SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

Shenandoah Valley Educational Television Corporation

Officers

Stephen Davis	Chairman
Tassie Pippert	Vice Chairman
Richard Parker	Secretary
Jon Sayre	Treasurer

Board of Directors

Stephen Davis	Tassie Pippert
Jim Krauss	Jon Sayre
Neal Menefee	Dave Urso
Richard Parker	

General Manager

Tony Mancari

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shenandoah Valley Educational Television Corporation
Harrisonburg, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Shenandoah Valley Educational Television Corporation which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Valley Educational Television Corporation as of June 30, 2017 and 2016, and the change 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.

PBMares, LLP

Harrisonburg, Virginia
October 24, 2017

CONSOLIDATED FINANCIAL STATEMENTS

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	**$ 191,717**	$ 386,262
Receivables, net	**1,352,747**	111,427
Prepaid Expenses	**54,201**	64,883
Investments	**7,882,226**	8,133,158
Broadcast and Duplication Rights	**114,419**	114,733
Property and Equipment	**768,571**	1,316,093
Total assets	**$ 10,363,881**	$ 10,126,556
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	**$ 100,000**	$ 39,081
Accounts payable	**320,446**	57,601
Accrued expenses	**62,559**	52,225
Income taxes payable	**8,126**	7,138
Deferred operating revenue	**111,406**	150,905
Deferred revenue for capital additions	**296,188**	681,066
Deposit on spectrum auction	**-**	7,000,000
Total liabilities	**898,725**	7,988,016
Commitments and Contingencies		
Net Assets		
Unrestricted:		
Undesignated, available for general operations	**8,719,714**	1,372,119
Designated by Board of Directors	**697,106**	716,995
Temporarily restricted	**48,336**	49,426
Total net assets	**9,465,156**	2,138,540
Total liabilities and net assets	**$ 10,363,881**	$ 10,126,556

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	2017	2016
Change in Unrestricted Net Assets		
Revenues, gains and other support:		
Grants:		
CPB Community Service Contract	**$ 686,690**	$ 643,753
City, county and other grants	**2,250**	2,250
Memberships and donations	**444,619**	550,806
Program underwriting	**360,948**	265,498
Tower rental income	**289,123**	280,392
Outreach programs	**1,210**	-
Production and programming	**60,274**	62,380
Moss print income	**6,286**	13,040
Auction income	**39,833**	31,765
Other development projects	**14,452**	10,908
Educational service and other revenue	**45,192**	34,389
Investment income (net)	**141,001**	21,915
Amortization of deferred revenue from capital grants	**384,878**	363,795
Net assets released from expiration of purpose restrictions	**1,090**	32,694
Total unrestricted revenues, gains and other support	**2,477,846**	2,313,585
Expenses		
Program services:		
Programming and production	**530,505**	497,796
Broadcasting	**1,025,759**	994,632
Program information	**448,478**	364,781
Fundraising and development	**474,684**	481,300
Administration	**596,064**	568,976
Total expenses	**3,075,490**	2,907,485
Change in unrestricted net assets before unusual or infrequent items	**(597,644)**	(593,900)
Gain on sale from spectrum auction	**7,925,350**	-
Change in unrestricted net assets	**7,327,706**	(593,900)
Change in Temporarily Restricted Net Assets		
Kids Book Festival contributions	**-**	12,500
Net assets released from purpose restrictions	**(1,090)**	(32,694)
Change in temporarily restricted net assets	**(1,090)**	(20,194)
Change in net assets	**7,326,616**	(614,094)
Net Assets, beginning	**2,138,540**	2,752,634
Net Assets, ending	**$ 9,465,156**	$ 2,138,540

