

**SHENANDOAH VALLEY EDUCATIONAL  
TELEVISION CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**



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ASSURANCE, TAX & ADVISORY SERVICES

**SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION**

*Officers*

Neal Menefee  
Stephen Davis  
Richard Parker  
Donna McCurdy

Chairman  
Vice Chairman  
Secretary  
Treasurer

*Board of Directors*

Stephen Davis  
Doug Guynn  
Ruth Jones  
Amy Kiger  
Jim Krauss  
Donna McCurdy

Neal Menefee  
Richard Parker  
Tassie Pippert  
Jon Sayre  
Mary Maclin Weems

*General Manager*

David Mullins

# 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 Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Shenandoah Valley Educational Television Corporation which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Valley Educational Television Corporation as of June 30, 2015 and 2014, and the change 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.

*PB Maer, LLP*

Harrisonburg, Virginia  
October 7, 2015

**SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 360,403	\$ 501,008
Receivables, net	74,419	147,398
Prepaid Expenses	67,488	71,468
Investments	8,732,917	8,927,949
Broadcast and Duplication Rights	118,047	115,372
Property and Equipment	1,848,674	2,396,767
<b>Total assets</b>	<b>\$ 11,201,948</b>	<b>\$ 12,159,962</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Line of credit	\$ 79,539	\$ 118,495
Accounts payable	89,029	92,139
Accrued expenses	75,547	68,042
Income taxes payable	14,226	-
Deferred operating revenue	146,112	147,776
Deferred revenue for capital additions	1,044,861	1,417,947
Deposit on spectrum auction	7,000,000	7,000,000
<b>Total liabilities</b>	<b>8,449,314</b>	<b>8,844,399</b>
Commitments and Contingencies		
Net Assets		
Unrestricted:		
Undesignated, available for general operations	1,933,671	2,475,009
Designated by Board of Directors	749,343	771,351
Temporarily restricted	69,620	69,203
<b>Total net assets</b>	<b>2,752,634</b>	<b>3,315,563</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,201,948</b>	<b>\$ 12,159,962</b>

**SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**Years Ended June 30, 2015 and 2014**

	2015	2014
Change in Unrestricted Net Assets		
Revenues, gains and other support:		
Grants:		
CPB Community Service Contract	\$ 666,503	\$ 733,708
City, county and other grants	2,250	2,800
Memberships and donations	724,665	687,628
Program underwriting	279,187	272,135
Tower rental income	233,183	210,809
Outreach programs	-	19,524
Production and programming	92,301	98,029
Moss print income	11,993	27,755
Auction income	34,265	18,979
Other development projects	44,900	76,057
Educational service and other revenue	17,654	6,350
Investment income (net)	65,044	228,897
Gain on sale of fixed assets, net of amortization write-off	-	328,584
Amortization of deferred revenue from capital grants	373,086	816,766
Net assets released from expiration of purpose restrictions	47,083	39,804
Net assets released from expiration of time restrictions	-	746,357
<b>Total unrestricted revenues, gains and other support</b>	<b>2,592,114</b>	<b>4,314,182</b>
Expenses		
Program services:		
Programming and production	702,370	690,740
Broadcasting	1,010,986	862,538
Program information	281,083	262,603
Fundraising and development	616,201	509,969
Administration	544,820	570,136
<b>Total expenses</b>	<b>3,155,460</b>	<b>2,895,986</b>
<b>Change in unrestricted net assets</b>	<b>(563,346)</b>	<b>1,418,196</b>
Change in Temporarily Restricted Net Assets		
Kids Book Festival contributions	47,500	49,000
Time value of land use rights	-	25,239
Net assets released from purpose restrictions	(47,083)	(39,804)
Net assets released from time restrictions	-	(746,357)
<b>Change in temporarily restricted net assets</b>	<b>417</b>	<b>(711,922)</b>
<b>Change in net assets</b>	<b>(562,929)</b>	<b>706,274</b>
Net Assets, beginning	3,315,563	2,609,289
Net Assets, ending	\$ 2,752,634	\$ 3,315,563

**SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2015**

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Program Information	
Salaries and wages	\$ 145,206	\$ 114,317	\$ 108,024	\$ 367,547
Employee benefits and other personnel costs	28,001	22,106	20,632	70,739
Broadcast rights	378,962	-	-	378,962
Travel and training	635	7,003	580	8,218
Maintenance and repairs	5,956	113,041	2,018	121,015
Operating supplies	3,215	987	3,529	7,731
Utilities and communication	25,213	97,482	18,960	141,655
Fees and dues	8,203	585	-	8,788
Contracted services	63,595	154,329	36,072	253,996
Postage and freight	184	3,465	301	3,950
Advertising and promotion	-	-	84,014	84,014
Depreciation	57,569	474,266	3,911	535,746
Insurance	7,125	7,819	2,414	17,358
Rent	228	46,854	628	47,710
Other	-	-	-	-
	<u>724,092</u>	<u>1,042,254</u>	<u>281,083</u>	<u>2,047,429</u>
Allocation of joint activity costs	(21,722)	(31,268)	-	(52,990)
	<u>\$ 702,370</u>	<u>\$ 1,010,986</u>	<u>\$ 281,083</u>	<u>\$ 1,994,439</u>

See Notes to Consolidated Financial Statements.



