

Public Television 19, Inc.

Financial Report
June 30, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Public Television 19, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Public Television 19, Inc. (the Station), which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Television 19, Inc. as of June 30, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
September 15, 2017

Public Television 19, Inc.

**Statements of Financial Position
June 30, 2017 and 2016**

	2017	2016
Assets (Note 4)		
Cash and cash equivalents	\$ 818,546	\$ 748,600
Receivables:		
Accounts, net of allowance for doubtful accounts of \$19,555 and \$20,000 in 2017 and 2016, respectively	158,269	193,688
Prepaid expenses	163,337	131,991
Investments (Notes 2 and 10)	2,950,244	2,971,792
Deferred lease asset (Note 5)	869,925	890,771
Property and equipment, net (Notes 3 and 4)	5,610,533	6,607,466
	<u>\$ 10,570,854</u>	<u>\$ 11,544,308</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 259,522	\$ 325,919
Accrued expenses	379,131	340,508
Deferred revenue (Note 5)	1,086,427	952,945
Long-term debt (Note 4)	1,375,974	1,504,000
	<u>3,101,054</u>	<u>3,123,372</u>
Net assets:		
Unrestricted:		
Board designated (Note 6)	2,950,244	2,031,729
Undesignated	4,042,151	5,449,144
	<u>6,992,395</u>	<u>7,480,873</u>
Temporarily restricted (Note 6)	477,405	940,063
	<u>7,469,800</u>	<u>8,420,936</u>
	<u>\$ 10,570,854</u>	<u>\$ 11,544,308</u>

See notes to financial statements.

Public Television 19, Inc.

**Statement of Activities
Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Membership income	\$ 3,549,100	\$ -	\$ 3,549,100
Grants	1,748,037	-	1,748,037
Contributions, bequests and capital grants	2,254,238	-	2,254,238
In-kind contributions	229,769	-	229,769
Program and production underwriting	1,039,801	-	1,039,801
Educational services	247,578	-	247,578
Rental income (Note 5)	1,212,333	-	1,212,333
Broadcast royalties	2,191	-	2,191
Miscellaneous	21,886	-	21,886
Change in value of investments (Note 2)	318,153	-	318,153
Net assets released from restrictions (Note 7)	462,658	(462,658)	-
Total revenues, gains and other support	11,085,744	(462,658)	10,623,086
Expenses:			
Program services:			
Programming and production operations	4,398,121	-	4,398,121
Broadcast and engineering	2,963,276	-	2,963,276
Program information and promotions	597,076	-	597,076
In-kind services	173,613	-	173,613
Total program services	8,132,086	-	8,132,086
Supporting services:			
Fundraising and membership development:			
Development	768,342	-	768,342
Membership	963,526	-	963,526
Management and general	1,654,112	-	1,654,112
In-kind services	56,156	-	56,156
Total supporting services	3,442,136	-	3,442,136
Total expenses (including total depreciation of \$1,134,703)	11,574,222	-	11,574,222
Changes in net assets	(488,478)	(462,658)	(951,136)
Net assets:			
Beginning	7,480,873	940,063	8,420,936
Ending	\$ 6,992,395	\$ 477,405	\$ 7,469,800

See notes to financial statements.

Public Television 19, Inc.

**Statement of Activities
Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Membership income	\$ 3,525,598	\$ -	\$ 3,525,598
Grants	3,243,049	-	3,243,049
Contributions, bequests and capital grants	2,248,641	-	2,248,641
In-kind contributions	333,379	-	333,379
Program and production underwriting	1,586,735	-	1,586,735
Educational services	300,771	-	300,771
Rental income (Note 5)	1,210,440	-	1,210,440
Broadcast royalties	8,551	-	8,551
Miscellaneous	6,482	-	6,482
Change in value of investments (Note 2)	4,461	-	4,461
Net assets released from restrictions (Note 7)	448,479	(448,479)	-
Total revenues, gains and other support	12,916,586	(448,479)	12,468,107
Expenses:			
Program services:			
Programming and production operations	4,850,597	-	4,850,597
Broadcast and engineering	3,447,302	-	3,447,302
Program information and promotions	601,356	-	601,356
In-kind services	209,363	-	209,363
Total program services	9,108,618	-	9,108,618
Supporting services:			
Fundraising and membership development:			
Development	581,808	-	581,808
Membership	991,136	-	991,136
Management and general	1,534,370	-	1,534,370
In-kind services	124,016	-	124,016
Total supporting services	3,231,330	-	3,231,330
Total expenses (including total depreciation of \$1,102,797)	12,339,948	-	12,339,948
Changes in net assets	576,638	(448,479)	128,159
Net assets:			
Beginning	6,904,235	1,388,542	8,292,777
Ending	\$ 7,480,873	\$ 940,063	\$ 8,420,936

