KVIE, INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2022 AND 2021

GILBERT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
KVIE, Inc.
Sacramento, California

Opinion

We have audited the accompanying financial statements of KVIE, Inc. (the Station), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KVIE, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KVIE, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KVIE, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

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standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 KVIE, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KVIE, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 9, 2022

KVIE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,333,468	$ 6,686,605
Accounts receivable, net	151,930	219,567
Contributions and grants receivable, current portion	92,822	174,899
Prepaid expenses and deposits	344,539	162,596
Other current assets	106,013	53,230
Total current assets	5,028,772	7,296,897
NONCURRENT ASSETS:		
Contributions and grants receivable, net	89,049	133,100
Other assets	17,493	20,601
Investments	22,855,395	18,529,594
Property and equipment, net	7,511,516	7,824,077
TOTAL ASSETS	$ 35,502,225	$ 33,804,269
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 78,696	$ 171,263
Accrued expenses	625,156	939,585
Deferred revenue	270,690	552,072
Long-term debt, current portion	146,339	140,072
Total current liabilities	1,120,881	1,802,992
LONG-TERM DEBT, Net	3,404,315	3,539,829
TOTAL LIABILITIES	4,525,196	5,342,821
NET ASSETS:		
Without donor restrictions:		
Undesignated	7,652,003	7,785,640
Board designated	22,589,386	19,941,736
With donor restrictions	735,640	734,072
Total net assets	30,977,029	28,461,448
TOTAL LIABILITIES AND NET ASSETS	$ 35,502,225	$ 33,804,269

KVIE, INC.

STATEMENTS OF ACTIVITIES (Page 1 of 2)
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Membership contributions	$ 8,927,517	$ 8,580,138
Less: Direct benefit to donors	(392,623)	(457,758)
Membership contributions, net	8,534,894	8,122,380
Grants and other contributions	5,238,272	5,192,801
Sponsorships	1,139,175	1,121,458
In-kind contributions	417,447	374,742
Paycheck Protection Program loan forgiveness		627,000
Production	389,517	250,295
Rental income	367,953	353,285
Special events	237,879	238,579
Royalties	54,487	176,468
Other revenue	18,483	28,068
Net assets released from restriction	156,128	270,974
Total revenues and support	16,554,235	16,756,050
EXPENSES:		
Program services:		
Programming and production	5,514,321	5,246,414
Broadcasting	1,480,777	1,255,038
Program information and promotion	1,045,247	965,251
Total program services	8,040,345	7,466,703
Supporting services:		
Fundraising and membership development	2,763,989	2,595,051
Management and general	1,822,285	1,864,522
Total supporting services	4,586,274	4,459,573
Total expenses	12,626,619	11,926,276
INCOME FROM OPERATIONS	3,927,616	4,829,774
Interest and investment income (loss)	(1,419,178)	2,988,072
Gain on sale of property and equipment	5,575	268,626
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,514,013	8,086,472

The accompanying notes are an integral part of these financial statements.

KVIE, INC.

STATEMENTS OF ACTIVITIES (Page 2 of 2)
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants and other contributions	$ 157,696	$ 34,800
Net assets released from restriction	(156,128)	(270,974)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	1,568	(236,174)
INCREASE IN NET ASSETS	2,515,581	7,850,298
NET ASSETS, Beginning of Year	28,461,448	20,611,150
NET ASSETS, End of Year	$ 30,977,029	$ 28,461,448

KVIE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program services			Supporting services		
	Programming and production	Broadcasting	Program information and promotion	Fundraising and membership development	Management and general	Total
Personnel costs	$ 1,910,454	$ 202,395	$ 460,255	$ 948,955	$ 1,146,912	$ 4,668,971
Program acquisition and development	2,717,053				2,421	2,719,474
Professional services	266,979	32,040	152,105	716,520	184,006	1,351,650
Depreciation	252,947	412,972	12,800	70,558	68,300	817,577
Occupancy	111,546	479,477	14,605	61,520	59,396	726,544
Repairs and maintenance	103,703	284,770	13,826	55,440	53,621	511,360
Direct mail campaign				481,983		481,983
Bank charges and interest	65,383	33,225	8,716	247,107	33,939	388,370
Postage, shipping, printing, and supplies	12,259	5,668	248,395	44,722	13,709	324,753
Advertising and community relations	4,293		127,427	99,181	13,202	244,103
Conferences, trainings, and travel	28,746	7,139	1,856	14,647	76,308	128,696
Insurance, fees, and permits	39,304	23,016	5,240	21,357	27,200	116,117
Dues and subscriptions	1,549	75	22	1,585	106,968	110,199
Miscellaneous	105			414	36,303	36,822
Total expenses	$ 5,514,321	$ 1,480,777	$ 1,045,247	$ 2,763,989	$ 1,822,285	$ 12,626,619

