

Public Television 19, Inc.

Financial Report
June 30, 2014

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Independent Auditor's Report

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

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, 2014 and 2013, 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, 2014 and 2013, 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.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Kansas City, Missouri
September 23, 2014

Public Television 19, Inc.

**Statements of Financial Position
June 30, 2014 and 2013**

	2014	2013
Assets (Note 5)		
Cash and cash equivalents	\$ 299,074	\$ 112,408
Restricted cash	-	50,000
Receivables:		
Accounts, net of allowance for doubtful accounts of \$18,000 and \$15,000 in 2014 and 2013, respectively	211,440	208,287
Pledges, net (Note 2)	-	150,000
Prepaid expenses	108,626	80,699
Investments (Notes 3 and 11)	4,014,021	1,354,047
Deferred lease asset (Note 6)	810,834	713,554
Property and equipment, net (Notes 4 and 5)	7,946,624	6,576,625
	<u>\$ 13,390,619</u>	<u>\$ 9,245,620</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 350,027	\$ 197,595
Accrued expenses	426,890	365,676
Deferred revenue (Note 6)	1,064,710	1,222,414
Lines of credit (Note 5)	300,000	350,000
Long-term debt (Note 5)	1,915,941	208,507
	<u>4,057,568</u>	<u>2,344,192</u>
Net Assets:		
Unrestricted:		
Board designated (Note 7)	4,037,521	1,425,547
Undesignated	3,175,938	5,191,704
	<u>7,213,459</u>	<u>6,617,251</u>
Temporarily restricted (Note 7)	2,119,592	284,177
	<u>9,333,051</u>	<u>6,901,428</u>
	<u>\$ 13,390,619</u>	<u>\$ 9,245,620</u>

See Notes to Financial Statements.

Public Television 19, Inc.

**Statement of Activities
Year Ended June 30, 2014**

	2014		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:			
Membership income	\$ 3,156,433	\$ -	\$ 3,156,433
Grants	1,472,135	-	1,472,135
Contributions, bequests and capital grants	2,964,170	2,106,420	5,070,590
Program underwriting	634,428	-	634,428
Production underwriting and services	453,875	-	453,875
Educational contract services	477,601	-	477,601
Rental income (Note 6)	1,199,802	-	1,199,802
Special events	47,642	-	47,642
Broadcast royalties	3,130	-	3,130
Miscellaneous	73,011	-	73,011
Change in value of investments (Note 3)	348,480	-	348,480
Net assets released from restrictions (note 8)	271,005	(271,005)	-
Total revenues, gains and other support	11,101,712	1,835,415	12,937,127
Expenses:			
Program services:			
Program administration and operations	2,721,688	-	2,721,688
Broadcast operations	2,100,986	-	2,100,986
Educational and instructional services	241,957	-	241,957
Production facilities	560,726	-	560,726
Community affairs and promotions	534,967	-	534,967
Special events	-	-	-
In-kind services	389,876	-	389,876
Total program services	6,550,200	-	6,550,200
Supporting services:			
Fund raising and subscriber development:			
Development	895,657	-	895,657
Membership	1,373,586	-	1,373,586
In-kind services	113,529	-	113,529
General and administrative	1,572,532	-	1,572,532
Total supporting services	3,955,304	-	3,955,304
Total expenses (including total depreciation of \$1,036,686)	10,505,504	-	10,505,504
Changes in net assets	596,208	1,835,415	2,431,623
Net Assets:			
Beginning	6,617,251	284,177	6,901,428
Ending	\$ 7,213,459	\$ 2,119,592	\$ 9,333,051

See Notes to Financial Statements.

Public Television 19, Inc.

