

REDWOOD EMPIRE PUBLIC TELEVISION, INC.

FINANCIAL STATEMENTS

For the Years Ended June 30, 2015 and 2014

This page left blank intentionally

TABLE OF CONTENTS

June 30, 2015

| | |
|---|----|
| BOARD OF DIRECTORS | 1 |
| INDEPENDENT AUDITORS' REPORT | 3 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 7 |
| Statement of Activities | 8 |
| Statement of Cash Flows | 10 |
| Notes to Financial Statements | 11 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Functional Support and Revenues | 20 |
| Schedule of Functional Expenses | 21 |

This page left blank intentionally

REDWOOD EMPIRE PUBLIC TELEVISION, INC.

BOARD OF DIRECTORS

June 30, 2015

MEMBERS

ADDRESS

| | |
|-------------------------------|--------------------|
| Paul McNally, President | Eureka, California |
| Marge Custis, Vice President | Eureka, California |
| Valerie Eachus, Treasurer | Eureka, California |
| Margaret Fleming, Secretary | Eureka, California |
| James Anderson, Director | Eureka, California |
| Sile Bauriedel, Director | Eureka, California |
| Annette DeModena, Director | Eureka, California |
| Cynthia Denbo, Director | Eureka, California |
| Dennis Hunter, Director | Eureka, California |
| Jim Hunter, Director | Eureka, California |
| Chris Jones, Director | Eureka, California |
| Marie Liscom, Director | Eureka, California |
| Bruce Rupp, Director | Eureka, California |
| Doralee Smith, Director | Arcata, California |
| Alexandra Stillman, Director | Arcata, California |
| Deepak Stokes, M.D., Director | Eureka, California |

EXECUTIVE DIRECTOR

Ronald L. Schoenherr

This page left blank intentionally



To the Board of Directors
Redwood Empire Public Television, Inc.

We have audited the accompanying statement of financial position of Redwood Empire Public Television, Inc. (a nonprofit organization) as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Empire Public Television, Inc. as of June 30, 2015 and 2014, 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.

To the Board of Directors
Redwood Empire Public Television, Inc.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional support and revenues and functional expenses, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Aycock and Edgmon
December 21, 2015

FINANCIAL STATEMENTS

This page left blank intentionally

STATEMENT OF FINANCIAL POSITION

June 30, 2015 and 2014

| ASSETS | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 169,319 | \$ 252,272 |
| Accounts receivable - Net | 33,156 | 39,310 |
| Unconditional promises to give | 10,137 | 15,261 |
| Grants receivable | 5,557 | 2,916 |
| Prepaid expenses | 29,224 | 39,116 |
| Total Current Assets | <u>247,393</u> | <u>348,875</u> |
| Property and Equipment | | |
| Land and land improvements | 434,799 | 434,799 |
| Buildings and equipment | 434,631 | 434,631 |
| Engineering building and equipment | 2,923,385 | 2,921,676 |
| Studio equipment | 1,928,767 | 1,769,833 |
| Office furniture and equipment | 195,154 | 181,987 |
| Vehicles | 51,706 | 51,706 |
| Accumulated depreciation | <u>(4,711,570)</u> | <u>(4,453,902)</u> |
| Total Property and Equipment | <u>1,256,872</u> | <u>1,340,730</u> |
| Other Assets | | |
| Board designated endowment fund | 365,156 | 187,332 |
| Deposits | 465 | 465 |
| Total Other Assets | <u>365,621</u> | <u>187,797</u> |
| TOTAL ASSETS | <u>\$ 1,869,886</u> | <u>\$ 1,877,402</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 29,569 | \$ 13,187 |
| Current portion of notes payable | 15,799 | 16,301 |
| Sales tax payable | - | 596 |
| Refundable advances | 13,300 | 20,340 |
| Accrued liabilities: | | |
| Compensation payable | 18,763 | 18,889 |
| Compensated absences | 17,241 | 18,852 |
| Total Current Liabilities | <u>94,672</u> | <u>88,165</u> |
| Long-Term Liabilities | | |
| Notes payable | 24,242 | 41,414 |
| TOTAL LIABILITIES | <u>118,914</u> | <u>129,579</u> |
| Net Assets | | |
| Unrestricted net assets | 1,708,600 | 1,670,533 |
| Temporarily restricted net assets | 42,372 | 77,290 |
| Total Net Assets | <u>1,750,972</u> | <u>1,747,823</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,869,886</u> | <u>\$ 1,877,402</u> |

