

KVIE, INC.

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

**YEARS ENDED
JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
KVIE, Inc.
Sacramento, California**

We have audited the accompanying financial statements of KVIE, Inc. (the Station), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, 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 audits 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.

To the Board of Directors of
KVIE, Inc.
Page two

Opinion

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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

November 16, 2020

KVIE, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

| ASSETS | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|-----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 6,844,620 | \$ 3,325,094 |
| Accounts receivable, net | 177,585 | 128,382 |
| Contributions and grants receivable, current portion | 208,831 | 187,998 |
| Inventory | 15,225 | 66,927 |
| Prepaid expenses and deposits | 177,988 | 151,711 |
| Other current assets | <u>41,768</u> | <u>22,689</u> |
| Total current assets | 7,466,017 | 3,882,801 |
| NONCURRENT ASSETS: | | |
| Contributions and grants receivable, net | 340,142 | 282,919 |
| Other assets | 14,843 | 13,760 |
| Investments | 11,233,619 | 9,761,310 |
| Property and equipment, net | <u>7,538,673</u> | <u>7,988,009</u> |
| TOTAL ASSETS | <u>\$ 26,593,294</u> | <u>\$ 21,928,799</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 439,365 | \$ 255,296 |
| Accrued expenses | 571,272 | 459,452 |
| Deferred revenue | 541,377 | 644,461 |
| PPP Loan, current portion | 278,915 | |
| Current portion of long-term debt, net | <u>134,052</u> | <u>127,530</u> |
| Total current liabilities | 1,964,981 | 1,486,739 |
| PPP LOAN, Net | 348,085 | |
| LONG-TERM DEBT, Net | <u>3,669,078</u> | <u>3,792,625</u> |
| TOTAL LIABILITIES | <u>5,982,144</u> | <u>5,279,364</u> |
| NET ASSETS: | | |
| Without donor restrictions: | | |
| Undesignated | 7,852,990 | 6,339,993 |
| Board designated | 11,787,914 | 9,428,752 |
| With donor restrictions | <u>970,246</u> | <u>880,690</u> |
| Total net assets | <u>20,611,150</u> | <u>16,649,435</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 26,593,294</u> | <u>\$ 21,928,799</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, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| REVENUES AND SUPPORT: | | |
| Membership contributions | \$ 8,191,057 | \$ 7,203,921 |
| Less: Direct benefit to donors | <u>(537,674)</u> | <u>(582,763)</u> |
| Membership contributions, net | 7,653,383 | 6,621,158 |
| Grants and other contributions | 4,917,709 | 3,833,698 |
| Sponsorships | 1,302,207 | 1,553,995 |
| Production | 411,538 | 451,375 |
| Rental income | 368,201 | 359,621 |
| Special events | 240,530 | 239,081 |
| Royalties | 55,209 | 72,747 |
| Other revenue | 18,449 | 15,641 |
| Net assets released from restriction | <u>329,944</u> | <u>341,654</u> |
| Total revenues and support | <u>15,297,170</u> | <u>13,488,970</u> |
| EXPENSES: | | |
| Program services: | | |
| Programming and production | 5,268,109 | 5,336,471 |
| Broadcasting | 1,392,102 | 1,622,519 |
| Program information and promotion | <u>993,084</u> | <u>1,118,793</u> |
| Total program services | <u>7,653,295</u> | <u>8,077,783</u> |
| Supporting services: | | |
| Management and general | 1,854,889 | 1,728,240 |
| Fundraising and membership development | <u>2,239,119</u> | <u>2,173,429</u> |
| Total supporting services | <u>4,094,008</u> | <u>3,901,669</u> |
| Total expenses | <u>11,747,303</u> | <u>11,979,452</u> |
| INCOME FROM OPERATIONS | 3,549,867 | 1,509,518 |
| Interest and investment income | <u>322,292</u> | <u>754,788</u> |
| INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | <u>3,872,159</u> | <u>2,264,306</u> |

KVIE, INC.