Statement of Activities
Year Ended June 30, 2013

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:			
Membership income	\$ 2,693,252	\$ -	\$ 2,693,252
Grants	1,389,866	-	1,389,866
Contributions, bequests and capital grants	743,720	284,177	1,027,897
Program underwriting	569,160	-	569,160
Production underwriting and services	879,881	-	879,881
Educational contract services	359,817	-	359,817
Rental income (Note 6)	1,195,930	-	1,195,930
Special events	21,000	-	21,000
Broadcast royalties	3,592	-	3,592
Miscellaneous	21,767	-	21,767
Change in value of investments (Note 3)	139,479	-	139,479
Total revenues, gains and other support	8,017,464	284,177	8,301,641
Expenses:			
Program services:			
Program administration and operations	2,269,704	-	2,269,704
Broadcast operations	1,074,810	-	1,074,810
Educational and instructional services	272,917	-	272,917
Production facilities	870,158	-	870,158
Community affairs and promotions	703,382	-	703,382
Special events	5,466	-	5,466
In-kind services	103,516	-	103,516
Total program services	5,299,953	-	5,299,953
Supporting services:			
Fund raising and subscriber development:			
Development	807,532	-	807,532
Membership	772,827	-	772,827
In-kind services	121,217	-	121,217
General and administrative	1,446,271	-	1,446,271
Total supporting services	3,147,847	-	3,147,847
Total expenses (including total depreciation of \$996,896)	8,447,800	-	8,447,800
Changes in net assets	(430,336)	284,177	(146,159)
Net Assets:			
Beginning	7,047,587	-	7,047,587
Ending	<u>\$ 6,617,251</u>	<u>\$ 284,177</u>	<u>\$ 6,901,428</u>

See Notes to Financial Statements.

Public Television 19, Inc.

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,431,623	\$ (146,159)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in value of investments	(348,480)	(139,479)
Depreciation	1,036,686	996,896
Contributions and grants restricted for capital acquisition and construction	(792,000)	(284,177)
(Increase) decrease in operating assets:		
Accounts receivable and pledges receivable	146,847	(116,832)
Prepaid expenses	(27,927)	10,122
Deferred lease asset	(97,280)	31,363
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	213,646	48,626
Deferred revenue	(157,704)	(94,924)
Net cash provided by operating activities	2,405,411	305,436
Cash Flows from Investing Activities:		
Purchases of property and equipment	(2,406,685)	(398,583)
(Increase) decrease to restricted cash	50,000	(50,000)
Contribution to investments	(3,266,694)	(249,872)
Withdrawal from investments	955,200	137,277
Net cash (used in) investing activities	(4,668,179)	(561,178)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(208,507)	(107,823)
Principal payments on lines of credit	(1,227,261)	(1,165,000)
Proceeds from long-term debt	1,915,941	-
Proceeds from lines of credit borrowings	1,177,261	1,215,000
Proceeds from contributions and grants restricted for capital acquisition and construction	792,000	284,177
Net cash provided by financing activities	2,449,434	226,354
Increase (decrease) in cash and cash equivalents	186,666	(29,388)
Cash and Cash Equivalents:		
Beginning	112,408	141,796
Ending	\$ 299,074	\$ 112,408
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 65,633	\$ 27,645

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) 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 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. 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 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 contributions revenue and in-kind services 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 \$52,057 and \$40,776 for the years ended June 30, 2014 and 2013, 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 three to forty 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, 2014 and 2013.

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 2010 and prior.

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.

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.

Restricted cash: The Station has deposits held with an escrow agent, which are restricted in use by the agreement in place for the radio acquisition occurring during the year ended June 30, 2014.

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 \$2,269,243 and \$1,580,359 for the years ended June 30, 2014 and 2013, respectively.

Advertising: The Station expenses advertising costs as incurred. Advertising expense was \$70,020 and \$10,080 for fiscal years ending June 30, 2014 and 2013, respectively.

Reclassifications: Certain items for the year ended June 30, 2013 have been reclassified, with no effect on changes in net assets, to be consistent with the classifications adopted for the year ended June 30, 2014.

Public Television 19, Inc.

