

Public Television 19, Inc.

Financial Report
June 30, 2016

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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, 2016 and 2015, 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, 2016 and 2015, 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 23, 2016

Public Television 19, Inc.

**Statements of Financial Position
June 30, 2016 and 2015**

	2016	2015
Assets (Note 4)		
Cash and cash equivalents	\$ 748,600	\$ 286,015
Receivables:		
Accounts, net of allowance for doubtful accounts of \$20,000 and \$15,000 in 2016 and 2015, respectively	193,688	220,402
Prepaid expenses	131,991	81,330
Investments (Notes 2 and 10)	2,971,792	3,520,329
Deferred lease asset (Note 5)	890,771	870,476
Property and equipment, net (Notes 3 and 4)	6,607,466	7,259,978
	<u>\$ 11,544,308</u>	<u>\$ 12,238,530</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 325,919	\$ 281,959
Accrued expenses	340,508	418,478
Deferred revenue (Note 5)	952,945	1,129,375
Line of credit (Note 4)	-	200,000
Long-term debt (Note 4)	1,504,000	1,915,941
	<u>3,123,372</u>	<u>3,945,753</u>
Net assets:		
Unrestricted:		
Board designated (Note 6)	2,031,729	2,131,787
Undesignated	5,449,144	4,772,448
	<u>7,480,873</u>	<u>6,904,235</u>
Temporarily restricted (Note 6)	940,063	1,388,542
	<u>8,420,936</u>	<u>8,292,777</u>
	<u>\$ 11,544,308</u>	<u>\$ 12,238,530</u>

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	2,582,020	-	2,582,020
Program underwriting	706,811	-	706,811
Production underwriting and services	879,924	-	879,924
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 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:			
Program administration and operations	3,855,321	-	3,855,321
Broadcast operations	3,447,302	-	3,447,302
Educational and instructional services	190,306	-	190,306
Production facilities	804,970	-	804,970
Community affairs 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 subscriber development:			
Development	581,808	-	581,808
Membership	991,136	-	991,136
In-kind services	124,016	-	124,016
General and administrative	1,534,370	-	1,534,370
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.

**Statement of Activities
Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Membership income	\$ 3,469,111	\$ -	\$ 3,469,111
Grants	2,228,568	-	2,228,568
Contributions, bequests and capital grants	2,109,203	-	2,109,203
Program underwriting	770,572	-	770,572
Production underwriting and services	349,050	-	349,050
Educational contract services	335,211	-	335,211
Rental income (Note 5)	1,203,342	-	1,203,342
Broadcast royalties	9,772	-	9,772
Miscellaneous	5,770	-	5,770
Change in value of investments (Note 2)	116,137	-	116,137
Net assets released from restrictions (Note 7)	731,050	(731,050)	-
Total revenues, gains and other support	11,327,786	(731,050)	10,596,736
Expenses:			
Program services:			
Program administration and operations	3,067,025	-	3,067,025
Broadcast operations	2,154,914	-	2,154,914
Educational and instructional services	209,774	-	209,774
Production facilities	1,719,271	-	1,719,271
Community affairs and promotions	462,584	-	462,584
In-kind services	182,138	-	182,138
Total program services	7,795,706	-	7,795,706
Supporting services:			
Fundraising and subscriber development:			
Development	790,829	-	790,829
Membership	1,247,284	-	1,247,284
In-kind services	134,687	-	134,687
General and administrative	1,668,504	-	1,668,504
Total supporting services	3,841,304	-	3,841,304
Total expenses (including total depreciation of \$1,108,492)	11,637,010	-	11,637,010
Changes in net assets	(309,224)	(731,050)	(1,040,274)
Net assets:			
Beginning	7,213,459	2,119,592	9,333,051
Ending	\$ 6,904,235	\$ 1,388,542	\$ 8,292,777

See notes to financial statements.