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Grants and other contributions | \$ 419,500 | \$ 365,333 |
| Net assets released from restriction | <u>(329,944)</u> | <u>(341,654)</u> |
| INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | <u>89,556</u> | <u>23,679</u> |
| INCREASE IN NET ASSETS | 3,961,715 | 2,287,985 |
| NET ASSETS, Beginning of Year | <u>16,649,435</u> | <u>14,361,450</u> |
| NET ASSETS, End of Year | <u>\$ 20,611,150</u> | <u>\$ 16,649,435</u> |

KVIE, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020

| | <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>Management and general</u> | <u>Fundraising and membership development</u> | |
| Personnel costs | \$ 1,800,493 | \$ 215,486 | \$ 441,338 | \$ 1,133,744 | \$ 844,020 | \$ 4,435,081 |
| Program acquisition and development | 2,456,906 | | | | | 2,456,906 |
| Professional services | 211,033 | 81,479 | 187,256 | 203,267 | 327,339 | 1,010,374 |
| Depreciation | 350,020 | 409,328 | 13,037 | 73,334 | 68,956 | 914,675 |
| Occupancy | 105,222 | 465,937 | 10,547 | 57,960 | 59,311 | 698,977 |
| Repairs and maintenance | 175,575 | 138,675 | 32,824 | 100,932 | 137,069 | 585,075 |
| Bank charges and interest | 87,432 | 44,447 | 8,843 | 45,211 | 222,533 | 408,466 |
| Postage, shipping, printing, and supplies | 14,508 | 6,867 | 196,489 | 15,500 | 77,407 | 310,771 |
| Direct mail campaign | | | 25 | | 308,069 | 308,094 |
| Advertising and community relations | 2,480 | | 92,991 | 17,471 | 106,985 | 219,927 |
| Insurance, fees, and permits | 35,714 | 21,118 | 3,612 | 25,597 | 19,586 | 105,627 |
| Dues and subscriptions | 1,049 | | 22 | 84,901 | 230 | 86,202 |
| Conferences, trainings, and travel | 27,097 | 8,765 | 1,833 | 27,767 | 17,459 | 82,921 |
| Miscellaneous | 580 | | 4,267 | 69,205 | 50,155 | 124,207 |
| Total expenses | <u>\$ 5,268,109</u> | <u>\$ 1,392,102</u> | <u>\$ 993,084</u> | <u>\$ 1,854,889</u> | <u>\$ 2,239,119</u> | <u>\$ 11,747,303</u> |

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

KVIE, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

| | Program services | | | Supporting services | | Total |
|---|----------------------------------|----------------------------|--|----------------------------|---|-----------------------------|
| | Programming and production | Broadcasting | Program information and promotion | Management and general | Fundraising and membership development | |
| Personnel costs | \$ 1,760,306 | \$ 208,322 | \$ 407,284 | \$ 1,186,705 | \$ 782,096 | \$ 4,344,713 |
| Program acquisition and development | 2,481,385 | | | | 525 | 2,481,910 |
| Professional services | 225,994 | 86,460 | 200,544 | 135,460 | 305,994 | 954,452 |
| Depreciation | 438,911 | 480,037 | 24,112 | 59,368 | 70,563 | 1,072,991 |
| Occupancy | 110,483 | 473,022 | 18,387 | 46,873 | 55,945 | 704,710 |
| Repairs and maintenance | 138,620 | 124,763 | 22,544 | 49,263 | 65,972 | 401,162 |
| Bank charges and interest | 90,427 | 45,931 | 14,811 | 32,369 | 204,893 | 388,431 |
| Postage, shipping, printing, and supplies | 16,136 | 6,184 | 184,303 | 14,760 | 54,641 | 276,024 |
| Direct mail campaign | | | | | 412,907 | 412,907 |
| Advertising and community relations | 8,411 | | 230,155 | 19,251 | 158,208 | 416,025 |
| Loss on disposal of equipment | | 168,060 | | | | 168,060 |
| Insurance, fees, and permits | 39,658 | 22,984 | 6,489 | 21,378 | 20,385 | 110,894 |
| Dues and subscriptions | 608 | | 21 | 83,785 | 2,515 | 86,929 |
| Conferences, trainings, and travel | 24,867 | 6,756 | 7,855 | 20,135 | 16,503 | 76,116 |
| Miscellaneous | 665 | | 2,288 | 58,893 | 22,282 | 84,128 |
| Total expenses | <u>\$ 5,336,471</u> | <u>\$ 1,622,519</u> | <u>\$ 1,118,793</u> | <u>\$ 1,728,240</u> | <u>\$ 2,173,429</u> | <u>\$ 11,979,452</u> |