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| SUPPORT, REVENUE, AND GAINS | | | | |
| Support | | | | |
| Contracts, grants, and exchange transactions | \$ 229,821 | \$ - | \$ - | \$ 229,821 |
| Contributions | 961,851 | - | - | 961,851 |
| Fund-raising | 133,051 | - | - | 133,051 |
| In-kind and trade-out support | 62,271 | - | - | 62,271 |
| Total Support | <u>1,386,994</u> | <u>-</u> | <u>-</u> | <u>1,386,994</u> |
| Revenue and Gains | | | | |
| Production | 3,525 | - | - | 3,525 |
| Underwriting | 125,933 | - | - | 125,933 |
| Rents | 175,540 | - | - | 175,540 |
| Power reimbursement | 97,019 | - | - | 97,019 |
| Other income | 15,269 | - | - | 15,269 |
| Interest | 6,160 | - | - | 6,160 |
| Unrealized gains on investments | - | - | - | - |
| Realized gains on investments | 6 | - | - | 6 |
| Total Revenue and Gains | <u>423,452</u> | <u>-</u> | <u>-</u> | <u>423,452</u> |
| TOTAL SUPPORT, REVENUE, AND GAINS | <u>1,810,446</u> | <u>-</u> | <u>-</u> | <u>1,810,446</u> |
| EXPENSES | | | | |
| Program Services | | | | |
| Programing and production | 687,199 | - | - | 687,199 |
| Broadcasting | 530,667 | - | - | 530,667 |
| Program information and promotion | 89,109 | - | - | 89,109 |
| Total Program Services | <u>1,306,975</u> | <u>-</u> | <u>-</u> | <u>1,306,975</u> |
| Support Services | | | | |
| Fund-raising and membership | 217,450 | - | - | 217,450 |
| General and administrative | 282,872 | - | - | 282,872 |
| Total Support Services | <u>500,322</u> | <u>-</u> | <u>-</u> | <u>500,322</u> |
| TOTAL EXPENSES | <u>1,807,297</u> | <u>-</u> | <u>-</u> | <u>1,807,297</u> |
| CHANGE IN NET ASSETS | 3,149 | - | - | 3,149 |
| Depreciation on grant funded equipment | 34,918 | (34,918) | - | - |
| NET ASSETS, JULY 1 | <u>1,670,533</u> | <u>77,290</u> | <u>-</u> | <u>1,747,823</u> |
| NET ASSETS, JUNE 30 | <u>\$ 1,708,600</u> | <u>\$ 42,372</u> | <u>\$ -</u> | <u>\$ 1,750,972</u> |