Fundraising and		
Development	Administration	Total
\$ 232,077	\$ 171,519	\$ 771,143
44,211	32,422	147,372
-	-	378,962
4,394	11,362	23,974
5,395	6,545	132,955
95,386	9,895	113,012
44,771	20,898	207,324
6,900	16,586	32,274
64,913	96,245	415,154
20,237	5,505	29,692
-	-	84,014
8,889	13,428	558,063
6,454	15,274	39,086
1,484	87,311	136,505
28,100	57,830	85,930
563,211	544,820	3,155,460
52,990	-	-
\$ 616,201	\$ 544,820	\$ 3,155,460

**SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2014**

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Program Information	
Salaries and wages	\$ 137,440	\$ 101,637	\$ 97,027	\$ 336,104
Employee benefits and other personnel costs	13,684	16,421	20,527	50,632
Broadcast rights	408,831	-	-	408,831
Travel and training	521	4,771	2,026	7,318
Maintenance and repairs	4,579	74,347	1,343	80,269
Operating supplies	4,221	1,024	4,008	9,253
Utilities and communication	43,394	113,481	13,396	170,271
Fees and dues	7,854	552	-	8,406
Contracted services	44,454	75,578	30,980	151,012
Postage and freight	295	885	819	1,999
Advertising and promotion	-	-	86,404	86,404
Depreciation	37,541	455,873	2,910	496,324
Insurance	9,110	7,680	2,672	19,462
Rent	179	36,965	491	37,635
Other	-	-	-	-
	712,103	889,214	262,603	1,863,920
Allocation of joint activity costs	(21,363)	(26,676)	-	(48,039)
	\$ 690,740	\$ 862,538	\$ 262,603	\$ 1,815,881

See Notes to Consolidated Financial Statements.

Fundraising and		
Development	Administration	Total
\$ 146,525	\$ 164,174	\$ 646,803
31,474	54,738	136,844
-	-	408,831
4,080	3,448	14,846
3,448	5,110	88,827
94,698	6,171	110,122
31,139	17,522	218,932
1,614	14,706	24,726
90,577	152,908	394,497
20,258	17,477	39,734
-	-	86,404
6,614	8,064	511,002
6,860	10,165	36,487
1,161	77,998	116,794
23,482	37,655	61,137
<u>461,930</u>	<u>570,136</u>	<u>2,895,986</u>
48,039	-	-
<u>\$ 509,969</u>	<u>\$ 570,136</u>	<u>\$ 2,895,986</u>

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Cash received from members and donors	\$ 845,144	\$ 630,004
Cash received from grants	668,753	736,508
Cash received from underwriters	270,957	270,610
Cash received from special events and other sources	440,862	455,900
Interest and dividends	40,470	22,989
Cash paid to employees and vendors	(2,577,471)	(2,342,722)
<b>Net cash used in operating activities</b>	<b>(311,285)</b>	<b>(226,711)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	(9,970)	(638,126)
Proceeds from sale of assets	-	2,376,335
Proceeds from sale of investments	35,438,963	162,760
Deposit on spectrum contract	-	7,000,000
Purchase of investments	(35,219,357)	(7,925,102)
<b>Net cash provided by investing activities</b>	<b>209,636</b>	<b>975,867</b>
<b>Cash Flows From Financing Activities</b>		
Net repayments on line of credit	(38,956)	(467,506)
<b>Net cash used in financing activities</b>	<b>(38,956)</b>	<b>(467,506)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(140,605)</b>	<b>281,650</b>
<b>Cash and Cash Equivalents</b>		
Beginning	501,008	219,358
Ending	\$ 360,403	\$ 501,008

(Continued)

See Notes to Consolidated Financial Statements.