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

KVIE, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in net assets | \$ 3,961,715 | \$ 2,287,985 |
| Reconciliation to net cash and cash equivalents provided by operating activities: | | |
| Depreciation | 914,671 | 1,072,991 |
| Net realized and unrealized gain on investments | (121,867) | (591,989) |
| Receipt of donated investments | (109,802) | (19,092) |
| Loss on disposal of property and equipment | | 168,060 |
| Amortization of deferred financing costs | 22,436 | 22,437 |
| Permanently restricted contributions | 11,500 | 1,500 |
| Changes in: | | |
| Accounts receivable | (49,203) | 111,001 |
| Contributions and grants receivable | (78,056) | (22,179) |
| Inventory | 51,702 | (39,434) |
| Prepaid expenses and deposits | (26,277) | (8,714) |
| Other assets | (20,162) | 5,633 |
| Accounts payable | 184,069 | (32,009) |
| Accrued expenses | 111,820 | 33,146 |
| Deferred revenue | (103,084) | 227,510 |
| Net cash and cash equivalents provided by operating activities | <u>4,749,462</u> | <u>3,216,846</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (5,739,421) | (4,968,209) |
| Proceeds from sale of investments | 4,498,781 | 3,930,564 |
| Purchases of property and equipment | (465,335) | (862,926) |
| Net cash and cash equivalents used by investing activities | <u>(1,705,975)</u> | <u>(1,820,571)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Permanently restricted contributions | (11,500) | (1,500) |
| Proceeds from PPP Loan | 627,000 | |
| Repayment of long-term debt | (139,461) | (134,353) |
| Net cash and cash equivalents provided (used) by financing activities | <u>476,039</u> | <u>(135,853)</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 3,519,526 | 1,260,422 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | <u>3,325,094</u> | <u>2,064,672</u> |
| CASH AND CASH EQUIVALENTS, End of Year | <u>\$ 6,844,620</u> | <u>\$ 3,325,094</u> |
| SUPPLEMENTAL DISCLOSURE: | | |
| Cash paid for interest | <u>\$ 183,705</u> | <u>\$ 188,798</u> |

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

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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** consists 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 \$792,738 at June 30, 2020, and will be recognized as revenue as the conditions are met.

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Donations of materials, equipment, and professional services are recorded as in-kind donations and recognized at the estimated fair value as of the date of donation or service. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

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 cost 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 year ended June 30, 2020, revenue recognized for goods and services provided at a point in time for production revenues and video production revenues totaling \$412,688.

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, 2020 and 2019 were \$5,988,152 and \$2,655,469, 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, 2020 and 2019 was \$9,570 and \$17,563, 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

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020 and 2019 was \$70,997 and \$64,546, 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

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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 May 2014, the Financial Accounting Standards Board (FASB) issued Topic 606, Revenue from Contracts with Customers. The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. The Station has implemented Topic 606 effective July 1, 2019 for all contracts with no effect on beginning net assets.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The Station has implemented this accounting standard in the accompanying financial statements effective July 1, 2019 under the modified prospective basis. Accordingly, there is no effect on beginning net assets in connection with the implementation of ASU 2018-08.

Future accounting pronouncement – 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.

Subsequent events have been reviewed through November 16, 2020, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2020, that require recognition or disclosure in such financial statements.

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 6,844,620 | \$ 3,325,094 |
| Investments | 11,233,619 | 9,761,310 |
| Contributions, grants, and accounts receivable, net of allowance | <u>726,558</u> | <u>599,299</u> |
| Total financial assets | 18,804,797 | 13,685,703 |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Board designated funds | (11,787,914) | (9,428,752) |
| Restriction by donors for time or purpose | <u>(970,246)</u> | <u>(880,690)</u> |
| Total financial assets available for general expenditure within one year | <u>\$ 6,046,637</u> | <u>\$ 3,376,261</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 \$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:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------------|-------------------|
| Contributions and grants | \$ 619,970 | \$ 535,463 |
| Less: Allowance for doubtful accounts | <u>(70,997)</u> | <u>(64,546)</u> |
| Total | <u>\$ 548,973</u> | <u>\$ 470,917</u> |

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------------|-------------------|
| Within one year | \$ 208,830 | \$ 196,920 |
| One to five years | 401,140 | 323,543 |
| More than five years | 10,000 | 15,000 |
| Less: Allowance for doubtful accounts | <u>(70,997)</u> | <u>(64,546)</u> |
| Total | <u>\$ 548,973</u> | <u>\$ 470,917</u> |

5. INVESTMENTS

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------|----------------------|---------------------|
| Level 1 Investments: | | |
| Cash and equivalents | \$ 61,858 | \$ 98,569 |
| Stock funds: | | |
| Information technology | 1,299,450 | 866,209 |
| Healthcare | 1,022,694 | 757,833 |
| Communication services | 955,826 | 857,929 |
| Consumer staples | 800,992 | 634,673 |
| Others | 712,063 | 815,131 |
| Consumer discretionary | 568,932 | 500,090 |
| Financial | 368,708 | 506,447 |
| Industrial | 325,176 | 542,979 |
| Utilities | 286,427 | 234,557 |
| Energy | 184,815 | 231,354 |
| Materials | 113,143 | 45,204 |
| Fixed income funds: | | |
| Ultra-short-term | 3,541,766 | 1,752,369 |
| Short-term | 708,455 | 1,331,319 |
| US fixed income taxable | 60,197 | 271,654 |
| Inflation linked | | 124,152 |
| High yield fixed income | 1,293 | |
| Alternative funds: | | |
| Precious metals | 181,596 | 144,522 |
| Real estate | <u>41,228</u> | <u>46,319</u> |
| Total | <u>\$ 11,233,619</u> | <u>\$ 9,761,310</u> |