See notes to financial statements.

Public Television 19, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (951,136)	\$ 128,159
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in value of investments	(318,153)	(4,461)
Depreciation	1,134,703	1,102,797
Contributions and grants restricted for capital acquisition and construction	(26,000)	(26,000)
(Increase) decrease in operating assets:		
Accounts receivable	35,419	26,714
Prepaid expenses	(31,346)	(50,661)
Deferred lease asset	20,846	(20,295)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(27,774)	(34,010)
Deferred revenue	133,482	(176,430)
Net cash (used in) provided by operating activities	(29,959)	945,813
Cash flows from investing activities:		
Purchases of property and equipment	(137,770)	(450,285)
Contribution to investments	(235,048)	-
Withdrawal from investments	574,749	552,998
Net cash provided by investing activities	201,931	102,713
Cash flows from financing activities:		
Principal payments on long-term debt	(128,026)	(443,941)
Principal payments on line of credit	(250,000)	(500,000)
Proceeds from long-term debt	-	32,000
Proceeds from line-of-credit borrowings	250,000	300,000
Proceeds from contributions and grants restricted for capital acquisition and construction	26,000	26,000
Net cash used in financing activities	(102,026)	(585,941)
Increase in cash and cash equivalents	69,946	462,585
Cash and cash equivalents:		
Beginning	748,600	286,015
Ending	\$ 818,546	\$ 748,600
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 100,134	\$ 127,557

See notes to financial statements.

Public Television 19, Inc.

Notes to Financial Statements

Note 1. Nature of the Station and Summary of Significant Accounting Policies

Description of the Station: Public Television 19, Inc. (the Station) is a nonprofit corporation that operates a noncommercial public television station (KCPT) and a AAA Public Radio Station (KTBG) in Kansas City that serves numerous cities and towns in Missouri and Kansas. The Station is organized under the General Not for Profit Laws of the State of Missouri.

A summary of significant accounting policies follows.

Basis of presentation: The financial statement presentation follows the recommendations of the *FASB Accounting Standards Codification (ASC) Topic 958, Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets of the Station and changes therein are classified and reported as follows:

Unrestricted net assets: Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Station and/or the passage of time.

Permanently restricted net assets: Permanently restricted net assets are subject to donor-imposed stipulations that expire neither by the passage of time nor by actions of the Station.

Restricted and unrestricted revenue and support: Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Donor-restricted support whose restrictions are satisfied in the same reporting period in which the contributions are received is classified as unrestricted contributions.

The Station reports 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 specifying 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.

Grant revenue: Grant revenues are recognized when program expenses are incurred in accordance with program guidelines.

Program and production underwriting and educational services: Revenues generated from these sources are recognized as revenue when the applicable services are provided.

Rental income: The Station recognizes rental revenue when earned in accordance with the rental agreements.

Memberships: Memberships are recognized as revenue over the period of membership.

Public Television 19, Inc.

Notes to Financial Statements

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

In-kind contributions: In-kind contributions and in-kind services expense are recorded in the accompanying financial statements. In-kind contributions consist of donated broadcasting by commercial stations, services provided in exchange for underwriting services, and services that require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation. These donations are recorded at fair value.

Accounts receivable: Accounts receivable are carried at original invoice less an estimate for doubtful accounts based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history. Receivables are written off when deemed uncollectible. A receivable is considered to be past due if the balance is outstanding after 30 days. Interest is not charged on past-due accounts.