See Notes to Consolidated Financial Statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services						
	Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising and Development	Administration	Total
Salaries and wages	$ 77,008	$ 59,533	$ 148,163	$ 284,704	$ 230,733	$ 204,978	$ 720,415
Employee benefits and other personnel costs	20,427	15,521	37,869	73,817	61,823	35,466	171,106
Broadcast rights	373,922	-	-	373,922	-	-	373,922
Travel and training	-	5,481	453	5,934	6,900	6,057	18,891
Maintenance and repairs	-	89,359	-	89,359	-	-	89,359
Operating supplies	-	668	3,968	4,636	36,418	3,160	44,214
Utilities and communication	-	185,328	492	185,820	8,300	27,232	221,352
Fees and dues	16,177	683	-	16,860	8,278	16,696	41,834
Contracted services	6,835	170,572	63,762	241,169	40,868	124,788	406,825
Postage and freight	1	-	135	136	11,026	5,298	16,460
Advertising and promotion	-	-	187,007	187,007	-	-	187,007
Depreciation	52,542	478,710	3,614	534,866	8,215	12,736	555,817
Insurance	-	-	-	-	-	33,475	33,475
Rent	-	51,629	-	51,629	-	89,165	140,794
Other	-	-	3,015	3,015	13,991	37,013	54,019
	546,912	1,057,484	448,478	2,052,874	426,552	596,064	3,075,490
Allocation of joint activity costs	(16,407)	(31,725)	-	(48,132)	48,132	-	-
	$ 530,505	$ 1,025,759	$ 448,478	$ 2,004,742	$ 474,684	$ 596,064	$ 3,075,490

See Notes to Consolidated Financial Statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program Services						
	Programming and Production	Broadcasting	Program Information	Total Program Services	Fundraising and Development	Administration	Total
Salaries and wages	$ 68,973	$ 63,807	$ 109,168	$ 241,948	$ 228,172	$ 189,156	$ 659,276
Employee benefits and other personnel costs	16,258	15,942	24,837	57,037	33,718	46,058	136,813
Broadcast rights	371,376	-	-	371,376	-	-	371,376
Travel and training	-	7,844	421	8,265	2,292	1,422	11,979
Maintenance and repairs	-	92,902	-	92,902	-	-	92,902
Operating supplies	298	402	36,651	37,351	67,319	2,763	107,433
Utilities and communication	-	168,547	-	168,547	8,946	25,282	202,775
Fees and dues	764	632	-	1,396	8,813	8,453	18,662
Contracted services	8,100	163,026	101,635	272,761	32,228	102,091	407,080
Postage and freight	36	323	250	609	13,554	6,600	20,763
Advertising and promotion	-	-	87,800	87,800	-	-	87,800
Depreciation	52,888	460,755	3,614	517,257	8,215	12,736	538,208
Insurance	-	-	-	-	-	32,477	32,477
Rent	-	49,531	-	49,531	-	88,219	137,750
Other	-	-	405	405	28,067	53,719	82,191
	518,693	1,023,711	364,781	1,907,185	431,324	568,976	2,907,485
Allocation of joint activity costs	(20,897)	(29,079)	-	(49,976)	49,976	-	-
	$ 497,796	$ 994,632	$ 364,781	$ 1,857,209	$ 481,300	$ 568,976	$ 2,907,485

See Notes to Consolidated Financial Statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received from members and donors	**$ 380,899**	$ 526,298
Cash received from grants	**688,940**	646,003
Cash received from underwriters	**356,610**	279,971
Cash received from special events and other sources	**421,209**	423,194
Interest and dividends	**22,127**	30,385
Cash paid to employees and vendors	**(2,486,760)**	(2,425,196)
Net cash used in operating activities	**(616,975)**	(519,345)
Cash Flows From Investing Activities		
Purchase of equipment	**(8,295)**	(5,627)
Proceeds from sale of investments	**28,212,334**	14,758,090
Purchase of investments	**(27,842,528)**	(14,166,801)
Net cash provided by investing activities	**361,511**	585,662
Cash Flows From Financing Activities		
Net borrowings (repayments) on line of credit	**60,919**	(40,458)
Net cash provided by (used in) financing activities	**60,919**	(40,458)
Increase (decrease) in cash and cash equivalents	**(194,545)**	25,859
Cash and Cash Equivalents		
Beginning	**386,262**	360,403
Ending	**$ 191,717**	$ 386,262

See Notes to Consolidated Financial Statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2017 and 2016