	2015	2014
Reconciliation of Change in Net Assets to Net Cash		
Used in Operating Activities		
Change in net assets	\$ (562,929)	\$ 706,274
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	558,063	511,002
Gain on sale of assets	-	(1,036,091)
Gain on investments	(24,574)	(205,908)
Change in present value of contributed land lease rights	-	(25,239)
Amortization of land lease rights	-	746,357
Amortization of deferred grant revenue	(373,086)	(816,766)
Decrease (increase) in:		
Receivables	72,979	(106,624)
Prepaid expenses and broadcast and duplication rights	1,305	(34,772)
Increase (decrease) in:		
Accounts payable and accrued expenses	18,621	38,184
Deferred operating revenue	(1,664)	(3,128)
<b>Net cash used in operating activities</b>	<b>\$ (311,285)</b>	<b>\$ (226,711)</b>
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 3,835	\$ 14,884

# SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 directly or indirectly from the federal government. 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:

**Principles on consolidation:** The accompanying consolidated financial statements include the accounts of Shenandoah Valley Education Television Corporation and its wholly owned subsidiary WVPY, LLC, organized in 2015. Significant inter-company accounts and transactions have been eliminated in consolidation.

**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 estimated aggregate lives of the assets related to the grant(s). 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 expenses as the prints are sold.

# SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 consolidated 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 consolidated 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 consolidated statements of functional expenses.

**Advertising and promotion:** Advertising and promotion 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, 2015 and 2014.

# SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 Taxes 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 the Treasury, and a corporate income tax return with the Commonwealth of Virginia. Such returns for the tax years ended June 30, 2012 through 2015 remain open to potential examination by taxing authorities.

**Estimates and assumptions:** The preparation of consolidated 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 consolidated 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.

**Reclassifications:** Certain amounts in the 2014 financial statements were reclassified to conform with classifications adopted in 2015, with no effect on net assets at June 30, 2014 or the change therein during the year then ended.

**Subsequent events:** Subsequent events have been evaluated through October 7, 2015, which was the date the consolidated financial statements were available to be issued.

### Note 2. Receivables

Receivables at June 30, 2015 and 2014 consist of the following:

	2015	2014
Contributions Receivable	\$ 76,945	\$ 46,202
Grants and Other Receivables	5,974	113,376
	82,919	159,578
Less Allowance for Doubtful Accounts	8,500	12,180
	\$ 74,419	\$ 147,398

Contributions receivable are expected to be collected within one year.



## SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

### NOTES TO CONSOLIDATED 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, 2015 and 2014:

	2015	2014
American Funds AMCAP Fund	\$ 123,035	\$ 100,665
American Funds American Balanced Fund	165,811	149,198
American Funds Capital Income Builder	92,872	96,879
American Funds Fundamental Investors	84,997	109,526
American Funds Global Balanced Fund	99,588	102,976
American Funds Growth Fund of America	73,666	95,895
American Funds Investment Co. of America Fund	63,982	90,892
American Funds Short-Term Bond Fund	34,870	34,735
American Funds SMALLCAP World A	55,873	51,209
Federated International Leaders Fund	50,246	50,810
Goldman Sachs Income Builder	89,452	124,448
Goldman Sachs Strategic Income	115,270	121,240
Guggenheim S&P 500 Equal Weighted Index	108,767	104,556
Hotchkins & Wiley Mid Cap C.	52,820	53,728
Loomis Sayles Bond Fund II	65,495	101,958
Lord Abbett Short Duration Income	59,838	61,582
PIMCO Income Fund	69,143	70,938
PIMCO Investment Corporate Bond	44,407	44,864
Thompson Bond Fund	65,472	100,000
U.S. Treasuries	7,001,883	7,001,760
Vanguard Index ETF	79,845	104,069
Vanguard Mid-Cap ETF	56,069	52,215
Vanguard Total Stock Market ETF	79,516	103,806
	\$ 8,732,917	\$ 8,927,949

The following schedule summarizes the investment returns in the consolidated statements of activities for the years ended June 30, 2015 and 2014:

	2015	2014
Interest on Short-Term Investments	\$ 192	\$ 153
Income and Dividends on Mutual Funds	40,278	22,836
Net Investment Gain	24,574	205,908
Net investment gain	\$ 65,044	\$ 228,897

## SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 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 prioritizes 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:

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: Inputs 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, 2015 and 2014.

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

U.S. Treasuries: Short-term government bonds valued at the closing price reported on the active market on which the bonds are sold.

## SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 4. Fair Value Measurements (Continued)

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, 2015			
	Level 1	Level 2	Level 3	Total
Mid Cap Value	\$ 52,820	\$ -	\$ -	\$ 52,820
Mid Cap Blended	56,069	-	-	56,069
Mid Cap Growth	55,873	-	-	55,873
Large Cap Value	182,324	-	-	182,324
Large Cap Blended	732,752	-	-	732,752
Large Cap Growth	196,701	-	-	196,701
Short-Term Bonds	275,450	-	-	275,450
Intermediate Term Bonds	179,045	-	-	179,045
U.S. Treasuries	7,001,883	-	-	7,001,883
	<b>\$ 8,732,917</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,732,917</b>

  