Donated personal services of volunteers: Due to the nature of donated services, no amounts have been reflected in the financial statements for such services, since the services do not require specialized skills. The estimated fair value of donated personal services of volunteers incurred in connection with the annual auction and pledge drives, based upon standard valuation rates and job classifications developed by the Corporation for Public Broadcasting, was \$38,141 and \$33,080 for the years ended June 30, 2017 and 2016, respectively.

Deferred revenue: Grants received for programs that will be aired principally in the next fiscal year are included as deferred revenue. As the programs are telecast, the deferred revenue will be included in revenue. The Station also receives various down payments on operating lease income. The Station amortizes the payments over the life of the lease.

Deferred lease asset: The Station has an operating lease with annual rent increases. The Station recognizes rent revenue ratably over the term of the lease, with rent revenue based on the total payments received under the lease agreement recognized on a straight-line basis over the lease term. The deferred lease asset represents rent revenue in excess of cash payments received to date.

Property and equipment: Property and equipment are recorded at cost or, if donated, at the approximate fair value at date of donation. Major renewals and betterments are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are charged against net assets in the current period. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from three to 40 years.

The Station periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Income tax status: The Station is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code; however, the Station is subject to income taxes on any net income from unrelated business activities. Uncertain tax positions, if any, are recorded in accordance with FASB ASC 740, Income Taxes (previously FIN 48). FASB ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded as of June 30, 2017 and 2016.

Investments: The Station has invested in pooled funds and municipal bonds held at the Greater Kansas City Community Foundation (the Foundation), which are recorded at fair value. A portion of this balance represents money market funds, which are reported at cost which approximates fair value.

Public Television 19, Inc.

Notes to Financial Statements

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

Cash and cash equivalents: The Station considers investments purchased with an original maturity of three months or less to be cash equivalents. The Station occasionally holds cash deposits with banks in excess of federally insured limits. Management believes the Station is not exposed to any significant credit risk.

Use of estimates: The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Functional expense allocations: Certain expenses, such as depreciation, interest, building services and personnel, are allocated among program and supporting services based primarily on direct payroll charges, equipment usage, or space occupied and on estimates made by the Station's management.

Fundraising: The Station participates in various fundraising activities, such as direct mail campaigns, membership development and special events. The expenses related to these fundraising activities are recorded in fundraising and subscriber development in the statement of activities and aggregated \$1,775,353 and \$1,572,944 for the years ended June 30, 2017 and 2016, respectively.

Advertising: The Station expenses advertising costs as incurred. Advertising expense was \$41,457 and \$17,537 for the fiscal years ended June 30, 2017 and 2016, respectively.

Reclassifications: Certain items for the year ended June 30, 2016, have been reclassified with no effect on changes in net assets, to be consistent with the classifications adopted for the year ended June 30, 2017.

Pending 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)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 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. GAAP, 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. ASU 2014-09, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Station has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

Notes to Financial Statements

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Station is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017. The Station is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Station on January 1, 2019.] [Early adoption is permitted. The Station is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

Note 2. Assets Held at the Greater Kansas City Community Foundation

The Board of Directors authorized two special trust funds established at the Greater Kansas City Community Foundation (the Foundation), an unrelated party. These trust funds were established for the benefit of the Station in the future with no variance power being granted to the Foundation. The assets held at the Foundation are directed by the Station’s Board of Directors, except the original grant funds received for the Hale Center for Journalism, which are donor-restricted. Included in assets as “investments” are \$2,950,244 and \$2,971,792 for 2017 and 2016, respectively. The Public Television 19, Inc. Fund invests only in the Foundation’s pooled funds and is designated for general operations in the future and had balances of \$2,250,136 and \$1,887,745 at June 30, 2017 and 2016, respectively. The Hale Center for Journalism Fund invests in the Foundation’s pooled funds, as well as municipal bond investments. The fund is designated for the Hale Center for Journalism and had balances of \$700,108 and \$1,084,047 at June 30, 2017 and 2016, respectively. Balances held at the Greater Kansas City Community Foundation as of June 30, 2017 and 2016, were \$2,950,244 and \$2,971,792, respectively.