		2017		2016
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities				
Change in net assets	**$**	**7,326,616**	$	(614,094)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation		**555,817**		538,208
Gain on sale of assets		**(7,925,350)**		-
(Gain) loss on investments		**(118,874)**		8,470
Amortization of deferred grant revenue		**(384,878)**		(363,795)
Decrease (increase) in:				
Receivables		**(63,720)**		(37,008)
Prepaid expenses and broadcast and duplication rights		**10,996**		5,919
Increase (decrease) in:				
Accounts payable and accrued expenses		**21,917**		(61,838)
Deferred operating revenue		**(39,499)**		4,793
Net cash used in operating activities	**$**	**(616,975)**	$	(519,345)
Supplemental Disclosures of Cash Flow Information				
Cash payments for interest	**$**	**3,808**	$	2,415
Cash payments for income taxes		**26,984**		11,912
Deposit release on spectrum auction	**$**	**7,000,000**	$	-
Receivable recognized from spectrum sale		**1,177,600**		-
Payable related to brokerage fees on spectrum sale		**252,250**		-

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: Shenandoah Valley Educational Television Corporation (the Organization) is a not-for-profit corporation whose primary operations consist of producing and broadcasting educational (public) television programs in and around the Shenandoah Valley, Central Virginia, Northern Virginia, and parts of the District of Columbia. Originating from facilities in Harrisonburg, Virginia, the Organization broadcasts over its television station, WVPT in Staunton, and five translators.

The Organization receives a significant amount of its funding directly or indirectly from the federal government and from local underwriters. Significant reductions in these levels of this support could have a significant effect on the Organization's activities.

A summary of the Organization's significant accounting policies follows:

Principles on consolidation: The accompanying consolidated financial statements include the accounts of Shenandoah Valley Educational Television Corporation. Significant inter-company accounts and transactions have been eliminated in consolidation.

Support and revenue recognition: Unrestricted contributions including unconditional promises to give are recognized as revenue when the pledge is received. Operating grants are recognized in the applicable grant period. Grants for specific projects and activities are recognized as revenue when expended. Grants for construction or acquisition of property and equipment are initially recorded as deferred revenue and amortized to income over the estimated aggregate lives of the assets related to the grant(s). Contributions restricted by donors and not yet expended or available for expenditure, if any, are reported as temporarily or permanently restricted net assets. Revenue from leases, rentals and underwriting contracts is recorded in the period earned.

The Organization receives donated items that are sold during annual auctions. The amount of revenue recognized by the Organization approximates the fair value of those items.

Cash and cash equivalents: The Organization considers demand deposits, money market accounts, and other investments with a maturity of less than three months when purchased to be cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Receivables: Receivables consist principally of membership subscriptions, certain grant receivables, and amounts for underwriting and miscellaneous receivables. They are carried at original amounts billed, less an estimate for doubtful receivables based on periodic review by management. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to certain types of receivables, primarily membership subscriptions. Receivables are written off when deemed uncollectible. Recoveries of amounts previously written off are recorded when received.

Broadcast and duplication rights: The costs of purchased broadcast rights are capitalized and charged to operating expenses over the length of the license period based upon the estimated number of future showings, which is generally less than one year. Contributions of rights to duplicate artwork for resale are capitalized and charged to expenses as the prints are sold.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Investments: Investments are stated at fair value as determined by quoted market prices. Purchases and sales of securities are recorded on a trade date basis; dividends are recorded as of the ex-dividend date. See Note 4 for additional information on fair value measurement.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that changes could materially affect the amounts reported in the consolidated statements of financial position.

Property and equipment: Property and equipment are stated at cost. Equipment donated by the Public Broadcasting Service is included at the fair market value of the equipment as of the date of the donation. Depreciation is determined by the straight-line method based on the estimated useful lives of the assets as follows:

Buildings	5 - 27 years
Transmitter, towers and antennas	5 - 25 years
Other broadcasting equipment	5 - 10 years
Office furniture and equipment	3 - 10 years
Vehicles	5 - 7 years

Depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Deferred revenue: Deferred operating revenue consists of advance grant payments, advance rental payments and the unearned portion of underwriting support. Deferred revenue for capital additions represents capital expenditure grants, which are recognized as revenue as the related assets are depreciated (as described in Note 5).

Functional allocation of expenses: Program, fundraising, and administrative costs have been summarized on a functional basis in the consolidated statements of activities. Certain direct costs have been charged to programs and supporting services on the basis of the activity benefited. The Organization's production and broadcasting activities and certain program information materials include fundraising appeals. Accordingly, joint costs are allocated to fundraising as displayed in the consolidated statements of functional expenses.