KVIE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program services			Supporting services		
	Programming and production	Broadcasting	Program information and promotion	Fundraising and membership development	Management and general	Total
Personnel costs	$ 1,924,276	$ 239,412	$ 468,253	$ 868,675	$ 1,241,176	$ 4,741,792
Program acquisition and development	2,407,623					2,407,623
Professional services	252,916	59,182	150,704	657,148	161,921	1,281,871
Depreciation	300,093	332,858	12,514	66,191	70,662	782,318
Occupancy	103,729	469,160	13,651	60,750	54,886	702,176
Repairs and maintenance	100,359	71,542	14,019	56,528	52,299	294,747
Direct mail campaign				442,540		442,540
Bank charges and interest	90,429	45,957	12,056	258,929	46,831	454,202
Postage, shipping, printing, and supplies	13,440	5,625	207,356	53,050	11,741	291,212
Advertising and community relations	1,820		79,655	98,928	8,380	188,783
Conferences, trainings, and travel	10,712	5,389	1,703	7,709	8,384	33,897
Insurance, fees, and permits	39,923	23,250	5,322	21,729	29,263	119,487
Dues and subscriptions	856	75	18	168	89,373	90,490
Miscellaneous	238	2,588		2,706	89,606	95,138
Total expenses	$ 5,246,414	$ 1,255,038	$ 965,251	$ 2,595,051	$ 1,864,522	$ 11,926,276

KVIE, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 2,515,581	$ 7,850,298
Reconciliation to net cash and cash equivalents provided by operating activities:		
Depreciation	817,577	782,318
Net realized and unrealized loss (gain) on investments	1,642,869	(2,774,352)
Receipt of donated investments	(76,751)	(103,547)
Gain on disposal of property and equipment	(5,575)	(268,626)
Forgiveness of Paycheck Protection Program loan		(627,000)
Amortization of deferred financing costs	22,436	22,437
Permanently restricted contributions		2,300
Changes in:		
Accounts receivable	67,637	(41,982)
Contributions and grants receivable	126,128	240,974
Inventory		15,225
Prepaid expenses and deposits	(181,943)	15,392
Other assets	(49,675)	(17,220)
Accounts payable	(92,567)	(268,102)
Accrued expenses	(314,429)	368,313
Deferred revenue	(281,382)	10,695
Net cash and cash equivalents provided by operating activities	4,189,906	5,207,123
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(12,297,794)	(15,040,943)
Proceeds from sale of investments	6,405,875	10,622,867
Purchases of property and equipment	(505,016)	(1,074,096)
Proceeds from sale of property and equipment	5,575	275,000
Net cash and cash equivalents used by investing activities	(6,391,360)	(5,217,172)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions		(2,300)
Repayment of long-term debt	(151,683)	(145,666)
Net cash and cash equivalents used by financing activities	(151,683)	(147,966)
DECREASE IN CASH AND CASH EQUIVALENTS	(2,353,137)	(158,015)
CASH AND CASH EQUIVALENTS, Beginning of Year	6,686,605	6,844,620
CASH AND CASH EQUIVALENTS, End of Year	$ 4,333,468	$ 6,686,605
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	$ 171,524	$ 177,523

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND PROGRAMS

KVIE, Inc. (the Station) is a nonprofit corporation which was incorporated in 1955 under the laws of the State of California and made its first television broadcast in 1959, becoming the second non-commercial station to debut in the state. Its purpose is to provide educational television programming and related services to the Sacramento-Stockton-Modesto television market, the nation's 20th largest. Following is a description of the Station's primary programs:

- **Programming and production** consist of the selection of programs to be aired by the Station and the production of video by the Station to be aired locally, nationally on other Public Broadcasting Service (PBS) stations, and internationally.