Public Television 19, Inc.

Notes to Financial Statements

Note 2. Assets Held at the Greater Kansas City Community Foundation (Continued)

Individual investments within the Greater Kansas City Foundation Pooled Fund comprise the following:

Public Television 19, Inc. Fund	2017	2016
Fixed-income mutual fund pool	\$ 777,049	\$ 661,982
Equity mutual fund pool	1,468,462	1,221,951
Money market fund pool	4,625	3,812
	<u>\$ 2,250,136</u>	<u>\$ 1,887,745</u>

Hale Center for Journalism Fund	2017	2016
Municipal bonds	\$ 299,196	\$ 481,270
Equity mutual fund pool	330,334	587,417
Money market fund pool	70,578	15,360
	<u>\$ 700,108</u>	<u>\$ 1,084,047</u>

The change in value of assets held at the Greater Kansas City Community Foundation is as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 62,173	\$ 84,969
Net realized and unrealized gains (losses)	255,980	(80,508)
	<u>\$ 318,153</u>	<u>\$ 4,461</u>

Note 3. Property and Equipment

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

	2017	2016
Land and land improvements	\$ 419,656	\$ 419,656
Buildings	8,889,303	8,827,658
Broadcast equipment	9,803,467	9,803,467
Transmission tower	1,700,632	1,676,741
Furniture and fixtures	861,849	805,319
	<u>21,674,907</u>	<u>21,532,841</u>
Less accumulated depreciation	(16,064,374)	(14,925,375)
Property and equipment, net	<u>\$ 5,610,533</u>	<u>\$ 6,607,466</u>

In accordance with the provisions of Public Telecommunications Facilities Program grant awards, the United States Department of Commerce holds a 10-year security interest in certain transmitter and broadcast equipment owned by the Station expiring in 2018. The Corporation for Public Broadcasting maintains a 10-year reversionary interest in assets acquired with funds awarded in conjunction with the Digital Distribution Fund.

Public Television 19, Inc.

Notes to Financial Statements

Note 4. Pledged Assets, Line of Credit and Long-Term Debt

The Station has a \$500,000 line-of-credit agreement with a private foundation secured by property and other assets. Interest is due monthly at a variable rate equal to the prime rate plus 3.00 percent (7.25 percent as of June 30, 2017), with all principal due on December 16, 2018. At both June 30, 2017 and 2016, \$-0- was outstanding on this line of credit.

Long-term debt consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Radio loan due December 16, 2018; interest at 6.75%; secured by all assets; payable in quarterly interest-only principal payments of \$32,000 due quarterly with interest	<u>\$ 1,375,974</u>	<u>\$ 1,504,000</u>

Aggregate maturities of long-term debt outstanding at June 30, 2017, are as follows:

Years ending June 30:	
2018	\$ 128,000
2019	1,247,974
	<u>\$ 1,375,974</u>

Note 5. Operating Leases

The Station is leasing tower and various equipment to several unrelated parties. Rental income for the years ended June 30, 2017 and 2016, is \$1,212,333 and \$1,207,932, respectively. As of June 30, 2017 and 2016, the Station has \$869,925 and \$890,771, respectively, recorded as a deferred lease asset on the statements of financial position due to future escalating rents. As of June 30, 2017 and 2016, the Station has \$1,086,427 and \$955,453, respectively, recorded as deferred revenue due to up-front cash payments on tower space leases.

The minimum future rental income under operating leases is as follows:

Years ending June 30:	
2018	\$ 847,074
2019	829,839
2020	835,157
2021	846,797
2022	742,130
Thereafter	10,832,872
	<u>\$ 14,933,869</u>

Public Television 19, Inc.

Notes to Financial Statements

Note 6. Temporarily Restricted Net Assets and Board-Designated Net Assets

Temporarily restricted net assets were available for the following purpose at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Hale Center for Journalism	<u>\$ 477,405</u>	<u>\$ 940,063</u>

The Station reports Board-designated unrestricted net assets for the balance of the investments owned by the Greater Kansas City Community Foundation, as these investments are directed by the Board, except the original grant funds received for the Hale Center for Journalism, which are donor-restricted. The Board-designated net asset balance as of June 30, 2017 and 2016, was \$2,950,244 and \$2,031,729, respectively.