Advertising and promotion: Advertising and promotion costs are expensed as incurred.

Retirement plan: The Organization sponsors a 401(k) defined contribution retirement plan, which allows for contributions by employees as well as the Organization, covering substantially all employees. The Organization may match a portion of elective employee contributions to the plan and/or make additional contributions at the discretion of the Board of Directors. There were no employer contributions for the years ended June 30, 2017 and 2016.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an educational organization which qualifies donations to the Organization as charitable contributions for tax purposes. Unrelated business income, primarily tower rental, is taxable to the Organization.

The Organization follows the provisions of accounting for uncertainty in income tax positions as required by the *Income Taxes* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification; however, management does not believe it is exposed to any such positions as they are defined in this guidance. Annually, the Organization files information and unrelated business income tax returns with the United States Department of the Treasury, and a corporate income tax return with the Commonwealth of Virginia. Returns for the years ended June 30, 2013 through the current year remain open to possible examination by the IRS.

Estimates and assumptions: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: Subsequent events have been evaluated through October 24, 2017, which was the date the consolidated financial statements were available to be issued. See Note 13 for matters requiring disclosure.

Note 2. Receivables

Receivables at June 30, 2017 and 2016 consist of the following:

	2017	2016
Contributions Receivable	**$ 107,529**	$ 80,179
Grants and Other Receivables	**73,701**	37,331
Receivable from Spectrum Auction	**1,177,600**	-
	1,358,830	117,510
Less Allowance for Doubtful Accounts	**6,083**	6,083
	$ 1,352,747	$ 111,427

Contributions receivable are expected to be collected within one year.

Note 3. Investments

Investments carried at fair value as determined by quoted market prices, consist of the following mutual funds and securities at June 30, 2017 and 2016:

	2017	2016
American Funds AMCAP Fund	**$ 120,502**	$ 121,371
American Funds American Balanced Fund	**188,154**	173,363
American Funds Capital Income Builder	**97,101**	93,110
American Funds Global Balanced Fund	**7,625**	40,685
American Funds Growth Fund of America	**71,022**	58,767
American Funds Investment Co. of America Fund	**51,104**	44,971
American Funds Short-Term Bond Fund	**35,337**	35,237
Guggenheim S&P 500 Equal Weighted Index	**79,983**	78,260
iShares Core U.S. Aggregate Bonds ETF	**123,746**	163,855
Lord Abbett Short Duration Income	**40,166**	40,724
PIMCO Income Fund	**46,219**	44,498
PIMCO Investment Corporate Bond	**45,585**	45,196
U.S. Treasuries	**6,790,209**	7,014,773
Vanguard Index ETF	**83,495**	81,301
Vanguard Mid-Cap ETF	**52,447**	54,397
Vanguard Total Stock Market ETF	**49,531**	42,650
	$ 7,882,226	$ 8,133,158

The following schedule summarizes the investment returns in the consolidated statements of activities for the years ended June 30, 2017 and 2016:

	2017	2016
Interest on Short-Term Investments	**$ 47**	$ 160
Income and Dividends on Mutual Funds	**22,080**	30,225
Net Investment Gain (Loss)	**118,874**	(8,470)
Net investment gain	**$ 141,001**	$ 21,915

Note 4. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair market value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in active markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2017 and 2016.

Investments: Mutual funds valued at the closing price reported on the active market on which the mutual funds are sold.

U.S. Treasuries: Short-term government bonds valued at the closing price reported on the active market on which the bonds are sold.

Note 4. Fair Value Measurements (Continued)

The following is a summary of the Organization's financial assets that were recorded at fair value on a recurring basis during the year, by level, within the fair value hierarchy:

	Assets at Fair Value as of June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Mid Cap Blended	**$ 52,447**	**$ -**	**$ -**	**$ 52,447**
Large Cap Value	**97,101**	**-**	**-**	**97,101**
Large Cap Blended	**459,892**	**-**	**-**	**459,892**
Large Cap Growth	**191,524**	**-**	**-**	**191,524**
Short-Term Bonds	**75,503**	**-**	**-**	**75,503**
Intermediate Term Bonds	**215,550**	**-**	**-**	**215,550**
U.S. Treasuries	**6,790,209**	**-**	**-**	**6,790,209**
	$ 7,882,226	**$ -**	**$ -**	**$ 7,882,226**