Notes to Financial Statements

Note 2. Pledges Receivable

Pledges receivable resulting from the Station's radio acquisition pledges at June 30 are as follows:

	2014	2013
Receivable in less than one year	\$ -	\$ 150,000

Note 3. 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 Public Television 19, Inc.'s Board of Directors. Included in assets as "investments" are \$4,014,021 and \$1,354,047 for 2014 and 2013, 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 \$1,784,178 and \$1,354,047 at June 30, 2014 and 2013, 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 \$2,229,843 and none at June 30, 2014 and 2013, respectively. Balances held at the Greater Kansas City Community Foundation as of June 30, 2014 and June 30, 2013 were as follows:

	2014	2013
Greater Kansas City Community Foundation	\$ 4,014,021	\$ 1,354,047

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

Public Television 19, Inc. Fund	2014	2013
Fixed income mutual fund pool	\$ 611,157	\$ 471,528
Equity mutual fund pool	1,169,486	879,827
Money market fund pool	3,535	2,692
	<u>\$ 1,784,178</u>	<u>\$ 1,354,047</u>

Hale Center for Journalism Fund	2014	2013
Municipal bonds	\$ 1,098,510	\$ -
Equity mutual fund pool	872,425	-
Money market fund pool	258,908	-
	<u>\$ 2,229,843</u>	<u>\$ -</u>

Public Television 19, Inc.

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2014 and 2013:

	2014	2013
Land and land improvements	\$ 419,656	\$ 419,656
Buildings	8,362,370	7,706,751
Broadcast equipment	9,552,951	8,327,909
Transmission tower	1,609,519	1,083,495
Furniture and fixtures	716,212	716,212
	20,660,708	18,254,023
Less accumulated depreciation	(12,714,084)	(11,677,398)
Property and equipment, net	\$ 7,946,624	\$ 6,576,625

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, Lines 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% (6.25% as of June 30, 2014), with all principal due on December 16, 2018. At June 30, 2014, \$300,000 was outstanding on this line of credit.

The Station had 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% (2.94% as of June 30, 2013), with all principal due on November 30, 2013. At June 30, 2013, \$350,000 was outstanding on this line of credit.

Public Television 19, Inc.**Notes to Financial Statements****Note 5. Pledged Assets, Line of Credit and Long-Term Debt (Continued)**

Long-term debt consists of the following at June 30, 2014 and 2013:

	2014	2013
Auto loan; interest at 3.25%; secured by automobile; payable in monthly principal and interest payments of \$657. The loan was paid in full in 2014.	\$ -	\$ 9,647
Real estate loan; interest at 5.20%; secured by real-estate; payable in monthly principal and interest payments of \$9,502. The loan was paid in full in 2014.	-	198,860
Radio loan due December 16, 2018; interest at 6.25%; secured by all assets; payable in quarterly interest only payments through September 30, 2015; thereafter quarterly principal payments of \$32,000 due quarterly with interest.	1,915,941	-
	<u>\$ 1,915,941</u>	<u>\$ 208,507</u>

Aggregate maturities of long-term debt outstanding at June 30, 2014 are as follows:

2015	\$ -
2016	128,000
2017	128,000
2018	128,000
2019	1,531,941
	<u>\$ 1,915,941</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, 2014 and 2013 is \$1,199,802 and \$1,195,930, respectively. As of June 30, 2014 and 2013, the Station has \$810,834 and \$713,554, respectively, recorded as a deferred lease asset on the statement of financial position due to future escalating rents. As of June 30, 2014 and 2013, the Station has \$1,064,710 and \$1,222,414, respectively, recorded as deferred revenue due to up-front cash payments on tower space leases.

Public Television 19, Inc.**Notes to Financial Statements****Note 6. Operating Leases (Continued)**

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

2015	\$ 1,103,278
2016	1,139,148
2017	1,056,189
2018	387,428
2019	336,936
Thereafter	9,986,027
	<u>\$ 14,009,006</u>

Note 7. Temporarily Restricted Net Assets and Board Designated Net Assets

Temporarily restricted net assets were available for the following purpose at June 30, 2014 and 2013:

	2014	2013
Capital acquisition	\$ 13,172	\$ 284,177
Hale Journalism Center	2,106,420	-
	<u>\$ 2,119,592</u>	<u>\$ 284,177</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. The Board designated net asset balance as of June 30, 2014 and 2013 was \$4,037,521 and \$1,425,547, respectively. This includes as of June 30, 2014 and 2013 amounts of \$23,500 and \$71,500, respectively, which are not yet held in the trust funds, but the Board has determined will be deposited into the trust funds.

