SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

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Donna McCurdy	Vice Chairman
Richard Parker	Secretary
Dr. Phillip Stone	Treasurer

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SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Shenandoah Valley Educational Television Corporation which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 from 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 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 opinion.

Other Matters

The financial statements of Shenandoah Valley Educational Television Corporation as of June 30, 2012 were audited by PBGH, LLP, who merged with Witt Mares, PLC to form PBMares, LLP as of January 1, 2013, and whose report dated October 4, 2012, expressed an unmodified opinion on those financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Valley Educational Television Corporation as of June 30, 2013, and the change in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

PBMares, LLP

Harrisonburg, Virginia
September 25, 2013

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	**$ 219,358**	$ 37,874
Receivables, net	**89,456**	100,934
Prepaid expenses	**45,336**	54,766
Investments	**959,699**	1,046,746
Broadcast and duplication rights	**106,732**	104,654
Property and equipment	**3,609,887**	4,866,927
Unamortized land lease rights	**721,118**	743,131
Total assets	**$ 5,751,586**	$ 6,955,032
LIABILITIES AND NET ASSETS		
Liabilities		
Notes payable	**$ -**	$ 4,938
Line of credit	**586,001**	557,467
Accounts payable	**53,136**	83,377
Accrued expenses	**68,861**	81,624
Deferred operating revenue	**199,586**	109,154
Deferred revenue for capital additions	**2,234,713**	3,518,753
Total liabilities	**3,142,297**	4,355,313
Commitments and Contingencies		
Net Assets		
Unrestricted:		
Undesignated, available for general operations	**1,046,768**	1,006,711
Designated by Board of Directors	**781,396**	784,303
Temporarily restricted	**781,125**	808,705
Total net assets	**2,609,289**	2,599,719
Total liabilities and net assets	**$ 5,751,586**	$ 6,955,032

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENTS OF ACTIVITIES
Year Ended June 30, 2013 and 2012

	2013	2012
Change in Unrestricted Net Assets		
Revenues, gains and other support:		
Grants:		
CPB Community Service Contract	**$ 728,546**	$ 798,747
Virginia Community Service Contracts	**-**	95,764
Instructional Television Service Contract	**-**	327,301
City, county and other grants	**7,059**	4,708
Memberships and donations	**712,569**	605,644
Program underwriting	**281,830**	253,334
Tower Rental income	**200,476**	194,232
Outreach programs	**48,840**	3,901
Production & programming	**42,792**	31,742
Moss print income	**30,534**	14,250
Auction income	**31,815**	23,965
Other development projects	**69,115**	20,673
Educational service and other revenue	**19,993**	166,566
Investment gain	**111,905**	21,411
Amortization of deferred revenue from capital grants	**1,284,040**	682,994
Net assets released from expiration of purpose restrictions	**32,634**	84,943
Net assets released from expiration of time restrictions	**66,600**	66,600
Total unrestricted revenues, gains and other support	**3,668,748**	3,396,775
Expenses:		
Program services:		
Programming and production	**736,586**	815,036
Educational services	**-**	318,464
Broadcasting	**1,569,650**	1,039,979
Program information	**230,716**	258,721
Fundraising and development	**556,396**	549,379
Administration	**538,250**	467,338
Total expenses	**3,631,598**	3,448,917
Change in unrestricted net assets	**37,150**	(52,142)
Change in Temporarily Restricted Net Assets		
Kids Book Festival contributions	**38,500**	51,065
Programming contributions	**4,750**	14,101
Change in time value of land use rights	**44,587**	45,834
Net assets released from purpose restrictions	**(48,817)**	(84,943)
Net assets released from time restrictions	**(66,600)**	(66,600)
Change in temporarily restricted net assets	**(27,580)**	(40,543)
Change in net assets	**9,570**	(92,685)
Net Assets, beginning	**2,599,719**	2,692,404
Net Assets, ending	**$ 2,609,289**	$ 2,599,719

See Notes to Financial Statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program Services			
	Programming and Production	Educational Services	Broadcasting	Program Information
Salaries and wages	$ 138,233	$ -	$ 108,020	$ 92,784
Employee benefits and other personnel costs	12,983	-	16,878	18,177
Broadcast rights	459,334	-	-	-
Travel and training	440	-	4,026	56
Maintenance and repairs	11,190	-	69,831	2,382
Operating supplies	1,040	-	899	2,606
Utilities and communication	39,345	-	111,152	9,627
Fees and dues	7,498	-	521	-
Contracted services	25,883	-	53,570	26,425
Postage and freight	317	-	586	2,008
Advertising and promotion	-	-	-	69,808
Depreciation	52,869	-	1,209,618	4,241
Insurance	10,068	-	7,792	2,143
Rent	167	-	34,897	459
Other	-	-	406	-
	759,367	-	1,618,196	230,716
Allocation of joint activity costs	(22,781)	-	(48,546)	-
	$ 736,586	$ -	$ 1,569,650	$ 230,716

See Notes to Financial Statements.