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Mid Cap Blended	$ 54,397	$ -	$ -	$ 54,397
Large Cap Value	93,110	-	-	93,110
Large Cap Blended	461,230	-	-	461,230
Large Cap Growth	180,138	-	-	180,138
Short-Term Bonds	75,961	-	-	75,961
Intermediate Term Bonds	253,549	-	-	253,549
U.S. Treasuries	7,014,773	-	-	7,014,773
	$ 8,133,158	$ -	$ -	$ 8,133,158

Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017	2016
Buildings	**$ 964,697**	$ 964,696
Transmitter, Towers and Antennas	**4,381,740**	4,373,448
Other Broadcasting Equipment	**3,107,905**	3,107,905
Office Furniture and Equipment	**181,562**	181,561
Vehicles	**93,859**	93,859
	8,729,763	8,721,469
Less Accumulated Depreciation	**7,961,192**	7,405,376
	$ 768,571	$ 1,316,093

The Organization received equipment grants from federal agencies which covered the cost of specific items of equipment. The federal agencies have a lien on this equipment for a period of ten years from the date of acquisition. If during the ten-year period certain conditions are not met, or the equipment is disposed of, the Organization could be required to refund a portion of the grant proceeds to the granting agency. At June 30, 2017 and 2016, the net book value of these assets is approximately $296,190 and $681,066, respectively.

All tower lease agreements require the Organization to return the leased land to a pristine condition in the event the leases are terminated. Management is unable to estimate the remedial costs that would be incurred to return land to a pristine condition. Management intends to renew all tower lease agreements indefinitely; therefore, management cannot reasonably estimate a timeframe in which those costs would be incurred. The accompanying consolidated financial statements do not include any adjustments if and when these agreements are terminated.

Note 6. Line of Credit

The Organization has a bank line of credit for borrowings to a maximum of $513,000. The outstanding balance on the line of credit was $100,000 and $39,081 at June 30, 2017 and 2016, respectively. The line of credit accrues interest at prime rate plus 0.65% and is also subject to a floor of 5.0%.

Note 7. Unrestricted Net Assets

Unrestricted net assets consist of designated and undesignated amounts. Undesignated amounts are available for general operations. Designated amounts are assigned by the Board for specific purposes.

The designated amounts consist of the Artistic and Cultural Enrichment Fund (Moss Fund). The Moss Fund, which was initiated from the annual sale of art work donated by P. Buckley Moss, is designated to support television programs promoting artistic excellence and cultural awareness.

The change in designated amounts is summarized as follows:

	2017	2016
Designations	**$ 6,286**	$ 13,040
Expenditures	**(26,175)**	(45,388)
	(19,889)	(32,348)
Designated Net Assets, beginning	**716,995**	749,343
Designated Net Assets, ending	**$ 697,106**	$ 716,995

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions for the Kids Book Festival and donor requested programming.

Net assets were released through expiration of time restrictions in the amount of the annual rental value of the above mentioned land use rights. Additionally, net assets were released through the expiration of purpose restrictions related to expenses incurred for the Kids Book Festival program and donor requested programming aired during the year.

Note 9. Contributions and Donated Personnel Services

In-kind contributions during the years ended June 30, 2017 and 2016 consisting of professional services, advertising, materials, and other items, totaled $125,682 and $82,800, respectively.

The Organization received donated personnel services for volunteer and student workers in relation to various fundraising activities for the years ended June 30, 2017 and 2016. These services do not meet the criteria for recognition in the consolidated financial statements.

Note 10. Leases and Other Contractual Commitments

The Organization entered into a lease for copiers and office equipment in March 2011. The lease matured in prior years and rental is currently paid on a month-to-month basis.

The Organization rents a site for placement and operation of a broadcast tower. This lease requires a payment of a base rent of $1,500 plus an annual consumer price index adjustment.

A lease was signed by the Organization in order to rent a tower and related equipment for broadcasting purposes. The original lease term was for five years and included two optional five year renewals. The second renewal period will expire on January 30, 2018 and requires a payment of $1,680 plus an increase of 3.6% annually.

