



Public Television 19, Inc.  
Kansas City, Missouri

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of Public Television 19, Inc. as of June 30, 2011 and 2010. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our reports on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic form should be deleted from your computer, and all printed copies of any superseded preliminary draft version should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or experts, in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, the Company will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the Company also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Company seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve Public Television 19, Inc.

*McGladrey & Pullen, LLP*

# **Public Television 19, Inc.**

Financial Report  
June 30, 2011

## Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6



## Independent Auditor's Report

To the Board of Directors  
Public Television 19, Inc.  
Kansas City, Missouri

We have audited the accompanying statements of financial position of Public Television 19, Inc. (the Station) as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Station's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Kansas City, Missouri  
October 3, 2011

**Public Television 19, Inc.**

**Statements of Financial Position**

**June 30, 2011 and 2010**

	2011	2010
<b>Assets</b>		
Cash and Cash Equivalents:		
Unrestricted	\$ 257,346	\$ 128,634
Restricted	-	555,040
	<u>257,346</u>	<u>683,674</u>
Receivables:		
Accounts, net of allowance for doubtful accounts of \$15,000 and \$20,000 in 2011 and 2010, respectively	114,679	216,993
Pledges, net (Note 2)	66,500	305,533
Prepaid expenses	61,858	20,855
Interest in assets held by others (Notes 3 and 11)	856,006	277,606
Deferred lease asset (Note 6)	309,435	269,338
Property and equipment, net (Notes 4 and 5)	8,206,938	9,074,482
	<u>\$ 9,872,762</u>	<u>\$ 10,848,481</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 250,278	\$ 203,223
Accrued expenses	303,565	275,757
Deferred revenue	1,065,785	779,878
Line of credit (Note 5)	-	350,000
Long-term debt (Note 5)	394,679	485,372
	<u>2,014,307</u>	<u>2,094,230</u>
Net Assets:		
Unrestricted:		
Board designated (Note 3)	856,006	277,606
Undesignated	7,002,449	8,099,293
	<u>7,858,455</u>	<u>8,376,899</u>
Temporarily restricted (Note 7)	-	377,352
	<u>7,858,455</u>	<u>8,754,251</u>
	<u>\$ 9,872,762</u>	<u>\$ 10,848,481</u>

See Notes to Financial Statements.

**Public Television 19, Inc.**

**Statement of Activities  
Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support:</b>			
Membership income	\$ 2,409,882	\$ -	\$ 2,409,882
Grants	1,425,813	-	1,425,813
Contributions, bequests and capital grants	870,997	22,648	893,645
Program underwriting	482,267	-	482,267
Production underwriting and services	946,046	-	946,046
Educational contract services	306,337	-	306,337
Rental income (Note 6)	1,033,349	-	1,033,349
Special events	-	-	-
Broadcast royalties	16,766	-	16,766
Miscellaneous	64,154	-	64,154
Interest income	-	-	-
Change in value of interest in assets held by others (Note 3)	46,650	-	46,650
Net assets released from restrictions (Note 8)	400,000	(400,000)	-
<b>Total revenues, gains and other support</b>	<b>8,002,261</b>	<b>(377,352)</b>	<b>7,624,909</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Program administration and operations	2,356,735	-	2,356,735
Broadcast operations	1,002,979	-	1,002,979
Educational and instructional services	342,415	-	342,415
Production facilities	1,005,930	-	1,005,930
Community affairs and promotions	507,240	-	507,240
Special events	17,283	-	17,283
In-kind services	59,637	-	59,637
<b>Total program services</b>	<b>5,292,219</b>	<b>-</b>	<b>5,292,219</b>
<b>Supporting services:</b>			
<b>Fund raising and subscriber development:</b>			
Development	709,847	-	709,847
Membership	843,477	-	843,477
In-kind services	317,912	-	317,912
General and administrative	1,357,250	-	1,357,250
<b>Total supporting services</b>	<b>3,228,486</b>	<b>-</b>	<b>3,228,486</b>
<b>Total expenses (including total depreciation of \$1,304,734)</b>	<b>8,520,705</b>	<b>-</b>	<b>8,520,705</b>
<b>Changes in Net Assets</b>	<b>(518,444)</b>	<b>(377,352)</b>	<b>(895,796)</b>
<b>Net Assets:</b>			
Beginning	8,376,899	377,352	8,754,251
Ending	<b>\$ 7,858,455</b>	<b>\$ -</b>	<b>\$ 7,858,455</b>

See Notes to Financial Statements.