Total Program Services	Fundraising and Development	Administration	Total
$ 339,037	$ 161,446	$ 153,123	$ 653,606
48,038	32,458	58,166	138,662
459,334	-	-	459,334
4,522	5,103	2,725	12,350
83,403	8,484	11,161	103,048
4,545	94,575	5,808	104,928
160,124	26,249	13,689	200,062
8,019	1,467	16,271	25,757
105,878	90,330	132,281	328,489
2,911	21,402	4,859	29,172
69,808	-	-	69,808
1,266,728	9,639	11,161	1,287,528
20,003	7,633	10,043	37,679
35,523	1,085	69,021	105,629
406	25,198	49,942	75,546
2,608,279	485,069	538,250	3,631,598
(71,327)	71,327	-	-
$ 2,536,952	$ 556,396	$ 538,250	$ 3,631,598

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services			
	Programming and Production	Educational Services	Broadcasting	Program Information
Salaries and wages	$ 139,280	$ 112,669	$ 109,475	$ 111,770
Employee benefits and other personnel costs	10,941	19,147	15,044	19,147
Broadcast rights	509,468	-	-	-
Travel and training	542	139,522	4,936	-
Maintenance and repairs	6,408	3,018	98,310	2,657
Operating supplies	3,070	5,344	1,479	3,063
Utilities and communication	36,452	8,182	96,731	8,430
Fees and dues	9,222	2,139	-	100
Contracted services	25,605	11,252	58,674	19,080
Postage and freight	655	1,687	807	3,497
Advertising and promotion	-	-	-	80,409
Depreciation	62,591	5,760	625,189	4,129
Insurance	8,440	3,975	6,469	3,500
Rent	27,569	5,769	55,268	2,883
Other	-	-	-	56
	840,243	318,464	1,072,382	258,721
Allocation of joint activity costs	(25,207)	-	(32,403)	-
	$ 815,036	$ 318,464	$ 1,039,979	$ 258,721

See Notes to Financial Statements.

Total Program Services	Fundraising and Development	Administration	Total
$ 473,194	$ 150,164	$ 167,912	$ 791,270
64,279	25,985	58,874	149,138
509,468	-	-	509,468
145,000	3,893	935	149,828
110,393	4,958	6,674	122,025
12,956	93,410	798	107,164
149,795	24,231	10,862	184,888
11,461	5,018	10,591	27,070
114,611	95,413	152,924	362,948
6,646	17,239	3,097	26,982
80,409	-	-	80,409
697,669	9,385	11,273	718,327
22,384	6,530	8,790	37,704
91,489	6,602	5,792	103,883
56	48,941	28,816	77,813
2,489,810	491,769	467,338	3,448,917
(57,610)	57,610	-	-
$ 2,432,200	$ 549,379	$ 467,338	$ 3,448,917

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENTS OF CASH FLOWS
June 30, 2013 and 2012

		2013		2012
Cash Flows From Operating Activities				
Cash received from members and donors	$	751,114	$	608,792
Cash received from grants		735,605		1,226,520
Cash received from underwriters		285,308		268,722
Cash received from special events and other sources		530,519		267,739
Interest and dividends		24,063		24,968
Cash paid to employees and vendors		(2,313,122)		(2,675,655)
Net cash provided by (used in) operating activities		13,487		(278,914)
Cash Flows From Investing Activities				
Purchase of equipment		(30,488)		(88,071)
Proceeds from sale of investments		378,408		36,000
Purchase of investments		(203,519)		(3,611)
Net cash provided by (used in) investing activities		144,401		(55,682)
Cash Flows From Financing Activities				
Net borrowings on line of credit		28,534		122,542
Proceeds from capital expenditure grants		-		29,409
Principal payments on notes payable		(4,938)		(5,196)
Net cash provided by financing activities		23,596		146,755
Net increase (decrease) in cash and cash equivalents		181,484		(187,841)
Cash and Cash Equivalents:				
Beginning		37,874		225,715
Ending	$	219,358	$	37,874

(Continued)

See Notes to Financial Statements.