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| SUPPORT, REVENUE, AND GAINS | | | | |
| Support | | | | |
| Contracts, grants, and exchange transactions | \$ 78,253 | \$ - | \$ - | \$ 78,253 |
| Contributions | 1,029,749 | - | - | 1,029,749 |
| Fund-raising | 124,795 | - | - | 124,795 |
| In-kind and trade-out support | 20,568 | - | - | 20,568 |
| Total Support | <u>1,253,365</u> | <u>-</u> | <u>-</u> | <u>1,253,365</u> |
| Revenue and Gains | | | | |
| Production | 6,437 | - | - | 6,437 |
| Underwriting | 112,882 | - | - | 112,882 |
| Rents | 171,734 | - | - | 171,734 |
| Power reimbursement | 90,384 | - | - | 90,384 |
| Other income | 22,617 | - | - | 22,617 |
| Interest income | 4,018 | - | - | 4,018 |
| Unrealized gains on investments | 19,994 | - | - | 19,994 |
| Realized gains on investments | 3,116 | - | - | 3,116 |
| Total Revenue and Gains | <u>431,182</u> | <u>-</u> | <u>-</u> | <u>431,182</u> |
| TOTAL SUPPORT, REVENUE, AND GAINS | <u>1,684,547</u> | <u>-</u> | <u>-</u> | <u>1,684,547</u> |
| EXPENSES | | | | |
| Program Services | | | | |
| Programing and production | 739,210 | - | - | 739,210 |
| Broadcasting | 502,636 | - | - | 502,636 |
| Program information and promotion | 94,999 | - | - | 94,999 |
| Total Program Services | <u>1,336,845</u> | <u>-</u> | <u>-</u> | <u>1,336,845</u> |
| Support Services | | | | |
| Fund-raising and membership | 211,725 | - | - | 211,725 |
| General and administrative | 266,749 | - | - | 266,749 |
| Total Support Services | <u>478,474</u> | <u>-</u> | <u>-</u> | <u>478,474</u> |
| TOTAL EXPENSES | <u>1,815,319</u> | <u>-</u> | <u>-</u> | <u>1,815,319</u> |
| CHANGE IN NET ASSETS | (130,772) | - | - | (130,772) |
| Depreciation on grant funded equipment | 34,918 | (34,918) | - | - |
| NET ASSETS, JULY 1 | <u>1,766,387</u> | <u>112,208</u> | <u>-</u> | <u>1,878,595</u> |
| NET ASSETS, JUNE 30 | <u>\$ 1,670,533</u> | <u>\$ 77,290</u> | <u>\$ -</u> | <u>\$ 1,747,823</u> |

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 3,149 | \$ (130,772) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 257,668 | 338,004 |
| Realized losses (gains) on sale of investments | (6) | (3,116) |
| Unrealized losses (gains) on investments | 1,767 | (19,994) |
| (Increases) decreases in operating assets: | | |
| Accounts receivable | 6,154 | (800) |
| Grants receivable | (2,641) | 9,008 |
| Unconditional promises to give | 5,124 | (9,545) |
| Prepaid expenses | 9,892 | (10,675) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 16,382 | 3,992 |
| Refundable advances | (7,040) | 6,633 |
| Accrued liabilities | (2,333) | 4,119 |
| Total Adjustments | <u>284,967</u> | <u>317,626</u> |
| Net Cash Provided by Operating Activities | <u>288,116</u> | <u>186,854</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | (173,810) | (26,892) |
| Purchase of investments | <u>(179,585)</u> | <u>(29,878)</u> |
| Net Cash Used by Investing Activities | <u>(353,395)</u> | <u>(56,770)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| New borrowings | - | 103,000 |
| Debt repayments | <u>(17,674)</u> | <u>(118,277)</u> |
| Net Cash Used by Financing Activities | <u>(17,674)</u> | <u>(15,277)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>(82,953)</u> | <u>114,807</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>252,272</u> | <u>137,465</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 169,319</u> | <u>\$ 252,272</u> |

Supplemental information:

Interest expense for the years ended June 30, 2015 and 2014 was \$2,749 and \$4,763, respectively.

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIESNature of Activities

Redwood Empire Public Television, Inc. (KEET TV) is a nonprofit corporation chartered on December 11, 1962 for the purpose of providing alternative and educational television to the general public.

Basis of Accounting

The financial statements of KEET TV have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Promises to Give

Contributions are recognized when the donor makes a promise to give to KEET TV that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

KEET TV uses the allowance method to determine uncollectible unconditional promises received. The allowance is based on prior years' experience and management's analysis of specific promises made.

Financial Statement Presentation

KEET TV presents information about its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. During the fiscal years ended June 30, 2015 and 2014, KEET TV had no permanently restricted net assets.

Unrestricted net assets are those whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects, such as by contract, loan agreement, or board designation.

Temporarily restricted net assets are those whose use is subject to a donor-imposed restriction of time or purpose. When a purpose or time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Property and Equipment

Property and equipment are valued at historical cost for purchased items and at estimated fair value for donated items. Depreciation is computed on all depreciable property using the straight line method based on estimated useful lives. The estimated lives of such assets range between four and twenty years. KEET TV has not established an explicit capitalization policy.

