

KVIE, INC.

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2023 AND 2022**

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, 2023 and 2022, 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, 2023 and 2022, 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

To the Board of Directors of
KVIE, Inc.
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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
Sacramento, California

November 13, 2023

KVIE, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,585,565	\$ 4,333,468
Short-term investments	1,979,089	
Accounts receivable, net	121,703	151,930
Employee Retention Tax Credit receivable	365,733	
Contributions and grants receivable, current portion	318,990	92,822
Prepaid expenses and deposits	203,298	344,539
Other current assets	<u>26,108</u>	<u>106,013</u>
Total current assets	7,600,486	5,028,772
NONCURRENT ASSETS:		
Contributions and grants receivable, net	31,809	89,049
Other assets	56,255	17,493
Investments	27,940,524	22,855,395
Property and equipment, net	<u>7,215,629</u>	<u>7,511,516</u>
TOTAL ASSETS	<u>\$ 42,844,703</u>	<u>\$ 35,502,225</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 214,663	\$ 78,696
Accrued expenses	733,456	625,156
Deferred revenue	435,278	270,690
Long-term debt, current portion	<u>3,415,139</u>	<u>146,339</u>
Total current liabilities	4,798,536	1,120,881
LONG-TERM DEBT, Net		<u>3,404,315</u>
TOTAL LIABILITIES	<u>4,798,536</u>	<u>4,525,196</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	10,486,148	7,652,003
Board designated	27,035,684	22,589,386
With donor restrictions	<u>524,335</u>	<u>735,640</u>
Total net assets	<u>38,046,167</u>	<u>30,977,029</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,844,703</u>	<u>\$ 35,502,225</u>

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

KVIE, INC.

STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Membership contributions	\$ 8,774,992	\$ 8,927,517
Less: Direct benefit to donors	<u>(349,793)</u>	<u>(392,623)</u>
Membership contributions, net	8,425,199	8,534,894
Grants and other contributions	5,897,059	5,238,272
Sponsorships	1,370,760	1,139,175
In-kind contributions	489,988	417,447
Rental income	359,219	367,953
Special events	235,820	237,879
Production	202,450	389,517
Royalties	50,702	54,487
Other revenue	45,901	18,483
Net assets released from restriction	<u>231,455</u>	<u>156,128</u>
Total revenues and support	<u>17,308,553</u>	<u>16,554,235</u>
EXPENSES:		
Program services:		
Programming and production	5,475,223	5,514,321
Broadcasting	1,463,721	1,480,777
Program information and promotion	<u>1,139,426</u>	<u>1,045,247</u>
Total program services	<u>8,078,370</u>	<u>8,040,345</u>
Supporting services:		
Fundraising and membership development	3,164,635	2,763,989
Management and general	<u>2,385,287</u>	<u>1,822,285</u>
Total supporting services	<u>5,549,922</u>	<u>4,586,274</u>
Total expenses	<u>13,628,292</u>	<u>12,626,619</u>
INCOME FROM OPERATIONS	3,680,261	3,927,616
Interest and investment income (loss)	2,279,053	(1,419,178)
Gain on sale of property and equipment		5,575
Employee Retention Tax Credit revenue	<u>1,321,129</u>	<u> </u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>7,280,443</u>	<u>2,514,013</u>

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

KVIE, INC.

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants and other contributions	\$ 20,150	\$ 157,696
Net assets released from restriction	<u>(231,455)</u>	<u>(156,128)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(211,305)</u>	<u>1,568</u>
INCREASE IN NET ASSETS	7,069,138	2,515,581
NET ASSETS, Beginning of Year	<u>30,977,029</u>	<u>28,461,448</u>
NET ASSETS, End of Year	<u>\$ 38,046,167</u>	<u>\$ 30,977,029</u>

KVIE, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023

	<u>Program services</u>			<u>Supporting services</u>		<u>Total</u>
	<u>Programming and production</u>	<u>Broadcasting</u>	<u>Program information and promotion</u>	<u>Fundraising and membership development</u>	<u>Management and general</u>	
Personnel costs	\$ 1,942,624	\$ 250,986	\$ 493,114	\$ 972,208	\$ 1,318,577	\$ 4,977,509
Program acquisition and development	2,646,325			900		2,647,225
Professional services	261,752	34,404	160,075	955,065	554,983	1,966,279
Depreciation	248,723	517,136	17,876	72,764	69,797	926,296
Occupancy	113,265	481,376	14,995	63,726	60,885	734,247
Direct mail campaign				448,017		448,017
Bank charges and interest	61,555	31,263	8,201	262,709	31,809	395,537
Postage, shipping, printing, and supplies	11,805	5,907	261,548	82,166	13,511	374,937
Advertising and community relations	1,666		153,247	203,330	14,818	373,061
Repairs and maintenance	113,281	112,873	14,989	60,106	58,136	359,385
Insurance, fees, and permits	38,023	22,532	5,069	20,693	24,730	111,047
Conferences, trainings, and travel	34,976	7,169	10,286	21,071	35,580	109,082
Dues and subscriptions	1,136	75	26	1,880	103,272	106,389
Miscellaneous	92				99,189	99,281
Total expenses	<u>\$ 5,475,223</u>	<u>\$ 1,463,721</u>	<u>\$ 1,139,426</u>	<u>\$ 3,164,635</u>	<u>\$ 2,385,287</u>	<u>\$ 13,628,292</u>

