20,673
Thereafter	<u>421,410</u>
Total	<u>\$ 545,212</u>

NOTE 12 – LINES OF CREDIT**Line of Credit**

The Station has available a \$150,000 line of credit from Bank of the Sierra maturing in August 2024. Advances on this line-of-credit bear interest at .375% above Wall Street Journal prime rate with interest-only payments until maturity date. As of June 30, 2023, the line of credit did not have an outstanding balance.

NOTE 12 – LINES OF CREDIT (Continued)

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 the FCC to reimburse costs reasonably incurred by licensees that are reassigned to new channels. The Station is in Phase 1 of the FCC Spectrum Repack and transitioned 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. The balance due on the line of credit was \$133,179 at June 30, 2023.

NOTE 13 – GRANTS

The following are types of other grants received during the year ended June 30, 2023:

Development grants	\$ 11,248
Other educational service grants	<u>2,000</u>
Total	<u>\$ 13,248</u>

NOTE 14 – 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 (CSG) 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 amount of \$949,154 for the year ended June 30, 2023. The Station recognized Interconnect grants as revenue in the amount of \$17,078 for the year ended June 30, 2023. The Station recognized Universal Service Support grants as revenue in the amount of \$20,113 for the year ended June 30, 2023.

NOTE 15 – NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2023:

Subject to expenditure for specific purpose:	
Capital expenditures	\$ 2,812
Chevron Engineer It Girl	50,000
	<u>52,812</u>
Subject to spending policy and appropriation:	
Endowment interest	22,374
Not subject to appropriation or expenditure:	
Original donor-restricted endowment gifts required to be retained in perpetuity	216,228
	<u>216,228</u>
Total net assets with donor restrictions	<u>\$ 291,414</u>

NOTE 16 – ENDOWMENT FUND

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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Station 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.

Prior to the establishment of the Endowment Fund, the Station had previously received \$4,503 to fund an endowment and the Board had designated \$11,623 to fund an endowment.

NOTE 16 – ENDOWMENT FUND (Continued)

Endowment net assets consist of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 11,623	\$ -	\$ 11,623
Donor restricted endowment funds	-	238,602	238,602
Total endowed net assets	<u>\$ 11,623</u>	<u>\$ 238,602</u>	<u>\$ 250,225</u>

The following is a reconciliation of the beginning and ending balances of the donor-restricted endowment for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2022	\$ 11,623	\$ 234,643	\$ 246,266
Interest and dividends	-	3,959	3,959
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Balance at June 30, 2023	<u>\$ 11,623</u>	<u>\$ 238,602</u>	<u>\$ 250,225</u>

NOTE 17 – CONTRACTS WITH CUSTOMERS

Revenue from performance obligations satisfied at a point in time consists of underwriting and production revenue. The total amount of revenue recognized from contracts with customers during the year ended June 30, 2023 was \$939,675.

Contract assets include receivables arising from contracts from customers in the amount of \$235,334 and \$58,063 at June 30, 2023.

NOTE 18 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities included various marketing, promotion and other professional services for Program Information and Outreach totaling \$547,874 and donated materials of \$17,990 during the year ended June 30, 2023.

NOTE 19 – RELATED PARTY TRANSACTIONS

Beginning in May 2021, an Officer of the Station is also the owner of 18THIRTY Entertainment, LLC, a Company providing production services to the Station. During the year ended June 30, 2023, the amount paid to 18THIRTY Entertainment, LLC, totaled \$29,650 for contracts secured prior to employment related to the production of Tapped Out II and reimbursement of expenses related to Afterburn: The Creek Fire Documentary.

NOTE 20 – 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 year ended June 30, 2023 totaled \$4,190.

NOTE 21 – 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.

Corporation for Public Broadcasting Audit

The Office of the Inspector General for the Corporation for Public Broadcasting conducted an audit for the period of July 1, 2019 through June 30, 2021. In the report dated January 26, 2023, the audit found that the Station was overpaid \$214,340 in Community Service Grant funds. The Station has responded to the findings outlined in the report. The potential overpayment was included as a liability as of June 30, 2022. During the year ended June 30, 2023, an additional overpayment of \$80,117 was found to be owed. The full amount of grant funds owed to the Corporation for Public Broadcasting is \$294,457. This amount is included on the Statement of Financial Position at June 30, 2023. The amount of \$80,117 was paid directly to CPB in October 2023 while the remainder of the amount owed will be deducted from the grant proceeds allocated to the Station in FY25.

NOTE 22 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2023 through the date the financial statements were available to be issued at December 29, 2023 that would require additional disclosure or adjustment.