Note 8. Net Assets Released from Restrictions

Net assets were released from restriction for the year June 30, 2014 for the following purpose:

	2014
Radio station acquisition made from donor designated funds	\$ 200,000
Donor restricted capital acquisition	71,005
	<u>\$ 271,005</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 of 5%. Station contributions to the plan are made on a bi-weekly basis. Total contributions for the years ended June 30, 2014 and 2013 were \$131,530 and \$101,524, respectively.

Notes to Financial Statements

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 44% and 48% of the Station's airtime during the years ended June 30, 2014 and 2013, 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.
- 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.

Public Television 19, Inc.

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

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:

Investment held with Foundation and in pooled funds:

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Pooled funds at GKCCF				
Fixed income mutual fund pool	\$ 611,157	\$ -	\$ 611,157	\$ -
Equity mutual fund pool	2,041,911	-	2,041,911	-
Municipal bonds	1,098,510	-	1,098,510	-
	<u>\$ 3,751,578</u>	<u>\$ -</u>	<u>\$ 3,751,578</u>	<u>\$ -</u>
Money market fund pool	262,443			
	<u>\$ 4,014,021</u>			

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Pooled funds at GKCCF				
Fixed income mutual fund pool	\$ 471,528	\$ -	\$ 471,528	\$ -
Equity mutual fund pool	879,827	-	879,827	-
	<u>\$ 1,351,355</u>	<u>\$ -</u>	<u>\$ 1,351,355</u>	<u>\$ -</u>
Money market fund pool	2,692			
	<u>\$ 1,354,047</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 consists of Level 2 investments. Level 2 investments would include U.S. Agency securities, obligations of states and municipalities.

Pooled funds at GKCCF: 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 mutual fund 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 investment 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 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, 2014 and 2013. 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 September 23, 2014, 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, 2014**

	2014		
	KTBG	KCPT	Total
Revenues, Gains and Other Support:			
Membership income	\$ 147,409	\$ 3,009,024	\$ 3,156,433
Grants	114,783	1,357,352	1,472,135
Contributions, bequests and capital grants	61,900	5,008,690	5,070,590
Program underwriting	86,550	547,878	634,428
Production underwriting and services	-	453,875	453,875
Educational contract services	-	477,601	477,601
Rental income (Note 6)	-	1,199,802	1,199,802
Special events	47,642	-	47,642
Broadcast royalties	-	3,130	3,130
Miscellaneous	500	72,511	73,011
Change in value of investment in pooled funds (Note 3)	-	348,480	348,480
Total revenues, gains and other support	458,784	12,478,343	12,937,127
Expenses:			
Program services:			
Program administration and operations	64,730	2,656,958	2,721,688
Broadcast operations	271,842	1,829,144	2,100,986
Educational and instructional services	-	241,957	241,957
Production facilities	-	560,726	560,726
Community affairs and promotions	-	534,967	534,967
Special events	-	-	-
In-kind services	44,900	344,976	389,876
Total program services	381,472	6,168,728	6,550,200
Supporting services:			
Fund raising and subscriber development:			
Development	-	895,657	895,657
Membership	120,829	1,252,757	1,373,586
In-kind services	16,700	96,829	113,529
General and administrative	155,260	1,417,272	1,572,532
Total supporting services	292,789	3,662,515	3,955,304
Total expenses (including depreciation of \$45,461 and \$991,225 for KTBG and KCPT, respectively)	674,261	9,831,243	10,505,504
Changes in net assets	(215,477)	2,647,100	2,431,623
Net Assets:			
Beginning	-	6,901,428	6,901,428
Ending	\$ (215,477)	\$ 9,548,528	\$ 9,333,051

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 during the year ended June 30, 2014.

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