**Public Television 19, Inc.**

**Statement of Activities  
Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support:</b>			
Membership income	\$ 2,340,907	\$ -	\$ 2,340,907
Grants	1,763,670	-	1,763,670
Contributions, bequests and capital grants	600,111	1,293,528	1,893,639
Program underwriting	429,614	-	429,614
Production underwriting and services	874,185	-	874,185
Educational contract services	326,870	-	326,870
Rental income (Note 6)	776,583	-	776,583
Special events	144,447	-	144,447
Broadcast royalties	18,051	-	18,051
Miscellaneous	105,472	-	105,472
Interest income	39	-	39
Change in value of interest in assets held by others (Note 3)	62,070	-	62,070
Net assets released from restrictions (Note 8)	2,918,979	(2,918,979)	-
<b>Total revenues, gains and other support</b>	<b>10,360,998</b>	<b>(1,625,451)</b>	<b>8,735,547</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Program administration and operations	2,037,268	-	2,037,268
Broadcast operations	1,129,177	-	1,129,177
Educational and instructional services	460,312	-	460,312
Production facilities	973,069	-	973,069
Community affairs and promotions	528,144	-	528,144
Special events	133,379	-	133,379
In-kind services	52,327	-	52,327
<b>Total program services</b>	<b>5,313,676</b>	<b>-</b>	<b>5,313,676</b>
<b>Supporting services:</b>			
<b>Fund raising and subscriber development:</b>			
Development	566,795	-	566,795
Membership	975,552	-	975,552
In-kind services	439,839	-	439,839
General and administrative	1,546,099	-	1,546,099
<b>Total supporting services</b>	<b>3,528,285</b>	<b>-</b>	<b>3,528,285</b>
<b>Total expenses (including total depreciation of \$1,258,905)</b>	<b>8,841,961</b>	<b>-</b>	<b>8,841,961</b>
<b>Changes in Net Assets</b>	<b>1,519,037</b>	<b>(1,625,451)</b>	<b>(106,414)</b>
<b>Net Assets:</b>			
Beginning	6,857,862	2,002,803	8,860,665
Ending	<u>\$ 8,376,899</u>	<u>\$ 377,352</u>	<u>\$ 8,754,251</u>

See Notes to Financial Statements.

**Public Television 19, Inc.**

**Statements of Cash Flows**

**Years Ended June 30, 2011 and 2010**

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ (895,796)	\$ (106,414)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in value of interest in assets held by others	(46,650)	(62,070)
Depreciation and amortization	1,304,734	1,258,905
Loss on disposal of property and equipment	134,476	-
Provision for (recoveries of) allowance and discount on accounts and pledge receivables	16,677	(6,400)
Contributions and grants restricted for capital acquisition and construction	(22,648)	(1,293,528)
(Increase) decrease in operating assets:		
Accounts receivable	324,670	85,323
Prepaid expenses	(41,003)	64,689
(Increase) in deferred lease asset	(40,097)	(67,366)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	74,863	(254,849)
Deferred revenue	285,907	112,180
<b>Net cash provided by (used in) operating activities</b>	<b>1,095,133</b>	<b>(269,530)</b>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(571,666)	(2,418,979)
Contribution of interest in assets held by others	(531,750)	-
Withdrawal of interest in assets held by others	-	350,000
<b>Net cash (used in) investing activities</b>	<b>(1,103,416)</b>	<b>(2,068,979)</b>
Cash Flows from Financing Activities:		
Principal payments on long-term debt and line of credit	(1,030,693)	(664,628)
Proceeds from long-term debt and line of credit borrowings	590,000	850,000
Proceeds from contributions and grants restricted for capital acquisition and construction	22,648	2,236,191
<b>Net cash provided by (used in) financing activities</b>	<b>(418,045)</b>	<b>2,421,563</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(426,328)</b>	<b>83,054</b>
Cash and Cash Equivalents:		
Beginning	683,674	600,620
Ending	<u>\$ 257,346</u>	<u>\$ 683,674</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 20,282</u>	<u>\$ 6,260</u>

See Notes to Financial Statements.