Restricted and Unrestricted Support

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUEDContributed Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by KEET TV.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, KEET TV considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Taxes

KEET TV is exempt from federal and state income taxes under Internal Revenue Code Section (IRC) 501(c)(3) and California Revenue and Taxation Code Section 23701. Additionally, the Internal Revenue Service has determined that KEET TV is not a private foundation within the meaning of IRC Section 509(a).

KEET TV has adopted the provisions of Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109" (ASC 740). ASC 740 prescribes a new threshold for determining when an income tax benefit can be recognized, which is a higher threshold than the one imposed for claiming deductions on income tax returns. The adoption of ASC 740 did not have an impact on KEET TV's financial statements. KEET TV's federal and state tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have three and four year statute of limitations, respectively. KEET TV would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

Functional Expenses

KEET TV allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

Advertising Costs

Advertising costs are expensed in the period in which they are incurred.

Reclassifications and Comparative Financial Information

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Moreover, the financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with KEET TV's financial statements for the year ended June 30, 2014, for which summarized information was derived.

Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2015 and 2014 cash and cash equivalents were composed of the following:

| | <u>2015</u> | <u>2014</u> |
|----------------------|-------------------|-------------------|
| Petty cash | \$ 339 | \$ 375 |
| Checking and savings | <u>168,980</u> | <u>251,897</u> |
| | <u>\$ 169,319</u> | <u>\$ 252,272</u> |

NOTE C - RECEIVABLES

Receivable were composed of the following at June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|------------------|------------------|
| Trade receivables | \$ 42,400 | \$ 48,554 |
| Allowance for doubtful accounts | <u>(9,244)</u> | <u>(9,244)</u> |
| | 33,156 | 39,310 |
| Pledge receivables | 10,137 | 15,261 |
| Grant receivable | <u>5,557</u> | <u>2,916</u> |
| | <u>\$ 48,850</u> | <u>\$ 57,487</u> |

NOTE D - ENDOWMENT

The endowment is comprised of a Board designated endowment fund pooled with the Humboldt Area Foundation. The changes in the endowment for the years ended June 30, 2015 and 2014 are as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|-------------------|-------------------|
| Investment returns: | | |
| Interest and dividends earned | \$ 6,159 | \$ 4,000 |
| Realized gains (losses) | 6 | 3,116 |
| Unrealized gains (loss) | (1,767) | 19,994 |
| Other income | - | 16 |
| | <u>4,398</u> | <u>27,126</u> |
| Other changes: | | |
| Gifts | 175,600 | 27,596 |
| Investment/Management fees | <u>(2,174)</u> | <u>(1,735)</u> |
| Net changes in endowment | 177,824 | 52,987 |
| Endowment, Beginning of period | <u>187,332</u> | <u>134,345</u> |
| Endowment, End of period | <u>\$ 365,156</u> | <u>\$ 187,332</u> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E - PROPERTY AND EQUIPMENT

The following is a summary of the changes in property and equipment:

| | Balance July 1, 2014 | Additions | Disposals | Balance June 30, 2015 |
|------------------------------------|-------------------------|--------------------|-------------|--------------------------|
| Land and land improvements | \$ 434,799 | \$ - | \$ - | \$ 434,799 |
| Engineering building and equipment | 2,921,676 | 1,709 | - | 2,923,385 |
| Studio equipment | 1,769,833 | 158,934 | - | 1,928,767 |
| Vehicles | 51,706 | - | - | 51,706 |
| Building and improvements | 434,631 | - | - | 434,631 |
| Office furniture and equipment | 181,987 | 13,167 | - | 195,154 |
| Accumulated depreciation | <u>(4,453,902)</u> | <u>(257,668)</u> | <u>-</u> | <u>(4,711,570)</u> |
| | <u>\$ 1,340,730</u> | <u>\$ (83,858)</u> | <u>\$ -</u> | <u>\$ 1,256,872</u> |