The Organization has outsourced master control services to Commonwealth Public Broadcasting Corporation. The agreement requires payments of $10,456 per month. This agreement has expired and WVPT is now on a month-to-month basis with the Commonwealth Public Broadcasting Corporation.

The Organization has entered into an agreement for office space. The agreement is for five years and three months with two five year renewal options. The first renewal period will expire on April 30, 2019, and calls for payments of $7,000 per month for the first term and will increase to $7,875 in the second term.

The Organization entered into an agreement for tower site and interior space rental. The agreement is for eighteen years and three months, terminating August 2031. The agreement calls for payments of $1,134 per month.

Future minimum lease payments at June 30, 2017 are as follows:

Year Ending June 30:		Amount
2018	$	115,895
2019		86,846
2020		16,846
2021		13,606
Thereafter		138,330

Note 11. Spectrum Auction

On November 29, 2013, the Organization entered into an agreement with a counter party in anticipation of a broadcast incentive auction to be conducted by the FCC under Section 6403 of the Middle Class Tax Relief and Job Creation Act of 2012. The terms of the agreement provide for the Organization to assign to the counter party the proceeds of certain spectrum use rights in the northwestern portion of Virginia.

The Organization received a $7 million deposit in connection with the agreement. The agreement contained contingencies as to final settlement prices and specific performance matters. The auction concluded during fiscal year 2017 with the Organization recognizing $8,177,600 for their portion of the proceeds from the sale, less broker commissions of $252,250, for a net gain of $7,925,350.

Note 12. Related Party

WVPT maintains membership affiliation with the National Educational Telecommunications Association (NETA) and outsources a substantial portion of its fiscal and accounting operations to NETA. WVPT's transactions with NETA are within the normal course of business.

Note 13. Business Combination

At the time of this report, the Board of Directors, in furtherance of its efforts to provide sustainable public broadcasting resources to the SVECTC service area, has engaged in advanced negotiations with another public broadcasting entity concerning a potential combination of resources and activities. If consummated, such a combination could significantly affect the governance and activities of SVETC.

Note 14. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method.

In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective, for private companies, for annual reporting periods beginning after December 15, 2018. The core principle of the ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. Generally Accepted Accounting Principles, including identifying performance obligations in the contract; estimating the amount of variable consideration to include in the transaction price; and allocating the transaction price to each performance obligation.

Note 14. Recent Accounting Pronouncements (Continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, intended to improve financial reporting about leasing transactions. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

This ASU requires a modified retrospective transition approach, which includes a number of optional practical expedients, described in ASU 2016-02, which may be applied. The ASU is effective for fiscal years beginning after December 15, 2019. Early application is permitted.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958),* intended to improve financial reporting for a not-for-profit entity. The ASU requires nonprofits to:

1. Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the currently required three classes (unrestricted, temporarily restricted, and permanently restricted). A nonprofit will report amounts for net assets *with donor restrictions* and *without donor restrictions*.
2. Present on the face of the statements of activities the amount of the change in each of the two classes of net assets.
3. Present on the face of the statements of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method reconciliation if using the direct method.
4. Provide enhanced disclosures about:
    a. Amounts and purpose of board designations.
    b. Composition of nets assets *with donor restrictions* and how the restrictions affect the use of resources.
    c. Qualitative information that communicates how a nonprofit manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date.
    d. Quantitative information that communicates the availability of a nonprofit’s financial assets at the balance sheet date to meet cash needs for general expenditures within one year.
    e. Amounts of expenses by both their natural classification and their functional classification.
    f. Methods used to allocate costs among program and support functions.
    g. Underwater endowment funds, to include:
        i. policies concerning underwater endowment funds,
        ii. aggregate fair value of such funds,
        iii. aggregate of the original gift amounts to be maintained, and
        iv. aggregate amount by which funds are underwater.

Note 14. Recent Accounting Pronouncements (Continued)

5. Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.
6. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets *with donor restrictions* to *without donor restrictions* for such long-lived assets that have been placed in services.

The ASU is effective for years beginning after December 15, 2017. Early application is permitted. The amendments should be applied on a retrospective basis in the year that the ASU is first applied. While this ASU will change the presentation of the Organization's financial statements it is not expected to alter the Organization's reported financial position or activities.