- **Program information and promotion** relates to providing viewers with information about the Station's programming, local productions, events, and other mission-related services that include educational workshops and trainings that help preschoolers, students, teachers, and families.

- **Broadcasting** is related to the transmission of the Station's content to viewers through various media, including over-the-air broadcasting, cable, satellite, and the internet.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Station reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Station. These net assets may be used at the discretion of management.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue recognition – Contributions, including grants from corporations and private organizations, are recognized in full when received or unconditionally promised, in accordance with professional standards. Membership fees are considered contributions and are recognized when received by the Station. Conditional promises to give, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. Sponsorship revenues relate to station sponsorships where the donor is recognized adjacent to programming on the Station. These revenues are recorded as conditional contributions, with revenue recognized over the life of the underwriting contract as conditions are met.

Outstanding conditional promises to give for the purposes of underwriting on television programs were $535,078 and $528,363 at June 30, 2022 and 2021, respectively, and will be recognized as revenue as the conditions are met.

The Station receives certain government grants and contributions from donors which limit spending to qualifying expenditures as defined in grant agreements or are conditional upon the occurrence of certain events. Outstanding conditional contributions totaled $127,696 at June 30, 2022. There were no outstanding conditional contributions at June 30, 2021.

Contributions of materials, equipment, and professional services are recorded as in-kind contributions and recognized at the estimated fair value as of the date of donation or service. The Station recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Station receives services from a large number of volunteers who give significant amounts of their time to the Station's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. All restricted contributions whose restrictions and conditions are met in the same reporting period are recognized as revenue within net assets without donor restrictions. Net assets with donor restrictions whose restrictions are permanent in nature are those net assets whose use by the Station is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Station and consist of contributions to the Station's endowment fund.

The Station's revenue from contracts with customers consists of production revenues and video productions revenues. Production revenues consist of sponsorship revenue for production costs of programs produced by the Station and is recognized and billed based on percentage of production completion of the program sponsored. Video productions revenue consists of fees for production services provided by the Station to outside parties. These revenues are recorded and billed as services are performed.

For the years ended June 30, 2022 and 2021, revenue recognized for goods and services provided at a point in time for production revenues and video production revenues totaling $389,517 and $250,295, respectively.

Cash and cash equivalents – For financial statement purposes, the Station considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes. The Station minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Station has not experienced any losses in such accounts and management believes the Station is not exposed to any significant credit risk related to cash. Cash balances in excess of the federally insured limits at June 30, 2022 and 2021 were $3,839,109 and $5,997,267, respectively.

Accounts receivable represent amounts of which the Station has an unconditional right to receive. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. The allowance for doubtful accounts at June 30, 2022 and 2021 was $406 and $2,173, respectively.

Contributions and grants receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. In subsequent years, amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2022 and 2021 was $20,230 and $55,889, respectively.

Investments are stated at fair value and held for long-term purposes.

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. The Station capitalizes all expenditures for property and equipment in excess of $1,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from one to forty years.

Equipment purchased with grant funds from the National Telecommunications and Information Administration may revert to that agency if the Station wishes to dispose of the equipment within 10 years from the date of the grant. Such equipment is capitalized and included in property and equipment.

Inventory consists of supplies and membership inducement premiums. Inventory is stated at the lower of cost or market under the first-in, first-out method of valuation.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on usage include depreciation and telephone services. Expenses that are allocated based on occupancy percentage of each functional area include bank charges, insurance, interest expense, utilities, facilities supplies, and teambuilding costs. Certain personnel costs are allocated based on estimated time and effort. All other costs are allocated based on direct usage.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes – The Station is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to income taxes from activities unrelated to its tax-exempt purpose. The Station has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same; to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the assets or liabilities.

Recent accounting pronouncements – In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Station adopted the standard effective July 1, 2020. The standard did not have a material impact on the financial statements. The Station has updated disclosures as necessary.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending June 30, 2023. The Station is currently evaluating the impact this pronouncement will have on the financial statements.

Reclassifications – Certain 2021 amounts have been reclassified to conform with the 2022 financial statement presentation.