Note 7. Net Assets Released From Restriction

Net assets were released from restriction for the years ended June 30, 2017 and 2016, for the following purpose:

	<u>2017</u>	<u>2016</u>
Hale Center for Journalism	<u>\$ 462,658</u>	<u>\$ 448,479</u>

Note 8. Retirement Plan

The Station maintains a defined contribution retirement plan for all its employees. The plan provisions call for the Station to make discretionary contributions to the plan equal to each employee's contributions, up to a stated maximum of 5 percent. Station contributions to the plan are made on a biweekly basis. Total contributions for the years ended June 30, 2017 and 2016, were \$156,877 and \$136,092, respectively.

Note 9. Significant Concentrations

A substantial portion of the Station's programming is made possible through an agreement with the Public Broadcasting Service (PBS). Programs obtained from PBS constituted approximately 55 percent and 47 percent of the Station's airtime during the years ended June 30, 2017 and 2016, respectively.

Note 10. Fair Value Measurements

The Station has adopted the provisions of FASB ASC 820, Fair Value Measurements, for assets and liabilities measured and reported at fair value. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Public Television 19, Inc.

Notes to Financial Statements

Note 10. Fair Value Measurements (Continued)

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FASB ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, FASB ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 investments include pooled investments that do not have any significant redemption restrictions that would cause liquidation and report date values to be significantly different, if redemption were requested at report date.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following tables summarize the assets measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy:

Investment held with the Foundation and in pooled funds:

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Pooled funds at the Foundation:				
Fixed-income mutual fund pool	\$ 777,049	\$ -	\$ 777,049	\$ -
Equity mutual fund pool	1,798,796	-	1,798,796	-
Municipal bonds	299,196	-	299,196	-
	<u>2,875,041</u>	<u>\$ -</u>	<u>\$ 2,875,041</u>	<u>\$ -</u>
Money market fund pool	75,203			
	<u>\$ 2,950,244</u>			

Public Television 19, Inc.

Notes to Financial Statements

Note 10. Fair Value Measurements (Continued)

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Pooled funds at the Foundation:				
Fixed-income mutual fund pool	\$ 661,982	\$ -	\$ 661,982	\$ -
Equity mutual fund pool	1,809,368	-	1,809,368	-
Municipal bonds	481,270	-	481,270	-
	<u>2,952,620</u>	<u>\$ -</u>	<u>\$ 2,952,620</u>	<u>\$ -</u>
Money market fund pool	19,172			
	<u>\$ 2,971,792</u>			

Assets recorded at fair value on a recurring basis: A description of the valuation methodologies used for assets on a recurring basis is set forth below.

Investments: The Station's investments are municipal bonds, which consist of Level 2 investments. Level 2 investments would include U.S. agency securities and obligations of states and municipalities.

Pooled funds at the Foundation: The Station's investments are an investment in the funds held by the Foundation. The Station invests in the Foundation's fixed-income and equity mutual fund pools, which consist of all Level 1 investments; however, since the Station's investment is in the Foundation, not the individual investments, all of the Station's investment in the Foundation is classified as Level 2. The Foundation values their individual securities as follows: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow.

The Station does not have assets and liabilities recorded at fair market value on a nonrecurring basis.

The fair value estimates presented are based on pertinent information available to management at June 30, 2017 and 2016. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have been comprehensively revalued for purposes of the financial statements since that date; therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Note 11. Subsequent Events

On July 27, 2017, the Station paid off the outstanding loan and line of credit with a private foundation, with proceeds from a new loan with Bank of America. The principal amount of the new loan is \$1,376,000 and is payable in quarterly installments of \$41,823 for both principal and interest. The loan bears a fixed interest rate of 3.9 percent per annum and matures on July 27, 2022.

On September 11, 2017, the Station issued a new loan for \$463,500 that was used to purchase an apartment complex behind the Station for expansion purposes. The Station will be paying \$11,587 per quarter in interest beginning November 30, 2017. The interest rate is LIBOR daily floating rate plus 1.9% and matures on August 30, 2022. There is no prepayment penalty for this loan, and it is expected to be repaid during the course of the capital campaign.