| | Balance July 1, 2013 | Additions | Disposals | Balance June 30, 2014 |
|------------------------------------|-------------------------|---------------------|-------------|--------------------------|
| Land and land improvements | \$ 434,799 | \$ - | \$ - | \$ 434,799 |
| Engineering building and equipment | 2,908,065 | 13,611 | - | 2,921,676 |
| Studio equipment | 1,756,552 | 13,281 | - | 1,769,833 |
| Vehicles | 51,706 | - | - | 51,706 |
| Building and improvements | 434,631 | - | - | 434,631 |
| Office furniture and equipment | 181,987 | - | - | 181,987 |
| Accumulated depreciation | <u>(4,115,898)</u> | <u>(338,004)</u> | <u>-</u> | <u>(4,453,902)</u> |
| | <u>\$ 1,651,842</u> | <u>\$ (311,112)</u> | <u>\$ -</u> | <u>\$ 1,340,730</u> |

NOTE F - REFUNDABLE ADVANCES

KEET TV records grant and contract revenue as a refundable advance until it is expended for the purpose of the grant or contract, at which time it is recognized as revenue. The balances in refundable advances of \$13,300 and \$20,340 as of June 30, 2015 and 2014, respectively, represent amounts received from funding agencies and not expended for allowable program costs as follows:

| | 2015 | 2014 |
|--|------------------|------------------|
| USDA, Rural Utilities Service | | |
| Digital Transition Grant Agreement #BA1601-B33 | \$ 10,300 | \$ 10,300 |
| Underwriting and Other | - | 1,040 |
| Cal/Humanities Memorandum of Agreement | - | 9,000 |
| Foundation grants | <u>3,000</u> | <u>-</u> |
| | <u>\$ 13,300</u> | <u>\$ 20,340</u> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - CREDIT LINE

KEET TV has an available line of credit from Coast Central Credit Union for \$200,000. The credit line bears interest at a rate of 4.75%. The credit line is renewable every two years. A balance of \$0 and \$0 was outstanding as of June 30, 2015 and 2014, respectively.

NOTE H - NOTES PAYABLE

KEET TV is obligated under a promissory note, secured by real properties as follows:

| | <u>Current</u> | <u>Long-term</u> | <u>Total</u> |
|---|------------------|------------------|------------------|
| Note payable to North Valley Bank, payable at \$1,571 per month, including interest at 5.0%, secured by real property | <u>\$ 15,799</u> | <u>\$ 24,242</u> | <u>\$ 40,041</u> |

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

| | | |
|----------------------|----|---------------|
| Year Ending June 30 | | |
| 2016 | \$ | 17,281 |
| 2017 | | 18,852 |
| 2018 | | <u>6,327</u> |
| Minimum payments | | 42,460 |
| Less interest | | <u>2,419</u> |
| | | 40,041 |
| Less current portion | | <u>15,799</u> |
| Long-term portion | \$ | <u>24,242</u> |

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of equipment and public telecommunications facilities purchased with National Telecommunications and Information Administration/Public Telecommunications Facilities Program grants. All such equipment and facilities have recorded liens identifying the federal government (Department of Commerce) as the priority-secured creditor. The liens extend from the initial receipt of the equipment through a ten-year period following completion of the grant project.

| <u>Cost of Equipment and Facilities</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Lien Expiration</u> |
|---|-------------------------------------|---------------------------|----------------------------|
| <u>\$ 494,769</u> | <u>\$ 452,397</u> | <u>\$ 42,372</u> | 2015 |

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE J - CONTRIBUTED SERVICES

KEET TV trades for goods and services with businesses in the community. Trade revenues were as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------|------------------|------------------|
| Underwriting | \$ 15,156 | \$ 15,943 |
| Operating supplies | 13,610 | 3,095 |
| Rent | 9,000 | - |
| Services | <u>24,505</u> | <u>1,530</u> |
| | <u>\$ 62,271</u> | <u>\$ 20,568</u> |

NOTE K - SIGNIFICANT CONCENTRATION RISK

KEET TV does not maintain significant cash balances with financial institutions that are insured by the Federal Deposit Insurance Corporation. However, significant cash balances are insured by either the National Credit Union Administration or the Securities Investor Protection Corporation for up to \$250,000. Redwood Empire Public Television, Inc.'s uninsured cash balances at June 30, 2015 and 2014 total \$0 and \$0, respectively.

