

**THE SHENANDOAH VALLEY EDUCATIONAL
TELEVISION CORPORATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

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Neal Menefee
Richard Parker
Jay Scott

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General Manager
David Mullins

*Emeritus Board Member

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Shenandoah Valley Educational Television Corporation as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Shenandoah Valley Educational Television Corporation as of June 30, 2010 and 2009, and the change in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

PBAA, WP

Harrisonburg, Virginia
October 8, 2010

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 164,357	\$ 152,405
Receivables, net	97,655	75,085
Prepaid expenses	63,381	37,753
Investments	963,778	909,124
Broadcast and duplication rights	97,930	84,090
Property and equipment	6,049,386	6,715,685
Unamortized land lease rights	783,488	801,969
Total assets	\$ 8,219,975	\$ 8,776,111
LIABILITIES AND NET ASSETS		
Liabilities	\$ 15,839	\$ 20,726
Notes payable	425,250	360,000
Line of credit	46,815	49,753
Accounts payable	138,502	126,599
Accrued expenses	201,983	160,011
Deferred operating revenue	4,737,076	5,156,039
Deferred revenue for capital additions		
Total liabilities	5,565,465	5,873,128
Commitments and Contingencies		
Net Assets		
Unrestricted:		
Undesignated, available for general operations	985,391	1,219,862
Designated by Board of Directors	823,411	832,456
Temporarily restricted	845,708	850,665
Total net assets	2,654,510	2,902,983
Total liabilities and net assets	\$ 8,219,975	\$ 8,776,111

See Notes to Financial Statements.

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2010 and 2009

	2010	2009
Change in Unrestricted Net Assets		
Revenues, gains and other support:		
Grants:		
CPB Community Service Contract	\$ 783,142	\$ 730,532
Virginia Community Service Contracts	459,072	538,384
Instructional Television Service Contract	343,376	402,759
City, county and other grants	13,893	20,046
Memberships and donations	571,954	600,546
Program underwriting	384,019	423,857
Moss print income	27,302	16,976
Auction income	11,953	3,346
Other development projects	16,149	36,408
Educational service and other revenue	416,253	417,008
Investment gain (loss)	108,365	(229,252)
Gain on channel conversion	-	74,353
Contributed facilities and supplies	6,060	-
Amortization of deferred revenue from capital grants	682,817	617,000
Net assets released from expiration of purpose restrictions	36,687	34,280
Net assets released from expiration of time restrictions	66,600	66,600
Total unrestricted revenues, gains and other support	3,927,642	3,752,843
Expenses:		
Program services:		
Programming and production	962,123	1,056,595
Educational services	452,657	525,145
Broadcasting	1,309,571	1,187,830
Program information	406,402	400,010
Fundraising and development	561,626	628,724
Administration	478,779	496,989
Total expenses	4,171,158	4,295,293
Change in unrestricted net assets	(243,516)	(542,450)
Change in Temporarily Restricted Net Assets		
Kids Book Festival contributions	50,211	52,540
Change in time value of land use rights	48,119	49,164
Net assets released from purpose restrictions	(36,687)	(34,280)
Net assets released from time restrictions	(66,600)	(66,600)
Change in temporarily restricted net assets	(4,957)	824
Change in net assets	(248,473)	(541,626)
Net Assets, beginning	2,902,983	3,444,609
Net Assets, ending	\$ 2,654,510	\$ 2,902,983

See Notes to Financial Statements.

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

	Program Services			
	Programming and Production	Educational Services	Broadcasting	Program Information
Salaries and wages	\$ 207,831	\$ 178,404	\$ 177,259	\$ 120,816
Employee benefits and other personnel costs	22,825	21,069	24,581	19,314
Broadcast rights	523,668	42,445	-	-
Travel and training	613	127,824	5,559	1,491
Maintenance and repairs	7,121	4,278	102,670	4,093
Operating supplies	3,537	17,402	4,379	7,226
Utilities and communication	34,358	10,385	78,772	6,482
Fees and dues	10,021	3,500	445	338
Contracted services	35,429	24,416	69,268	31,801
Postage and freight	277	1,019	3,480	4,919
Advertising and promotion	-	-	-	189,807
Depreciation	102,818	7,840	665,080	6,442
Insurance	13,489	8,104	10,543	7,754
Rent	27,573	5,820	53,378	2,894
Loss on disposal of fixed assets	-	-	153,794	-
Other	-	151	-	3,025
	<u>989,560</u>	<u>452,657</u>	<u>1,349,208</u>	<u>406,402</u>
Allocation of joint activity costs	(27,437)	-	(39,637)	-
	<u>\$ 962,123</u>	<u>\$ 452,657</u>	<u>\$ 1,309,571</u>	<u>\$ 406,402</u>

See Notes to Financial Statements.