## Public Television 19, Inc.

### Notes to Financial Statements

---

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

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

A summary of significant accounting policies are as follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement FASB ASC 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

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

##### Temporarily Restricted Net Assets

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

##### Permanently Restricted Net Assets

Net assets 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.

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

## Public Television 19, Inc.

### Notes to Financial Statements

---

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

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.

In-kind contributions: In-kind contributions are recorded as revenue and expense 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.

Pledges receivable: Pledges receivable, less a present value discount and an allowance for doubtful accounts, as necessary, are recognized as revenue in the period when the pledge is received, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Pledges are recognized when the conditions on which they depend are substantially met.

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 \$50,676 and \$70,009 for the years ended June 30, 2011 and 2010, 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 which 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 two to twenty 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.

**Public Television 19, Inc.**

**Notes to Financial Statements**

---

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

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, 2011 and 2010.

Forms 990 filed by the Station are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 filed by the Station are no longer subject to examination for the years 2007 and prior.

Interest in assets held by others: The Station has been named sole beneficiary of assets it provided to the Greater Kansas City Community Foundation which are recorded at fair value.

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 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 \$1,553,324 and \$1,542,347 for the years ended June 30, 2011 and 2010, respectively.

Advertising: The Station expenses advertising costs as incurred. Advertising expense was \$13,667 and \$11,025 for fiscal years ending June 30, 2011 and 2010, respectively.

## Public Television 19, Inc.

### Notes to Financial Statements

#### Note 2. Pledges Receivable

Pledges receivable resulting from the Station's capital fundraising campaign, net of discount to present value. A discount rate of .09% was used for pledges made during the fiscal year ending June 30, 2010; they are due to be collected as follows:

	2011	2010
Due in:		
2011	\$ -	\$ 195,100
2012	75,500	128,200
2013	11,000	11,000
Total receivables	86,500	334,300
Less:		
Discount to present value	(3,522)	(9,442)
Allowance of uncollectibility	(16,478)	(19,325)
	<u>\$ 66,500</u>	<u>\$ 305,533</u>

#### Note 3. Assets Held at the Greater Kansas City Community Foundation

The Board of Directors authorized a special trust fund established at The Greater Kansas City Community Foundation (the Foundation), an unrelated party. This trust fund was 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 donor directed and Public Television 19, Inc. has named itself as the sole beneficiary of the funds, which may be obtained at the request of Public Television 19, Inc.'s Board of Directors. Included in assets as "interest in assets held by others" and in unrestricted net assets as "board designated" are \$856,006 and \$277,606 for 2011 and 2010, respectively. "Interest in assets held by others" is made up of a pooled fund. Pooled fund balances as of June 30, 2011 and June 30, 2010 were as follows:

	2011	2010
Greater Kansas City Foundation Pooled Fund	<u>\$ 856,006</u>	<u>\$ 277,606</u>

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

	2011	2010
Fixed income mutual funds	\$ 516,363	\$ 170,461
Equity mutual funds	339,375	107,097
Money market funds	268	48
	<u>\$ 856,006</u>	<u>\$ 277,606</u>

**Public Television 19, Inc.****Notes to Financial Statements****Note 4. Property and Equipment**

Property and equipment consisted of the following at June 30, 2011 and 2010:

	2011	2010
Land and land improvements	\$ 419,656	\$ 419,656
Buildings	7,479,489	7,616,820
Broadcast equipment	8,054,906	10,029,625
Transmission tower	1,083,494	1,077,984
Furniture and fixtures	683,808	1,116,909
	17,721,353	20,260,994
Less accumulated depreciation	(9,514,415)	(11,186,512)
Property and equipment, net	<u>\$ 8,206,938</u>	<u>\$ 9,074,482</u>

In the current period, KCPT disposed of all analog equipment (cost of \$2,595,533), which was replaced by equipment for the digital television conversion. Of these assets, \$134,476 had not been fully depreciated at the time of disposal and has been recorded as a loss on disposal in the statement of activities. Additionally, the Station took this opportunity to dispose of other miscellaneous obsolete equipment.

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 2014 and 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.