		2013		2012
Reconciliation of change in net assets to net cash provided by (used in) operating activities:				
Change in net assets	**$**	**9,570**	$	(92,685)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation		**1,287,528**		718,327
Unrealized (gain) loss on investments		**(87,842)**		3,557
Change in present value of contributed land lease rights		**(44,587)**		(45,834)
Amortization of land lease rights		**66,600**		66,600
Amortization of deferred grant revenue		**(1,284,040)**		(682,994)
Decrease (increase) in:				
Receivables		**11,478**		(62,018)
Prepaid expenses and broadcast and duplication rights		**7,352**		2,595
Increase (decrease) in:				
Accounts payable and accrued expenses		**(43,004)**		(14,260)
Deferred operating revenue		**90,432**		(172,202)
Net cash provided by (used in) operating activities	**$**	**13,487**	$	(278,914)

Supplemental Disclosure of Cash Flow Information				
Cash payments for interest	**$**	**23,046**	$	20,685

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

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

The Organization receives a significant amount of its funding from state and federal governments. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the Organization's activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Advertising: Advertising costs are expensed as incurred.

Retirement plan: The Organization sponsors a 401(k) defined contribution retirement plan, which allows for contributions by employees as well as the Organization, covering substantially all employees. The Organization may match a portion of elective employee contributions to the plan and/or make additional contributions at the discretion of the Board of Directors. There were no employer contributions for retirement plan expense for each of the years ended June 30, 2013 or 2012.

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

Income taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an educational organization which qualifies donations to the Organization as charitable contributions for tax purposes. Unrelated business income, primarily tower rental, is taxable to the Organization. The Organization follows the provisions of accounting for uncertainty in income tax positions as required by the Income Tax Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification; however, management does not believe it is exposed to any such positions as they are defined in this guidance. Annually, the Organization files information and unrelated business income tax returns with the United States Department of Treasury, and a corporate income tax return with the Commonwealth of Virginia. Such returns for the tax years ended June 30, 2010 through 2013 remain open to potential examination by taxing authorities.

Estimates and assumptions: 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 at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: Subsequent events have been evaluated through September 25, 2013, which was the date the financial statements were available to be issued.

Note 2. Receivables

Receivables at June 30, 2013 and 2012 consist of the following:

	2013	2012
Contributions receivable	$ 23,514	$ 27,696
Grants and other receivables	78,122	85,418
	101,636	113,114
Less allowance for doubtful accounts	12,180	12,180
	$ 89,456	$ 100,934

Contributions receivable are expected to be collected within one year.

Note 3. Investments

Investments carried at fair value as determined by quoted market prices, consist of the following mutual funds and securities at June 30, 2013 and 2012:

	2013	2012
American Balanced Fund	$ 129,598	$ 113,927
AMCAP Fund	76,996	87,658
Bank Baroda Certificate of Deposit	61,881	-
Capital Income Builder	98,322	106,787
Capital World Growth & Income Fund	-	80,275
Fundamental Investors	113,662	103,575
Global Balanced Fund	99,954	105,372
Growth Fund of America	75,992	71,753
Intermediate Bond Fund	-	61,021
Investment Co of America Fund	72,545	61,875
Lord Abbett Short Duration Income	60,343	-
PIMCO Income Fund	68,049	-
PIMCO Investment Corporate Bond	67,963	137,154
Short-term Bond Fund	34,394	117,349
	$ 959,699	$ 1,046,746

The following schedule summarizes the investment returns in the Statements of Activities for the years ended June 30, 2013 and 2012:

	2013	2012
Interest on short-term investments	$ 10	$ 579
Income and dividends on mutual funds	24,053	24,389
Net investment gain (loss)	87,842	(3,557)
Net investment gain	$ 111,905	$ 21,411

Note 4. Fair Value Measurements

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

Note 4. Fair Value Measurements (Continued)

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

Level 2: Input to the valuation methodology include:

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2013 and 2012.

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

Certificate of Deposit: The certificate of deposit is valued by the selling broker based on prices of similar instruments.

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

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Large Cap Value	$ 98,322	$ -	$ -	$ 98,322
Large Cap Blended	415,759	-	-	415,759
Large Cap Growth	152,988	-	-	152,988
Multisector Bond Fund	68,049	-	-	68,049
Short-Term Bonds	94,737			94,737
Intermediate Term Bonds	67,963	-	-	67,963
Certificate of Deposit	-	61,881	-	61,881
Total investments at fair value	$ 897,818	$ 61,881	$ -	$ 959,699

Note 4. Fair Value Measurements (Continued)

	Assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Large Cap Value	$ 212,159	$ -	$ -	$ 212,159
Large Cap Blended	359,652	-	-	359,652
Large Cap Growth	159,412	-	-	159,412
Short-Term Bonds	178,369	-	-	178,369
Intermediate Term Bonds	137,154	-	-	137,154
Total investments at fair value	$ 1,046,746	$ -	$ -	$ 1,046,746

Note 5. Property and Equipment

All buildings, structures, and other improvements owned by the Organization have been constructed on leased land. The lease covering the land on which the studio and office are located provides for renewals, at the option of the Organization, through August 31, 2031. Substantially all of the use of land is donated (See Note 9).