NOTE L - COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby 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. Public broadcasters use these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted operating funds; 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.

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE N - CONTINGENT LIABILITIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to audit. Such audits could result in claims against KEET TV for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits because the amounts, if any, cannot be determined at this date.

NOTE O - SUBSEQUENT EVENTS

KEET TV's management has evaluated its subsequent events through December 21, 2015, the date the financial statements were available to be issued.

This page left blank intentionally

SUPPLEMENTARY INFORMATION

| | Program Services | | | Total Program Services |
|---|----------------------------------|-------------------|---|------------------------------|
| | Programming and Production | Broadcasting | Program Information and Promotion | |
| Community service and interconnection grants | \$ - | \$ - | \$ - | \$ - |
| Local service grant | - | - | - | - |
| Other grants and contributions | 22,000 | 151,016 | 32,000 | 205,016 |
| In-kind and trade-out revenue | 15,156 | - | 6,080 | 21,236 |
| Membership contributions | - | - | 15,859 | 15,859 |
| Fund-raising events | - | - | - | - |
| | <u>37,156</u> | <u>151,016</u> | <u>53,939</u> | <u>242,111</u> |
| Production | 3,525 | - | - | 3,525 |
| Underwriting | 121,308 | - | 4,625 | 125,933 |
| Rents | - | 175,540 | - | 175,540 |
| Power reimbursement | - | 97,019 | - | 97,019 |
| Other income | 12,446 | - | 554 | 13,000 |
| Interest income | - | - | - | - |
| Realized gains on investments | - | - | - | - |
| Unrealized gains on investments | - | - | - | - |
| | <u>137,279</u> | <u>272,559</u> | <u>5,179</u> | <u>415,017</u> |
| TOTAL SUPPORT, REVENUE, AND GAINS | <u>\$ 174,435</u> | <u>\$ 423,575</u> | <u>\$ 59,118</u> | <u>\$ 657,128</u> |

SCHEDULE OF FUNCTIONAL SUPPORT AND REVENUES

For the Year Ended June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

| Fund-raising and Membership Development | Support Services | | Total Program and Support Services | |
|---|-------------------------------|------------------------------|---------------------------------------|---------------------|
| | General and Administrative | Total Support Services | 2015 | 2014 |
| \$ - | \$ 580,771 | \$ 580,771 | \$ 580,771 | \$ 610,995 |
| - | 76,992 | 76,992 | 76,992 | 76,654 |
| - | 24,805 | 24,805 | 229,821 | 78,253 |
| 9,250 | 31,785 | 41,035 | 62,271 | 20,568 |
| 285,729 | 2,500 | 288,229 | 304,088 | 342,100 |
| 133,051 | - | 133,051 | 133,051 | 124,795 |
| <u>428,030</u> | <u>716,853</u> | <u>1,144,883</u> | <u>1,386,994</u> | <u>1,253,365</u> |
| - | - | - | 3,525 | 6,437 |
| - | - | - | 125,933 | 112,882 |
| - | - | - | 175,540 | 171,734 |
| - | - | - | 97,019 | 90,384 |
| 807 | 1,462 | 2,269 | 15,269 | 22,617 |
| - | 6,160 | 6,160 | 6,160 | 4,018 |
| - | 6 | 6 | 6 | 3,116 |
| - | - | - | - | 19,994 |
| <u>807</u> | <u>7,628</u> | <u>8,435</u> | <u>423,452</u> | <u>431,182</u> |
| <u>\$ 428,837</u> | <u>\$ 724,481</u> | <u>\$ 1,153,318</u> | <u>\$ 1,810,446</u> | <u>\$ 1,684,547</u> |

The accompanying notes to financial statements are an integral part of this statement.