Subsequent events have been reviewed through November 9, 2022, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2022, that require recognition or disclosure in such financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Station's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2022	2021
Cash and cash equivalents	$ 4,333,468	$ 6,686,605
Investments	22,855,395	18,529,594
Contributions, grants, and accounts receivable, net of allowance	333,801	527,566
Total financial assets	27,522,664	25,743,765
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Board designated funds	(22,589,386)	(19,941,736)
Restriction by donors for time or purpose	(735,640)	(734,072)
Total financial assets available for general expenditure within one year	$ 4,295,573	$ 5,067,957

The Station has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which in total, on average, is approximately $2,830,000.

The Station has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Station invests excess operating cash in short-term investments, including certificates of deposit. The Station also has a $1,000,000 line of credit, which it could draw upon in the event of unanticipated liquidity needs.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following, as of June 30:

	2022	2021
Contributions and grants	$ 202,101	$ 363,888
Less: Allowance for doubtful accounts	(20,230)	(55,889)
Total	$ 181,871	$ 307,999

Contributions and grants receivable will be collected as follows, as of June 30:

	2022	2021
Within one year	$ 92,822	$ 174,899
One to five years	109,279	188,989
Less: Allowance for doubtful accounts	(20,230)	(55,889)
Total	$ 181,871	$ 307,999

5. INVESTMENTS

The Station's investments are included in Level 1 of the fair value hierarchy as they are based on quoted prices in active markets. Investments consist of the following, as of June 30:

	2022	2021
Level 1 Investments:		
Cash and equivalents	$ 5,130	$ 105,957
Stock funds:		
Information technology	2,087,989	1,981,972
Healthcare	2,022,443	1,824,267
Others	1,736,162	2,208,895
Consumer staples	1,432,068	1,378,710
Communication services	1,222,838	1,800,113
Consumer discretionary	1,095,208	1,228,964
Industrial	1,059,224	1,000,319
Materials	1,005,086	603,224
Financial	773,091	1,019,180
Utilities	689,520	411,598
Energy	382,439	175,544
Fixed income funds:		
Ultra-short-term	4,471,264	3,121,338
Short-term	3,839,084	689,183
High yield fixed income		414,534
US fixed income taxable	496,247	
Alternative funds:		
Precious metals	353,766	217,973
Real estate	183,836	347,823
Total	$ 22,855,395	$ 18,529,594

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following, as of June 30:

	2022	2021
Land	$ 2,386,128	$ 2,386,128
Buildings	9,330,426	9,330,426
Broadcast equipment	8,470,828	7,070,366
Production equipment	3,013,930	3,013,930
Office and production furniture and equipment	1,481,838	1,369,163
Leasehold improvements	427,713	427,713
Vehicles and related equipment	151,188	161,349
Construction in process	355,483	1,363,604
Total	25,617,534	25,122,679
Less: Accumulated depreciation and amortization	(18,106,018)	(17,298,602)
Total	$ 7,511,516	$ 7,824,077

7. LINE OF CREDIT

The Station has a $1,000,000 revolving line of credit with a bank, secured by property, with interest payable monthly at 4.00% per annum and principal due in one installment upon maturity at December 31, 2022. There were no amounts outstanding on this line of credit at June 30, 2022 and 2021.

8. LONG-TERM DEBT

The Station has a promissory note with River City Bank secured by the Station's building and payable in monthly installments of $25,022 including interest at 4.00% per annum, with a final payment of $3,394,266 due October 15, 2023. The outstanding loan balance as of June 30, 2022 and 2021 was $3,580,570 and $3,732,253, respectively. In connection with the promissory note, the Station incurred a prepayment penalty fee that was financed and incorporated into the outstanding principal amount. In accordance with professional standards, this fee has been capitalized as deferred financing costs and will be amortized over the term of the note. The unamortized balance of deferred financing costs as of June 30, 2022 and 2021 was $29,916 and $52,352, respectively.

Total interest expense was $171,012 and $177,030 for June 30, 2022 and 2021, respectively.