Public Television 19, Inc.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 128,159	\$ (1,040,274)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in value of investments	(4,461)	(116,137)
Depreciation	1,102,797	1,108,492
Contributions and grants restricted for capital acquisition and construction	(26,000)	(272,172)
(Increase) decrease in operating assets:		
Accounts receivable	26,714	(8,825)
Prepaid expenses	(50,661)	27,159
Deferred lease asset	(20,295)	(59,642)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(34,010)	(105,287)
Deferred revenue	(176,430)	64,665
Net cash provided by (used in) operating activities	945,813	(402,021)
Cash flows from investing activities:		
Purchases of property and equipment	(450,285)	(421,846)
Contribution to investments	-	(202,406)
Withdrawal from investments	552,998	812,235
Net cash provided by investing activities	102,713	187,983
Cash flows from financing activities:		
Principal payments on long-term debt	(443,941)	-
Principal payments on line of credit	(500,000)	(600,000)
Proceeds from long-term debt	32,000	-
Proceeds from line-of-credit borrowings	300,000	500,000
Proceeds from contributions and grants restricted for capital acquisition and construction	26,000	272,172
Net cash provided by (used in) financing activities	(585,941)	172,172
Increase (decrease) in cash and cash equivalents	462,585	(41,866)
Cash and cash equivalents:		
Beginning	286,015	299,074
Ending	\$ 748,600	\$ 286,015
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 127,557	\$ 139,118

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 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) in its 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 underwriting, production underwriting and services, and educational contract 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.

Notes to Financial Statements

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

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.

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 \$33,080 and \$28,388 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015.

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 \$1,572,944 and \$2,088,914 for the years ended June 30, 2016 and 2015, respectively.

Advertising: The Station expenses advertising costs as incurred. Advertising expense was \$17,537 and \$20,495 for the fiscal years ended June 30, 2016 and 2015, respectively.

Reclassifications: Certain items for the year ended June 30, 2015, have been reclassified with no effect on changes in net assets, to be consistent with the classifications adopted for the year ended June 30, 2016.

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 \$2,971,792 and \$3,520,329 for 2016 and 2015, 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 \$1,887,745 and \$1,965,725 at June 30, 2016 and 2015, 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 \$1,084,047 and \$1,554,604 at June 30, 2016 and 2015, respectively. Balances held at the Greater Kansas City Community Foundation as of June 30, 2016 and 2015, were as follows:

	2016	2015
Greater Kansas City Community Foundation	<u>\$ 2,971,792</u>	<u>\$ 3,520,329</u>

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	2016	2015
Fixed-income mutual fund pool	\$ 661,982	\$ 689,215
Equity mutual fund pool	1,221,951	1,272,430
Money market fund pool	3,812	4,080
	<u>\$ 1,887,745</u>	<u>\$ 1,965,725</u>
Hale Center for Journalism Fund	2016	2015
Municipal bonds	\$ 481,270	\$ 795,631
Equity mutual fund pool	587,417	757,160
Money market fund pool	15,360	1,813
	<u>\$ 1,084,047</u>	<u>\$ 1,554,604</u>

The change in value of assets held at the Greater Kansas City Community Foundation is as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 84,969	\$ 69,183
Net realized and unrealized gains (losses)	(80,508)	46,954
	<u>\$ 4,461</u>	<u>\$ 116,137</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2016 and 2015:

	2016	2015
Land and land improvements	\$ 419,656	\$ 419,656
Buildings	8,827,658	8,699,049
Broadcast equipment	9,803,467	9,643,064
Transmission tower	1,676,741	1,610,054
Furniture and fixtures	805,319	710,733
	<u>21,532,841</u>	<u>21,082,556</u>
Less accumulated depreciation	(14,925,375)	(13,822,578)
Property and equipment, net	<u>\$ 6,607,466</u>	<u>\$ 7,259,978</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 (6.50 percent as of June 30, 2016), with all principal due on December 16, 2018. At June 30, 2016 and 2015, \$-0- and \$200,000 was outstanding on this line of credit, respectively.

Long-term debt consists of the following at June 30, 2016 and 2015:

	2016	2015
Radio loan due December 16, 2018; interest at 6.50%; 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	<u>\$ 1,504,000</u>	<u>\$ 1,915,941</u>

Aggregate maturities of long-term debt outstanding at June 30, 2016, are as follows:

Years ending June 30:	
2017	\$ 128,000
2018	128,000
2019	1,248,000
	<u>\$ 1,504,000</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, 2016 and 2015, is \$1,207,932 and \$1,203,342, respectively. As of June 30, 2016 and 2015, the Station has \$890,771 and \$870,476, respectively, recorded as a deferred lease asset on the statements of financial position due to future escalating rents. As of June 30, 2016 and 2015, the Station has \$955,453 and \$1,129,375, 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:	
2017	\$ 1,049,713
2018	387,240
2019	398,020
2020	380,577
2021	385,823
Thereafter	9,293,561
	<u>\$ 11,894,934</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, 2016 and 2015:

	2016	2015
Hale Center for Journalism	\$ 940,063	\$ 1,388,542

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, 2016 and 2015, was \$2,031,729 and \$2,131,787, respectively.