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Mid Cap Value	\$ 53,728	\$ -	\$ -	\$ 53,728
Mid Cap Blended	52,215	-	-	52,215
Mid Cap Growth	51,209	-	-	51,209
Large Cap Value	221,327	-	-	221,327
Large Cap Blended	815,833	-	-	815,833
Large Cap Growth	196,560	-	-	196,560
Short-Term Bonds	317,557	-	-	317,557
Intermediate Term Bonds	217,760	-	-	217,760
U.S. Treasuries	7,001,760	-	-	7,001,760
	<b>\$ 8,927,949</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,927,949</b>

## SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2015 and 2014:

	2015	2014
Buildings	\$ 964,696	\$ 954,726
Transmitter, Towers and Antennas	4,373,448	4,373,448
Other Broadcasting Equipment	3,102,278	3,102,278
Office Furniture and Equipment	181,562	181,562
Vehicles	93,859	93,859
	<u>8,715,843</u>	<u>8,705,873</u>
Less Accumulated Depreciation	6,867,169	6,309,106
	<u>\$ 1,848,674</u>	<u>\$ 2,396,767</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 \$1,045,000 and \$1,418,000 at June 30, 2015 and 2014, 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 consolidated financial statements do not include any adjustments if and when these agreements are terminated.

#### Note 6. Line of Credit

The Organization has a bank line of credit for borrowings to a maximum of \$700,000. A portion of this line, \$79,539 and \$118,495 at June 30, 2015 and 2014, respectively, is subject to a repayment schedule. The current repayment schedule requires minimum monthly installments of \$3,566, including interest at 5.1% annually, with a final payment due May 2017. This portion of the line is collateralized by all personal property of the Organization. There were no other outstanding balances on the line of credit at June 30, 2015 and 2014. The line of credit accrues interest at prime rate plus 0.65% and is also subject to a floor of 5.0%.

## SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 6. Line of Credit (Continued)

Future minimum principal payments on the amortizing portion of the line at June 30, 2015 are as follows:

Year Ending June 30,	Amount
2016	\$ 40,530
2017	39,009

#### Note 7. 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). 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:

	2015	2014
Designations	\$ 11,993	\$ 27,755
Expenditures	(34,001)	(37,800)
	(22,008)	(10,045)
Designated Net Assets, beginning	771,351	781,396
Designated Net Assets, ending	\$ 749,343	\$ 771,351

#### Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets 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.

## SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 9. Contributions and Donated Personnel Services

In-kind contributions during the years ended June 30, 2015 and 2014 consisting of professional services, advertising, materials, and other items, totaled \$84,014 and \$88,404, respectively.

The Organization received donated personnel services for volunteer and student workers in relation to various fundraising activities for the years ended June 30, 2015 and 2014. These services do not meet the criteria for recognition in the consolidated financial statements.

#### Note 10. 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 use of towers. One of these leases expired during the prior 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.

The Organization has outsourced master control services to Commonwealth Public Broadcasting Corporation. The agreement requires payments of \$10,456 per month and expires June 30, 2016.

The Organization entered into an agreement for office space in January 2014. The agreement is for five years and three months with two five year renewal options. The agreement calls for payments of \$7,000 per month for the first term and increases to \$7,875 in the second term.

The Organization entered into an agreement in February 2014 for tower site and interior space rental. The agreement is for eighteen years and three months, terminating August 2031. The agreement calls for payments of \$1,134 per month.

Future minimum lease payments at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 250,974
2017	124,836
2018	115,314
2019	86,846
2020	13,606
Thereafter	151,936

## SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 11. Deposit on Spectrum Auction**

On November 29, 2013, the Organization entered into an agreement with a counter party in anticipation of a broadcast incentive auction to be conducted by the FCC under Section 6403 of the Middle Class Tax Relief and Job Creation Act of 2012. The terms of the agreement provide for the Organization to assign to the counter party the proceeds of certain spectrum use rights in the northwestern portion of Virginia.

The Organization received a \$7 million deposit in connection with the agreement. The agreement contains contingencies as to final settlement prices and specific performance matters. Management anticipates that the auction will take place in 2016.

As part of the agreement, the Organization granted the counter party a security interest in certain property including one FCC license. The Organization also agreed to several negative covenants including: not incurring any indebtedness or liens regarding the subject assets, restrictions on fundamental changes to the Organization or asset sales, limitations on investments and acquisitions, and limitations on operating deficits.

#### **Note 12. Subsequent Investment Return**

As of September 30, 2015, investment values of the Organization's investments in mutual funds decreased approximately \$88,000 or 5% from the value at June 30, 2015. These decreases were due to extraneous market conditions caused primarily by China's currency devaluation sparking concern across global markets that China is headed for a deeper slowdown. Unstable market perceptions and continuing economic concerns could result in further decline in the fair value of the Organization's investments in the near term.