**Note 5. Pledged Assets, Line of Credit and Long-Term Debt**

The Station has a \$1,000,000 line of credit agreement with a bank secured by property and other assets. Interest is due monthly at a variable rate equal to LIBOR plus 2.75% (2.93% and 3.09% as of June 30, 2011 and June 30, 2010, respectively), with all principal due on November 30, 2011. At June 30, 2011 and 2010, \$0 and \$350,000, respectively, was outstanding on this line of credit.

Long-term debt consists of the following at June 30, 2011 and 2010:

	2011	2010
Real-Estate Loan for \$500,000 due March 30, 2015; principal and interest payments of \$9,502 due monthly; interest rate is 5.20% annually; secured by real-estate	<u>\$ 394,679</u>	<u>\$ 485,372</u>

**Public Television 19, Inc.**

**Notes to Financial Statements**

---

**Note 5. Pledged Assets, Line of Credit and Long-Term Debt (Continued)**

Aggregate maturities of long-term debt outstanding at June 30, 2011 are as follows:

2012	\$	95,774
2013		100,874
2014		106,247
2015		91,784
	\$	<u>394,679</u>

**Note 6. Operating Leases**

The Station is leasing tower and various equipment to several unrelated parties. Rental income for the years ended June 30, 2011 and 2010 is \$ 1,033,349 and \$776,583, respectively. As of June 30, 2011 and 2010, the Station has \$309,435 and \$269,338, respectively, recorded as a deferred lease asset on the statement of financial position due to future escalating rents. As of June 30, 2011 and 2010, the Station has \$814,816 and \$335,335, 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:

2012	\$	889,511
2013		890,775
2014		882,072
2015		904,661
2016		944,008
Thereafter		11,627,244
	\$	<u>16,138,271</u>

**Note 7. Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at June 30, 2011 and 2010:

	2011	2010
Capital acquisition	\$ -	\$ 377,352

## Public Television 19, Inc.

### Notes to Financial Statements

---

#### Note 8. Net Assets Released from Restrictions

Net assets were released from restriction for the years June 30, 2011 and 2010 for the following purposes:

	2011	2010
Bond reduction payments to cover capital acquisition and construction expenditures	\$ -	\$ 500,000
Capital acquisitions made from capital campaign proceeds	400,000	2,418,979
	<u>\$ 400,000</u>	<u>\$ 2,918,979</u>

#### Note 9. 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 (0% through December 2009 and 5% effective January 1, 2010). Station contributions to the plan are made on a bi-weekly basis. Total contributions for the years ended June 30, 2011 and 2010 were \$82,175 and \$94,964, respectively.

#### Note 10. 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 49% and 90% of the Station's airtime during the years ended June 30, 2011 and 2010, respectively.

#### Note 11. 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. SFAS defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

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 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.

**Public Television 19, Inc.**

**Notes to Financial Statements**

**Note 11. Fair Value Measurements (Continued)**

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 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.

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.

Interest in assets held by others: The Station's investments are an investment in the funds held by the Greater Kansas City Community Foundation (GKCCF). The Station invests in GKCCF's fixed income and equity pools, which consist of all Level 1 investments; however, since the Station's investment is in GKCCF, not the individual investments, all of the Station's in GKCCF is classified as Level 2. GKCCF 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 following table summarizes the assets measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy:

June 30, 2011				
	Total	Level 1	Level 2	Level 3
Interest in assets held by others:				
Fixed income mutual funds	\$ 516,363	\$ -	\$ 516,363	\$ -
Equity mutual funds	339,375	-	339,375	-
	<u>\$ 855,738</u>	<u>\$ -</u>	<u>\$ 855,738</u>	<u>\$ -</u>
Money market funds	268			
	<u>\$ 856,006</u>			

  

June 30, 2010				
	Total	Level 1	Level 2	Level 3
Interest in assets held by others:				
Fixed income mutual funds	\$ 170,461	\$ -	\$ 170,461	\$ -
Equity mutual funds	107,097	-	107,097	-
	<u>\$ 277,558</u>	<u>\$ -</u>	<u>\$ 277,558</u>	<u>\$ -</u>
Money market funds	48			
	<u>\$ 277,606</u>			

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, 2011 and 2010. 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, and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.



**Note 12. Subsequent Events**

Management has evaluated and disclosed subsequent events up to and including October 3, 2011, which is the date the financial statements were available to be issued.