| | Program Services | | | Total Program Services |
|--|----------------------------------|-------------------|---|------------------------------|
| | Programming and Production | Broadcasting | Program Information and Promotion | |
| Salaries, payroll taxes, and employee benefits | \$ 184,344 | \$ 129,316 | \$ 27,757 | \$ 341,417 |
| Advertising | 15,677 | - | 26,843 | 42,520 |
| Bad debt | - | - | - | - |
| Bank charges | - | - | - | - |
| Commissions | 18,170 | - | - | 18,170 |
| Dues and subscriptions | - | - | 2,475 | 2,475 |
| Freight | 261 | 2,402 | 2,268 | 4,931 |
| Insurance | - | - | - | - |
| Interest expense | - | - | - | - |
| Membership campaign expense | - | - | - | - |
| Postage | 89 | 35 | 5,257 | 5,381 |
| Premiums | - | - | - | - |
| Printing/graphics | - | - | 9,629 | 9,629 |
| Production | 10,130 | - | - | 10,130 |
| Professional | 7,991 | - | 4,220 | 12,211 |
| Programming | 313,724 | - | - | 313,724 |
| Rent | - | 24,021 | 1,512 | 25,533 |
| Repair and maintenance | 13,739 | 57,885 | - | 71,624 |
| Supplies | 1,769 | 10,547 | 6,321 | 18,637 |
| Taxes and licenses | - | - | - | - |
| Telephone | 103 | - | - | 103 |
| Travel and training | 4,132 | 2,161 | 2,815 | 9,108 |
| Utilities | - | 177,187 | - | 177,187 |
| Miscellaneous | 971 | - | 12 | 983 |
| TOTAL EXPENSES BEFORE DEPRECIATION AND LOSSES | 571,100 | 403,554 | 89,109 | 1,063,763 |
| Depreciation | 116,099 | 127,113 | - | 243,212 |
| Unrealized losses | - | - | - | - |
| TOTAL EXPENSES AND LOSSES | \$ 687,199 | \$ 530,667 | \$ 89,109 | \$ 1,306,975 |

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

| | Support Services | | Total Support Services | Total Program and Support Services | |
|-------------------|---|-------------------------------|------------------------------|---------------------------------------|------|
| | Fund-raising and Membership Development | General and Administrative | | 2015 | 2014 |
| \$ 140,457 | \$ 102,436 | \$ 242,893 | \$ 584,310 | \$ 582,265 | |
| 1,750 | 656 | 2,406 | 44,926 | 41,441 | |
| - | 4,098 | 4,098 | 4,098 | 5,642 | |
| 10,903 | 365 | 11,268 | 11,268 | 10,491 | |
| 2,660 | - | 2,660 | 20,830 | 11,002 | |
| - | 810 | 810 | 3,285 | 13,105 | |
| 44 | - | 44 | 4,975 | 1,767 | |
| - | 24,126 | 24,126 | 24,126 | 26,893 | |
| - | 2,749 | 2,749 | 2,749 | 4,763 | |
| 10,730 | - | 10,730 | 10,730 | 12,013 | |
| 3,973 | 74 | 4,047 | 9,428 | 7,661 | |
| 13,782 | - | 13,782 | 13,782 | 17,453 | |
| 2,722 | 53 | 2,775 | 12,404 | 13,239 | |
| - | - | - | 10,130 | - | |
| 1,609 | 73,014 | 74,623 | 86,834 | 69,653 | |
| - | - | - | 313,724 | 334,247 | |
| 9,000 | 7,463 | 16,463 | 41,996 | 30,924 | |
| 9,739 | 19,115 | 28,854 | 100,478 | 52,191 | |
| 913 | 7,289 | 8,202 | 26,839 | 25,181 | |
| 100 | 7,273 | 7,373 | 7,373 | 8,060 | |
| 25 | 8,595 | 8,620 | 8,723 | 11,815 | |
| 8,043 | 3,609 | 11,652 | 20,760 | 32,875 | |
| - | 4,924 | 4,924 | 182,111 | 157,171 | |
| 1,000 | - | 1,000 | 1,983 | 7,463 | |
| 217,450 | 266,649 | 484,099 | 1,547,862 | 1,477,315 | |
| - | 14,456 | 14,456 | 257,668 | 338,004 | |
| - | 1,767 | 1,767 | 1,767 | - | |
| <u>\$ 217,450</u> | <u>\$ 282,872</u> | <u>\$ 500,322</u> | <u>\$ 1,807,297</u> | <u>\$ 1,815,319</u> | |

The accompanying notes to financial statements are an integral part of this statement.