Total Program Services	Fundraising and Development	Administration	Total
\$ 684,310	\$ 225,391	\$ 203,877	\$ 1,113,578
87,789	36,871	50,918	175,578
566,113	-	-	566,113
135,487	4,318	1,165	140,970
118,162	4,691	6,857	129,710
32,544	78,088	1,620	112,252
129,997	22,477	10,056	162,530
14,304	3,567	8,148	26,019
160,914	46,878	131,992	339,784
9,695	15,845	1,191	26,731
189,807	-	-	189,807
782,180	28,027	17,818	828,025
39,890	8,887	12,989	61,766
89,665	6,628	5,798	102,091
153,794	-	-	153,794
3,176	12,884	26,350	42,410
3,197,827	494,552	478,779	4,171,158
(67,074)	67,074	-	-
<u>\$ 3,130,753</u>	<u>\$ 561,626</u>	<u>\$ 478,779</u>	<u>\$ 4,171,158</u>

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

	Program Services			
	Programming and Production	Educational Services	Broadcasting	Program Information
Salaries and wages	\$ 210,141	\$ 177,271	\$ 169,129	\$ 126,948
Employee benefits and other personnel costs	25,940	25,940	25,940	23,945
Broadcast rights	547,129	66,277	-	-
Travel and training	4,391	43,557	6,691	1,144
Maintenance and repairs	6,427	4,196	91,939	3,417
Operating supplies	7,163	130,203	2,106	15,560
Utilities and communication	39,560	11,800	135,141	7,355
Fees and dues	10,158	3,357	429	-
Contracted services	36,682	38,482	73,986	36,979
Postage and freight	2,651	1,301	2,733	13,094
Advertising and promotion	-	-	-	154,299
Depreciation	157,330	8,728	654,840	7,049
Insurance	14,211	9,277	11,015	7,555
Rent	27,490	4,756	50,741	2,665
Gain on disposal of fixed assets	-	-	-	-
Other	-	-	-	-
	1,089,273	525,145	1,224,690	400,010
Allocation of joint activity costs	(32,678)	-	(36,860)	-
	\$ 1,056,595	\$ 525,145	\$ 1,187,830	\$ 400,010

See Notes to Financial Statements.

Total Program Services	Fundraising and Development	Administration	Total
\$ 683,489	\$ 222,652	\$ 216,547	\$ 1,122,688
101,765	39,629	57,867	199,261
613,406	-	-	613,406
55,783	6,164	2,829	64,776
105,979	4,487	5,896	116,362
155,032	73,593	2,000	230,625
193,856	26,087	11,349	231,292
13,944	1,408	17,573	32,925
186,129	102,578	111,554	400,261
19,779	14,724	6,612	41,115
154,299	-	-	154,299
827,947	29,612	19,410	876,969
42,058	9,923	13,037	65,018
85,652	6,086	5,653	97,391
-	-	(1,626)	(1,626)
-	22,243	28,288	50,531
3,239,118	559,186	496,989	4,295,293
(69,538)	69,538	-	-
<u>\$ 3,169,580</u>	<u>\$ 628,724</u>	<u>\$ 496,989</u>	<u>\$ 4,295,293</u>