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

KVIE, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

	<u>Program services</u>			<u>Supporting services</u>		<u>Total</u>
	<u>Programming and production</u>	<u>Broadcasting</u>	<u>Program information and promotion</u>	<u>Fundraising and membership development</u>	<u>Management and general</u>	
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
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
Repairs and maintenance	103,703	284,770	13,826	55,440	53,621	511,360
Insurance, fees, and permits	39,304	23,016	5,240	21,357	27,200	116,117
Conferences, trainings, and travel	28,746	7,139	1,856	14,647	76,308	128,696
Dues and subscriptions	1,549	75	22	1,585	106,968	110,199
Miscellaneous	105			414	36,303	36,822
Total expenses	<u>\$ 5,514,321</u>	<u>\$ 1,480,777</u>	<u>\$ 1,045,247</u>	<u>\$ 2,763,989</u>	<u>\$ 1,822,285</u>	<u>\$ 12,626,619</u>

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

KVIE, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 7,069,138	\$ 2,515,581
Reconciliation to net cash and cash equivalents provided by operating activities:		
Depreciation	926,296	817,577
Net realized and unrealized loss (gain) on investments	(1,878,043)	1,642,869
Receipt of donated investments	(54,493)	(76,751)
Gain on disposal of property and equipment		(5,575)
Amortization of deferred financing costs	22,437	22,436
Changes in:		
Accounts receivable	30,227	67,637
Employee Retention Tax Credit receivable	(365,733)	
Contributions and grants receivable	(168,928)	126,128
Prepaid expenses and deposits	141,241	(181,943)
Other assets	41,143	(49,675)
Accounts payable	135,967	(92,567)
Accrued expenses	108,300	(314,429)
Deferred revenue	164,588	(281,382)
Net cash and cash equivalents provided by operating activities	<u>6,172,140</u>	<u>4,189,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(12,760,810)	(12,297,794)
Proceeds from sale of investments	7,629,128	6,405,875
Purchases of property and equipment	(630,409)	(505,016)
Proceeds from sale of property and equipment		<u>5,575</u>
Net cash and cash equivalents used by investing activities	<u>(5,762,091)</u>	<u>(6,391,360)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	<u>(157,952)</u>	<u>(151,683)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	252,097	(2,353,137)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>4,333,468</u>	<u>6,686,605</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 4,585,565</u>	<u>\$ 4,333,468</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 165,276</u>	<u>\$ 171,524</u>

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

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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 sponsorship were \$244,098 and \$535,078 at June 30, 2023 and 2022, respectively, and will be recognized as revenue as the conditions are met.

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, special events and royalties. Production revenues consist of 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. Special event revenue is recognized when the related event occurs, and royalty revenue is recognized when earned.

For the years ended June 30, 2023 and 2022, revenue recognized for goods and services provided at a point in time were \$488,972 and \$681,183 respectively.

The balances of accounts receivable and contract liabilities from contracts with customers are as follows as of June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 95,533	\$ 125,760	\$ 193,397
Contract liabilities:			
Deferred revenue	\$ 330,350	\$ 77,800	\$ 282,125

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, 2023 and 2022 were \$3,981,524 and \$3,839,109, respectively.

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 and 2022 was \$5,498 and \$406, 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, 2023 and 2022 was \$12,307 and \$20,230, 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.

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.

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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.

Subsequent events have been reviewed through November 13, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2023, 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,585,565	\$ 4,333,468
Investments	29,919,613	22,855,395
Contributions, grants, and accounts receivable, net of allowance	838,235	333,801
Total financial assets	<u>35,343,413</u>	<u>27,522,664</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Board designated funds	(27,035,684)	(22,589,386)
Restriction by donors for time or purpose	<u>(524,335)</u>	<u>(735,640)</u>
Total financial assets available for general expenditure within one year	<u>\$ 7,783,394</u>	<u>\$ 4,295,573</u>

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 \$3,175,000.