Property and equipment consists of the following at June 30:

	2013	2012
Buildings	$ 3,506,307	$ 3,506,307
Transmitter, towers and antennas	6,217,295	6,202,293
Other broadcasting equipment	5,488,175	5,472,691
Office furniture and equipment	119,772	119,772
Vehicles	93,859	93,859
	15,425,408	15,394,922
Less accumulated depreciation	11,815,521	10,527,995
	$ 3,609,887	$ 4,866,927

The Organization has received equipment grants from federal agencies which have been used to cover the cost of specific items of equipment. The federal agencies have a lien on this equipment for a period of ten years from the date of acquisition. If during the ten-year period certain conditions are not met, or the equipment is disposed of, the Organization could be required to refund a portion of the grant proceeds to the granting agency. The net book value of these assets is approximately $522,000 and $872,000 at June 30, 2013 and 2012, respectively.

Note 5. Property and Equipment (Continued)

The Organization has received $5,812,101 in state funds and $3,143,632 in federal funds for capital additions related to digital television conversion. These amounts were initially recorded as deferred revenue and are being amortized as the related assets are depreciated. The deferred revenue and property were originally recorded as having a useful life of 20 years. An assessment was performed during the current year to change the estimated useful life of the underlying equipment to 10 years. This change in estimate results in a $476,691 increase in depreciation expense as of June 30, 2013. Additionally, amortization of deferred revenue increased by $597,195 as of June 30, 2013.

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

Note 6. Notes Payable

The Organization had a note payable to Planters Bank, accruing interest at 7.295%, with monthly payments of $520. The note matured in April 2013 and was paid in full.

Note 7. Line of Credit

The Organization has a bank line of credit for borrowings to a maximum of $700,000. Outstanding balances on the line of credit were $586,000 and $557,467 at June 30, 2013 and 2012, respectively. A portion of this balance, $430,000, accrues interest at prime rate plus 0.65% and is also subject to a floor of 5.0%. This portion of the line is unsecured with principal due on demand and interest payable monthly.

The remaining portion of the line of credit, $156,001 at June 30, 2013, accrues interest at 5.1%. This portion of the line is collateralized by all personal property of the Organization. Beginning in February 2011, and subsequently amended in April 2013, this portion of the note is scheduled to be repaid in minimum monthly installments of $3,566, with a final payment due May 2017.

Future minimum principal payments at June 30 2013 are as follows:

Year Ended June 30,		Amount
2014	$	37,606
2015		39,041
2016		40,530
2017		38,824

Note 8. Unrestricted Net Assets

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

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

The change in designated amounts is summarized as follows:

	2013	2012
Designations	$ 30,534	$ 14,250
Expenditures	(33,441)	(42,588)
	(2,907)	(28,338)
Designated net assets, beginning	784,303	812,641
Designated net assets, ending	$ 781,396	$ 784,303

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the estimated present value of land lease rights donated to the Organization by James Madison University. The Organization receives the use of land located on the campus of the University, having an estimated fair rental value of approximately $66,600 per year. The Organization has a long-term lease for the use of this land at $1 per year through June 2031. The present value of the land lease rights is calculated using a discount rate of 6%.

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

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

Note 10. Contributions and Donated Personnel Services

In-kind contributions during the year ended June 30, 2013 and 2012 consisting of professional services, advertising, materials, and other items, totaled $69,808 and $80,409, respectively.

The Organization received donated personnel services for volunteer and student workers in relation to various fundraising activities for the years ended June 30, 2013 and 2012. These services do not meet the criteria for recognition in the financial statements.

Note 11. Leases

The Organization entered into a lease for copiers and office equipment in March 2009. The lease term has expired in prior years and the lease is currently paid on a month-to-month basis.

The Organization has rented land in two different locations in order to facilitate the usage of towers. One of these leases expired during the current year. The second lease will expire on June 1, 2016 and requires a payment of a base rent of $1,500 plus an annual consumer price index adjustment.

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

Future minimum lease payments at June 30 2013 are as follows:

Year Ended June 30,	Amount
2014	$ 23,075
2015	23,852
2016	24,656
2017	23,990
2018	14,468

Note 12. Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 13. Pending Sale of Improvements and Intangible Assets

The Organization is party to an offer and acceptance to convey certain assets, principally building improvements, and to release its land use rights to James Madison University in exchange for a cash payment. The Organization intends to lease back a portion of the building for technical equipment and relocate its office and production space. Management evaluated potential impairment to the carrying value of the assets to be conveyed or released and determined that no adjustments are necessary.