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Cash received from members and donors	\$ 605,655	\$ 626,109
Cash received from grants	1,599,483	1,691,721
Cash received from underwriters	412,841	408,677
Cash received from special events and other sources	484,807	423,377
Interest and dividends	25,012	37,288
Cash paid to employees and vendors	<u>(3,153,242)</u>	<u>(3,339,680)</u>
Net cash used in operating activities	<u>(25,444)</u>	<u>(152,508)</u>
Cash Flows From Investing Activities		
Purchase of equipment	(359,080)	(116,063)
Proceeds from sale of equipment	43,560	75,979
Proceeds from sale of investments	179,995	151,552
Purchase of investments	(151,296)	(151,552)
Change in restricted cash	-	40,342
Net cash provided by (used in) investing activities	<u>(286,821)</u>	<u>258</u>
Cash Flows From Financing Activities		
Net borrowings on line of credit	65,250	258,000
Proceeds from capital expenditure grants	263,854	-
Principal payments on capital lease obligation	-	(18,949)
Principal payments on notes payable	<u>(4,887)</u>	<u>(4,543)</u>
Net cash provided by financing activities	<u>324,217</u>	<u>234,508</u>
Net increase in cash and cash equivalents	11,952	82,258
Cash and Cash Equivalents:		
Beginning	<u>152,405</u>	<u>70,147</u>
Ending	<u>\$ 164,357</u>	<u>\$ 152,405</u>

(Continued)

See Notes to Financial Statements.

	2010	2009
Reconciliation of Change in Net Assets to Net Cash		
Provided by (used in) operating activities:		
Change in net assets	\$ (248,473)	\$ (541,626)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	828,025	876,969
Unrealized (gain) loss on investments	(83,353)	266,540
(Gain) Loss on disposal of fixed assets	153,794	(1,626)
Gain on channel conversion	-	(74,353)
Change in present value of contributed land lease rights	(48,119)	(49,164)
Amortization of land lease rights	66,600	66,600
Amortization of deferred grant revenue	(682,817)	(617,000)
Increase in:		
Receivables	(22,570)	(26,977)
Prepaid expenses and broadcast and duplication rights	(39,468)	24,823
(Decrease) increase in:		
Accounts payable and accrued expenses	8,965	(11,153)
Deferred operating revenue	41,972	(65,541)
Net cash used in operating activities	\$ (25,444)	\$ (152,508)
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 10,368	\$ 9,185

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

Nature of organization: The 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. 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.

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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.

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. A minimal amount of unrelated business income, primarily tower rentals, is taxable to the Organization. Effective July 1, 2009, the Organization adopted 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.

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

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 matches a portion of elective employee contributions to the plan and makes additional contributions at the discretion of the Board of Directors. Retirement plan expense for the years ended June 30, 2010 and 2009 was \$8,718 and \$14,838, respectively.

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 October 4, 2010, which was the date the financial statements were available to be issued.

Note 2. Receivables

Receivables at June 30, 2010 and 2009 consist of the following:

	2010	2009
Contributions receivable	\$ 15,803	\$ 26,606
Grants and other receivables	94,032	60,659
	<u>109,835</u>	<u>87,265</u>
Less allowance for doubtful accounts	12,180	12,180
	<u>\$ 97,655</u>	<u>\$ 75,085</u>

Contributions receivable are expected to be collected within one year.

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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, 2010 and 2009:

	2010	2009
American Balanced Fund	\$ 147,621	\$ 177,270
AMCAP Fund	66,208	57,964
Bond Fund of America	129,183	118,895
Capital Income Builder	126,691	165,270
Capital World Growth & Income Fund	69,653	66,026
Fundamental Investors	82,181	115,996
Growth Fund of America	64,600	58,972
Intermediate Bond Fund	71,756	49,387
Investment Co of America Fund	57,391	53,328
Short-term Bond Fund	148,494	46,016
	<u>\$ 963,778</u>	<u>\$ 909,124</u>

The following schedule summarizes the investment returns in the Statements of Activities for the years ended June 30, 2010 and 2009:

	2010	2009
Interest on short-term investments	\$ 465	\$ 950
Income and dividends on mutual funds	24,547	36,338
Net investment gain (loss)	<u>83,353</u>	<u>(266,540)</u>
Net investment gain (loss)	<u>\$ 108,365</u>	<u>\$ (229,252)</u>

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurement

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes specific criteria for the fair value measurements of financial and nonfinancial assets and liabilities that are already subject to fair value measurements under current accounting standards. The Fair Value Measurements Topic of the FASB Accounting Standards Codification also requires expanded disclosures related to fair value measurements.