Management has evaluated and disclosed subsequent events up to and including September 15, 2017, which is the date the financial statements were available to be issued.

Public Television 19, Inc.

**Statement of Activities by Department
Year Ended June 30, 2017**

	KTBG	KCPT	Total
Revenues, gains and other support:			
Membership income	\$ 299,582	\$ 3,249,518	\$ 3,549,100
Grants	96,123	1,651,914	1,748,037
Contributions, bequests and capital grants	35,000	2,219,238	2,254,238
In-kind contributions	45,935	183,834	229,769
Program and production underwriting	255,154	784,647	1,039,801
Educational services	-	247,578	247,578
Rental income (Note 5)	-	1,212,333	1,212,333
Broadcast royalties	-	2,191	2,191
Miscellaneous	-	21,886	21,886
Change in value of investment in pooled funds (Note 2)	-	318,153	318,153
Total revenues, gains and other support	731,794	9,891,292	10,623,086
Expenses:			
Program services:			
Program and production operations	-	4,398,121	4,398,121
Broadcast and engineering	873,724	2,089,552	2,963,276
Program information and promotions	-	597,076	597,076
In-kind services	-	173,613	173,613
Total program services	873,724	7,258,362	8,132,086
Supporting services:			
Fundraising and membership development:			
Development	-	768,342	768,342
Membership	130	963,396	963,526
Management and general	-	1,654,112	1,654,112
In-kind services	45,935	10,221	56,156
Total supporting services	46,065	3,396,071	3,442,136
Total expenses (including depreciation of \$83,135 and \$1,051,568 for KTBG and KCPT, respectively)	919,789	10,654,433	11,574,222
Changes in net assets	(187,995)	(763,141)	(951,136)
Net assets:			
Beginning	(498,673)	8,919,609	8,420,936
Ending	\$ (686,668)	\$ 8,156,468	\$ 7,469,800

Public Television 19, Inc.

**Statement of Activities by Department
Year Ended June 30, 2016**

	KTBG	KCPT	Total
Revenues, gains and other support:			
Membership income	\$ 286,440	\$ 3,239,158	\$ 3,525,598
Grants	99,632	3,143,417	3,243,049
Contributions, bequests and capital grants	12,500	2,236,141	2,248,641
In-kind contributions	108,355	225,024	333,379
Program and production underwriting	217,235	1,369,500	1,586,735
Educational contract services	-	300,771	300,771
Rental income (Note 5)	-	1,210,440	1,210,440
Broadcast royalties	-	8,551	8,551
Miscellaneous	-	6,482	6,482
Change in value of investment in pooled funds (Note 2)	-	4,461	4,461
Total revenues, gains and other support	724,162	11,743,945	12,468,107
Expenses:			
Program services:			
Program and production operations	25,428	4,825,169	4,850,597
Broadcast and engineering	620,615	2,826,687	3,447,302
Program information and promotions	-	601,356	601,356
In-kind services	98,485	110,878	209,363
Total program services	744,528	8,364,090	9,108,618
Supporting services:			
Fundraising and membership development:			
Development	-	581,808	581,808
Membership	36,481	954,655	991,136
Management and general	-	1,534,370	1,534,370
In-kind services	10,870	113,146	124,016
Total supporting services	47,351	3,183,979	3,231,330
Total expenses (including depreciation of \$81,500 and \$1,021,297 for KTBG and KCPT, respectively)	791,879	11,548,069	12,339,948
Changes in net assets	(67,717)	195,876	128,159
Net assets:			
Beginning	(430,956)	8,723,733	8,292,777
Ending	\$ (498,673)	\$ 8,919,609	\$ 8,420,936

Public Television 19, Inc.

Notes to Supplementary Information

In addition to the basic financial statements, the Station presents a statement of activities for two departments of the Station. Brief explanations of the departments are as follows:

KTBG—This department is used to account for the operating activity of the radio station acquired and operated by the Station.

KCPT—This department is used to account for all other operations of the Station.