Maturities on the note are as follows:

Year ending June 30:	
2023	$ 157,856
2024	3,422,714
Total	$ 3,580,570

9. PAYCHECK PROTECTION PROGRAM LOAN

On April 12, 2020, the Station received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling $627,000. Under the CARES Act, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying expenditures and certain other criteria regarding full-time equivalent employee and payroll levels are maintained. The PPP requires the portion of the loan that does not qualify for forgiveness or that is retained as a loan, to be repaid within 5 years at 1% interest.

The Station received notification that its application for loan forgiveness was approved on November 16, 2020 and therefore, the loan amount was recognized as income in the year ended June 30, 2021.

10. NET ASSETS

Net assets without donor restrictions are as follows:

	2022	2021
Board designated reserve	$ 22,589,386	$ 19,941,736
Undesignated	7,652,003	7,785,640
Total net assets without donor restrictions	$ 30,241,389	$ 27,727,376

Net assets with donor restrictions are as follows:

	2022	2021
Time restricted contributions receivable	$ 181,871	$ 307,999
Purpose restricted contributions	130,196	2,500
Perpetual endowment fund	423,573	423,573
Total net assets with donor restrictions	$ 735,640	$ 734,072

The donor-restricted endowment funds comprise net assets with donor restrictions restricted into perpetuity, which are to be used to support the ongoing operations of the Station. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Station classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) accumulated unrealized appreciation and depreciation of endowment investments if directed by the donor gift instrument, (c) the original value of subsequent gifts to the permanent endowments, and (d) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Perpetually restricted net assets as of June 30, 2022 and 2021 consist of one endowment fund that is invested in perpetuity with interest and dividends to be used for operating purposes. The Station received perpetually restricted contributions to the endowment of $2,300 in the year ended June 30, 2021. No perpetually restricted contributions were received in year ended June 30, 2022. The endowment investment policy, approved by the Board of Directors, emphasizes preservation of the principal balance as its primary objective and growth and income as secondary objectives.

Board-restricted net assets have been designated to provide reserves to assure the ability of the Station to meet operating needs on an as-needed basis and do not represent a Board endowment fund. Purpose restricted net assets include contributions restricted for equipment purposes.

11. IN-KIND CONTRIBUTIONS

The Station received the following in-kind contributions for the years ended June 30:

	2022	2021
Tower facilities	$ 360,000	$ 360,000
Goods and supplies	56,847	304
Services	600	14,742
Total donated services and facilities	$ 417,447	$ 374,742

Contributed use of tower facilities represents the fair value of facilities provided to the Station as part of a cancellable use lease. Goods and supplies represent complimentary tickets received for use in fundraising events and were valued at the face value of the tickets. Contributed services represent legal services from attorneys advising the Station on various administrative legal matters and are valued at the cost the Station would incur for the services if they were not contributed.

The Station's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All gifts-in-kind received by the Station for the years ended June 30, 2022 and 2021 were considered without donor restrictions and were able to be used by the Station as determined by the Board of Directors and management.

12. RENTAL INCOME

The Station leases office spaces under non-cancelable operating leases expiring through 2022. One agreement includes an option to extend for two additional five year periods. Revenue from these agreements will be recognized on the straight-line basis in accordance with professional standards.

Minimum future lease payments to be received under this agreement for the year ending June 30, 2023 is $246,314.

13. COMMUNITY SERVICE GRANT

The Corporation for Public Broadcasting (CPB) is a private, nonprofit, and grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations in order to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted operating revenue; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

14. RETIREMENT PLAN

The Station sponsors a 401(k) retirement plan with an effective date of July 1, 2014. Regular full-time and part-time employees over the age of 21 are eligible to participate in the plan. Under the provisions of the plan, the Station's matching contribution is at the rate of 100% of the first 1% of qualified wages and 50% of contributions that exceed 1% of qualified wages up to a maximum total of 6% of qualified wages. Non-safe harbor matching and nonelective contribution accounts are subject to a 3-year cliff vesting schedule, and safe harbor matching contribution accounts are subject to a 2-year cliff vesting schedule. Employer contributions totaled $142,741 and $130,577 for the years ended June 30, 2022 and 2021, respectively.

15. INCOME TAXES

While the Station is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively, net income generated by the Video Production Department, which provides video production facilities and services, as well as magazine advertising income and debt-financed income are all taxable as unrelated business income.