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. An asset and liability's level is based on the lowest level of input that is significant to the fair value measurement. This Statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2: Valuations based on 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 data for substantially the full term of the assets and liabilities.

Level 3: Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value:

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

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 at June 30, 2010:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments	\$ 963,778	\$ -	\$ -	\$ 963,778

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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:

	2010	2009
Buildings	\$ 3,462,041	\$ 3,462,041
Transmitter, towers and antennas	6,193,233	6,236,027
Other broadcasting equipment	5,208,070	5,847,128
Office furniture and equipment	237,195	272,037
Vehicles	93,859	93,859
	<u>15,194,398</u>	<u>15,911,092</u>
Less accumulated depreciation	9,145,012	9,195,407
	<u>\$ 6,049,386</u>	<u>\$ 6,715,685</u>

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 \$3,697,000 and \$4,168,000 at June 30, 2010 and 2009, respectively.

The Organization has received \$5,687,326 in state funds and \$3,122,987 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.

During the year ended June 30, 2009, the FCC mandated a channel conversion that affected the Organization. Pursuant to this mandate, the Organization received \$74,353 from a third party as reimbursement for fixed assets and other costs spent by the Organization to switch channels. This amount is recorded on the Statement of Activities as gain on channel conversion.

Office furniture and fixtures and other broadcasting equipment at June 30, 2010 and 2009 include \$207,500 of assets acquired under capital lease. Accumulated depreciation on those assets was \$207,500 and \$189,483, at June 30, 2010 and 2009, respectively.

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.

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6. Notes Payable

The Organization has a note payable to Planters Bank with monthly payments of \$520 maturing April 2013, with interest at 7.295%. The note is collateralized by equipment. The following is a schedule of future minimum principal payments on the note payable as of June 30, 2010.

<u>Year</u>	<u>Amount</u>
2011	\$ 5,236
2012	5,636
2013	<u>4,967</u>
	<u>\$ 15,839</u>

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 \$425,250 and \$360,000 at June 30, 2010 and 2009, respectively. In May 2007, the Organization restructured its line of credit. The Organization had a balance of \$204,250 on the line of credit which accrues interest at the prime rate plus .65% (5% at June 30, 2010). This portion of the line is unsecured and is due on demand.

As a result of the restructured note, the Organization had a balance of \$221,000 on the line of credit which accrues interest at 5.1%. This portion of the line is collateralized by all personal property of the Organization. Beginning in February 2011, this portion of the note will be repaid in minimum monthly installments of \$3,141, with a balloon installment due May 2013. Following is a schedule of future minimum principal payments on the line as of June 30, 2010:

<u>Year</u>	<u>Amount</u>
2011	\$ 11,105
2012	27,633
2013	182,262

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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 Dr. G. Tyler Miller Fund is designated to promote telecommunication programs, projects and activities using new technologies.

The change in designated amounts is summarized as follows:

	2010
	Moss Fund
Designations	\$ 17,302
Change in valuation of Moss prints	10,000
Expenditures	<u>(36,347)</u>
	(9,045)
Designated net assets, beginning	<u>832,456</u>
Designated net assets, ending	<u>\$ 823,411</u>

	2009	
	Moss Fund	Dr. G. Tyler Miller Fund
Designations	\$ 16,976	\$ -
Change in valuation of Moss prints	-	-
Expenditures	<u>(73,601)</u>	<u>(103,728)</u>
	(56,625)	(103,728)
Designated net assets, beginning	<u>889,081</u>	<u>103,728</u>
Designated net assets, ending	<u>\$ 832,456</u>	<u>\$ -</u>

THE SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

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 Ready to Learn Program and the Kids Book Festival.

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 Ready to Learn and Kids Book Festival programs.

Note 10. Contributions and Donated Personal Services

In-kind contributions during the years ended June 30, 2010 and 2009 consisting of professional services, advertising, materials, and other items totaling approximately \$6,060 and \$-0-, respectively, were recognized as both support and expense in the statements of activities.

The Organization received donated personal services for volunteer and student workers in relation to various fundraising activities for the years ended June 30, 2010 and 2009. These services do not meet the criteria for recognition in the financial statements.