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

6. PROPERTY AND EQUIPMENT

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

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-----------------------------|
| Land | \$ 2,392,502 | \$ 2,392,502 |
| Buildings | 9,330,426 | 9,330,426 |
| Broadcast equipment | 7,059,882 | 7,059,882 |
| Production equipment | 2,975,755 | 2,905,053 |
| Office and production furniture and equipment | 1,369,163 | 1,312,697 |
| Leasehold improvements | 427,713 | 427,713 |
| Vehicles and related equipment | 161,349 | 161,349 |
| Construction in process | <u>338,167</u> | <u> </u> |
| Total | 24,054,957 | 23,589,622 |
| Less: Accumulated depreciation and amortization | <u>(16,516,284)</u> | <u>(15,601,613)</u> |
| Total | <u>\$ 7,538,673</u> | <u>\$ 7,988,009</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, 2020. There were no amounts outstanding on this line of credit at June 30, 2020 and 2019.

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, 2020 and 2019 was \$3,877,919 and \$4,017,380, 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, 2020 and 2019 was \$74,789 and \$97,225, respectively.

Total interest expense was \$183,233 and \$188,344 for 2020 and 2019, respectively.

Maturities on the note are as follows:

Year ending June 30:

| | |
|-------|---------------------|
| 2021 | \$ 145,571 |
| 2022 | 151,589 |
| 2023 | 157,856 |
| 2024 | <u>3,422,903</u> |
| Total | <u>\$ 3,877,919</u> |

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPPFA) signed into law in June 2020. Under the CARES Act, as modified by PPPFA, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained. The portion of the loan that does not qualify for forgiveness or any additional amount that the Station chooses to retain as a loan, is required to be repaid within 2 years at 1% interest. Payments are to begin November 2020.

The Station anticipates applying for forgiveness, however the application for loan forgiveness is subject to approval by the lender and could also be subject to audit at a future date. It is reasonably possible that the entire loan will be required to be repaid.

If the Station is required or chooses to repay the loan in full, future minimum principal payments on the loan payable are as follows:

Year ending June 30:

| | | |
|-------|----|----------------|
| 2021 | \$ | 278,915 |
| 2022 | | <u>348,085</u> |
| Total | \$ | <u>627,000</u> |

There was no interest expense related to this loan for the year ended June 30, 2020.

10. NET ASSETS

Net assets without donor restrictions are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Board designated reserve | \$ 11,787,914 | \$ 9,428,752 |
| Undesignated | <u>7,877,990</u> | <u>6,339,993</u> |
| Total net assets without donor restrictions | <u>\$ 19,665,904</u> | <u>\$ 15,768,745</u> |

Net assets with donor restrictions are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Time restricted contributions receivable | \$ 548,973 | \$ 470,917 |
| Perpetual endowment fund | <u>421,273</u> | <u>409,773</u> |
| Total net assets with donor restrictions | <u>\$ 970,246</u> | <u>\$ 880,690</u> |

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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, 2020 and 2019 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 \$11,500 and \$1,500 in 2020 and 2019, respectively. 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.

11. DONATED SERVICES AND FACILITIES

The Station received the following donated services and facilities, for the years ending June 30:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------------|-------------------|
| Tower facilities | \$ 360,000 | \$ 360,000 |
| Goods and supplies | <u>96,711</u> | <u>184,730</u> |
| Total donated services and facilities | <u>\$ 456,711</u> | <u>\$ 544,730</u> |

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 are as follows, for the years ending June 30:

Year ending June 30:

| | |
|-------|-------------------|
| 2021 | \$ 289,563 |
| 2022 | <u>280,644</u> |
| Total | <u>\$ 570,207</u> |

KVIE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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 \$147,100 and \$145,562 for the years ended June 30, 2020 and 2019, 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.

16. CONTINGENCIES

As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact operating results of the Station. Additionally, certain events have been postponed or cancelled due to governmental restrictions on large gatherings. The potential financial impact of these changes is unknown at this time.