Note 7. Net Assets Released From Restriction

Net assets were released from restriction for the years ended June 30, 2016 and 2015, for the following purposes:

	2016	2015
Donor-restricted capital acquisition	\$ -	\$ 13,172
Hale Center for Journalism	448,479	717,878
	<u>\$ 448,479</u>	<u>\$ 731,050</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, 2016 and 2015, were \$136,092 and \$141,069, 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 47 percent and 36 percent of the Station's airtime during the years ended June 30, 2016 and 2015, 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, 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	-
	2,952,620	\$ -	\$ 2,952,620	\$ -
Money market fund pool	19,172			
	<u>\$ 2,971,792</u>			

Public Television 19, Inc.

Notes to Financial Statements

Note 10. Fair Value Measurements (Continued)

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Pooled funds at the Foundation:				
Fixed-income mutual fund pool	\$ 689,215	\$ -	\$ 689,215	\$ -
Equity mutual fund pool	2,029,590	-	2,029,590	-
Municipal bonds	795,631	-	795,631	-
	3,514,436	\$ -	\$ 3,514,436	\$ -
Money market fund pool	5,893			
	<u>\$ 3,520,329</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, 2016 and 2015. 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

Management has evaluated and disclosed subsequent events up to and including September 23, 2016, 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, 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	120,855	2,461,165	2,582,020
Program underwriting	217,235	489,576	706,811
Production underwriting and services	-	879,924	879,924
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 administration and operations	25,428	3,829,893	3,855,321
Broadcast operations	620,615	2,826,687	3,447,302
Educational and instructional services	-	190,306	190,306
Production facilities	-	804,970	804,970
Community affairs 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 subscriber development:			
Development	-	581,808	581,808
Membership	36,481	954,655	991,136
In-kind services	10,870	113,146	124,016
General and administrative	-	1,534,370	1,534,370
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.

**Statement of Activities by Department
Year Ended June 30, 2015**

	KTBG	KCPT	Total
Revenues, gains and other support:			
Membership income	\$ 271,687	\$ 3,197,424	\$ 3,469,111
Grants	88,691	2,139,877	2,228,568
Contributions, bequests and capital grants	43,075	2,066,128	2,109,203
Program underwriting	188,404	582,168	770,572
Production underwriting and services	-	349,050	349,050
Educational contract services	-	335,211	335,211
Rental income (Note 5)	-	1,203,342	1,203,342
Broadcast royalties	-	9,772	9,772
Miscellaneous	-	5,770	5,770
Change in value of investment in pooled funds (Note 2)	-	116,137	116,137
Total revenues, gains and other support	591,857	10,004,879	10,596,736
Expenses:			
Program services:			
Program administration and operations	23,351	3,043,674	3,067,025
Broadcast operations	702,008	1,452,906	2,154,914
Educational and instructional services	-	209,774	209,774
Production facilities	-	1,719,271	1,719,271
Community affairs and promotions	-	462,584	462,584
In-kind services	8,500	173,638	182,138
Total program services	733,859	7,061,847	7,795,706
Supporting services:			
Fundraising and subscriber development:			
Development	-	790,829	790,829
Membership	39,569	1,207,715	1,247,284
In-kind services	33,875	100,812	134,687
General and administrative	33	1,668,471	1,668,504
Total supporting services	73,477	3,767,827	3,841,304
Total expenses (including depreciation of \$77,376 and \$1,031,116 for KTBG and KCPT, respectively)	807,336	10,829,674	11,637,010
Changes in net assets	(215,479)	(824,795)	(1,040,274)
Net assets:			
Beginning	(215,477)	9,548,528	9,333,051
Ending	\$ (430,956)	\$ 8,723,733	\$ 8,292,777

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.