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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:

	<u>2023</u>	<u>2022</u>
Contributions and grants	\$ 363,106	\$ 202,101
Less: Allowance for doubtful accounts	<u>(12,307)</u>	<u>(20,230)</u>
Total	<u>\$ 350,799</u>	<u>\$ 181,871</u>

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

	<u>2023</u>	<u>2022</u>
Within one year	\$ 318,990	\$ 92,822
One to five years	44,116	109,279
Less: Allowance for doubtful accounts	<u>(12,307)</u>	<u>(20,230)</u>
Total	<u>\$ 350,799</u>	<u>\$ 181,871</u>

5. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 2,386,128	\$ 2,386,128
Buildings	9,424,718	9,330,426
Broadcast equipment	8,830,355	8,470,828
Production equipment	3,385,207	3,013,930
Office and production furniture and equipment	1,642,634	1,481,838
Leasehold improvements	427,713	427,713
Vehicles and related equipment	151,188	151,188
Construction in process	<u> </u>	<u>355,483</u>
Total	26,247,943	25,617,534
Less: Accumulated depreciation and amortization	<u>(19,032,314)</u>	<u>(18,106,018)</u>
Total	<u>\$ 7,215,629</u>	<u>\$ 7,511,516</u>

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

6. 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. Short-term investments consist of ultra-short term fixed income funds in the amount of \$1,979,089 as of June 30, 2023. There were no short-term investments as of June 30, 2022. Long-term investments consist of the following, as of June 30:

	<u>2023</u>	<u>2022</u>
Level 1 Investments:		
Cash and equivalents	\$ 38,248	\$ 5,130
Stock funds:		
Healthcare	2,479,544	2,022,443
Information technology	2,389,351	2,087,989
Consumer staples	2,349,106	1,432,068
Industrial	2,071,320	1,059,224
Financial	1,982,384	773,091
Consumer discretionary	1,567,115	1,095,208
Materials	1,176,493	1,005,086
Communication services	1,107,384	1,222,838
Energy	867,076	382,439
Utilities	835,154	689,520
Real estate	100,935	
Others		1,736,162
Fixed income funds:		
Ultra-short-term	8,377,579	4,471,264
Short-term	1,749,943	3,839,084
US fixed income taxable	474,525	496,247
Alternative funds:		
Precious metals	374,367	353,766
Real estate		183,836
Total	<u>\$ 27,940,524</u>	<u>\$ 22,855,395</u>

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, 2023. There were no amounts outstanding on this line of credit at June 30, 2023 and 2022.

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. The outstanding loan balance as of June 30, 2023 and 2022 was \$3,422,618 and \$3,580,570, 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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 and 2022 was \$7,479 and \$29,916, respectively.

Total interest expense was \$164,744 and \$171,012 for June 30, 2023 and 2022, respectively.

The promissory note was paid in full in October 2023.

9. NET ASSETS

Net assets without donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Board designated reserve	\$ 27,035,684	\$ 22,589,386
Undesignated	<u>10,486,148</u>	<u>7,652,003</u>
Total net assets without donor restrictions	<u>\$ 37,521,832</u>	<u>\$ 30,241,389</u>

Net assets with donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Time restricted contributions receivable	\$ 100,762	\$ 181,871
Purpose restricted contributions		130,196
Perpetual endowment fund	<u>423,573</u>	<u>423,573</u>
Total net assets with donor restrictions	<u>\$ 524,335</u>	<u>\$ 735,640</u>

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, 2023 and 2022 consist of one endowment fund that is invested in perpetuity with interest and dividends to be used for operating purposes. No perpetually restricted contributions were received in years ended June 30, 2023 or 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-designated 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.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

10. IN-KIND CONTRIBUTIONS

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

	<u>2023</u>	<u>2022</u>
Tower facilities	\$ 360,000	\$ 360,000
Goods and supplies	128,388	56,847
Services	<u>1,600</u>	<u>600</u>
Total donated services and facilities	<u>\$ 489,988</u>	<u>\$ 417,447</u>

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, 2023 and 2022 were considered without donor restrictions and were able to be used by the Station as determined by the Board of Directors and management.

11. RENTAL INCOME

The Station leases office spaces under non-cancelable operating leases expiring through 2025. 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.

The following is an analysis of the carrying amounts of the underlying assets related to operating leases:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,386,128	\$ 2,386,128
Buildings	<u>9,424,718</u>	<u>9,330,426</u>
Total	11,810,486	11,716,554
Less: Accumulated depreciation	<u>(7,486,819)</u>	<u>(7,224,431)</u>
Total	<u>\$ 4,324,027</u>	<u>\$ 4,492,123</u>

The following is an analysis of the maturity of the undiscounted operating lease payments to be received on non-cancelable leases:

Fiscal year ending June 30:

2024	\$ 256,012
2025	<u>131,382</u>
Total	<u>\$ 387,394</u>

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

12. 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.

13. 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 \$171,767 and \$142,741 for the years ended June 30, 2023 and 2022, respectively.

14. INCOME TAXES

While the Station is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) 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.

15. EMPLOYEE RETENTION TAX CREDIT

The Station filed amended quarterly 941-X federal tax returns for the quarters ended June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021, and September 31, 2021 to receive Employee Retention Tax Credits provided for under the Coronavirus Aid, Relief, and

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Economic Security (CARES) Act. The Station recognized revenue totaling \$1,321,129 related to the Employee Retention Tax Credits during the year ended June 30, 2023. The Station has an outstanding receivable related to this funding totaling \$365,733 as of June 30, 2023.

Laws and regulations concerning government programs, including the Employee Retention Tax Credit established by the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Station's claim to the Employee Retention Tax Credit, and it is not possible to determine the impact (if any) this would have upon the Station.