

**KVIE, INC.**

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

**YEARS ENDED  
JUNE 30, 2021 AND 2020**

## **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, 2021 and 2020, 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.  
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**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, 2021 and 2020, 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 8, 2021**

# KVIE, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

<b>ASSETS</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,686,605	\$ 6,844,620
Accounts receivable, net	219,567	177,585
Contributions and grants receivable, current portion	174,899	208,831
Inventory		15,225
Prepaid expenses and deposits	162,596	177,988
Other current assets	<u>53,230</u>	<u>41,768</u>
Total current assets	7,296,897	7,466,017
<b>NONCURRENT ASSETS:</b>		
Contributions and grants receivable, net	133,100	340,142
Other assets	20,601	14,843
Investments	18,529,594	11,233,619
Property and equipment, net	<u>7,824,077</u>	<u>7,538,673</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 33,804,269</u></b>	<b><u>\$ 26,593,294</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 171,263	\$ 439,365
Accrued expenses	939,585	571,272
Deferred revenue	552,072	541,377
Paycheck Protection Program loan, current portion		278,915
Current portion of long-term debt, net	<u>140,072</u>	<u>134,052</u>
Total current liabilities	1,802,992	1,964,981
<b>PAYCHECK PROTECTION PROGRAM LOAN, Net</b>		348,085
<b>LONG-TERM DEBT, Net</b>	<u>3,539,829</u>	<u>3,669,078</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,342,821</u></b>	<b><u>5,982,144</u></b>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Undesignated	7,785,640	7,852,990
Board designated	19,941,736	11,787,914
With donor restrictions	<u>734,072</u>	<u>970,246</u>
Total net assets	<u>28,461,448</u>	<u>20,611,150</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 33,804,269</u></b>	<b><u>\$ 26,593,294</u></b>

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

# KVIE, INC.

## STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>REVENUES AND SUPPORT:</b>		
Membership contributions	\$ 8,580,138	\$ 8,191,057
Less: Direct benefit to donors	<u>(457,758)</u>	<u>(537,674)</u>
Membership contributions, net	8,122,380	7,653,383
Grants and other contributions	5,567,543	4,917,709
Sponsorships	1,121,458	1,302,207
Paycheck Protection Program loan forgiveness	627,000	
Rental income	353,285	368,201
Production	250,295	412,688
Special events	238,579	240,530
Royalties	176,468	55,209
Other revenue	28,068	17,299
Net assets released from restriction	<u>270,974</u>	<u>329,944</u>
Total revenues and support	<u>16,756,050</u>	<u>15,297,170</u>
<b>EXPENSES:</b>		
<b>Program services:</b>		
Programming and production	5,246,414	5,268,109
Broadcasting	1,255,038	1,392,102
Program information and promotion	<u>965,251</u>	<u>993,084</u>
Total program services	<u>7,466,703</u>	<u>7,653,295</u>
<b>Supporting services:</b>		
Fundraising and membership development	2,595,051	2,239,119
Management and general	<u>1,864,522</u>	<u>1,854,889</u>
Total supporting services	<u>4,459,573</u>	<u>4,094,008</u>
Total expenses	<u>11,926,276</u>	<u>11,747,303</u>
<b>INCOME FROM OPERATIONS</b>	4,829,774	3,549,867
Interest and investment income	2,988,072	322,292
Gain on sale of property and equipment	<u>268,626</u>	<u>                    </u>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>8,086,472</u>	<u>3,872,159</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, 2021 AND 2020

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	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Grants and other contributions	\$ 34,800	\$ 419,500
Net assets released from restriction	<u>(270,974)</u>	<u>(329,944)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(236,174)</u>	<u>89,556</u>
<b>INCREASE IN NET ASSETS</b>	7,850,298	3,961,715
<b>NET ASSETS, Beginning of Year</b>	<u>20,611,150</u>	<u>16,649,435</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 28,461,448</u>	<u>\$ 20,611,150</u>

## KVIE, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

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

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

## 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>Fundraising and membership development</u>	<u>Management and general</u>	
Personnel costs	\$ 1,800,493	\$ 215,486	\$ 441,338	\$ 844,020	\$ 1,133,744	\$ 4,435,081
Program acquisition and development	2,456,906					2,456,906
Professional services	211,033	81,479	187,256	327,339	203,267	1,010,374
Depreciation	350,020	409,328	13,037	68,956	73,330	914,671
Occupancy	105,222	465,937	10,547	59,311	57,960	698,977
Bank charges and interest	87,432	44,447	8,843	222,533	45,211	408,466
Direct mail campaign			25	308,069		308,094
Repairs and maintenance	175,575	138,675	32,824	137,069	100,932	585,075
Postage, shipping, printing, and supplies	14,508	6,867	196,489	77,407	15,500	310,771
Advertising and community relations	2,480		92,991	106,985	17,471	219,927
Insurance, fees, and permits	35,714	21,118	3,612	19,586	25,597	105,627
Dues and subscriptions	1,049		22	230	84,901	86,202
Conferences, trainings, and travel	27,097	8,765	1,833	17,459	27,767	82,921
Miscellaneous	580		4,267	50,155	69,209	124,211
<b>Total expenses</b>	<b><u>\$ 5,268,109</u></b>	<b><u>\$ 1,392,102</u></b>	<b><u>\$ 993,084</u></b>	<b><u>\$ 2,239,119</u></b>	<b><u>\$ 1,854,889</u></b>	<b><u>\$ 11,747,303</u></b>

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



# KVIE, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 7,850,298	\$ 3,961,715
Reconciliation to net cash and cash equivalents provided by operating activities:		
Depreciation	782,318	914,671
Net realized and unrealized gain on investments	(2,774,352)	(121,867)
Receipt of donated investments	(103,547)	(109,802)
Gain on disposal of property and equipment	(268,626)	
Forgiveness of Paycheck Protection Program loan	(627,000)	
Amortization of deferred financing costs	22,437	22,436
Permanently restricted contributions	2,300	11,500
Changes in:		
Accounts receivable	(41,982)	(49,203)
Contributions and grants receivable	240,974	(78,056)
Inventory	15,225	51,702
Prepaid expenses and deposits	15,392	(26,277)
Other assets	(17,220)	(20,162)
Accounts payable	(268,102)	184,069
Accrued expenses	368,313	111,820
Deferred revenue	10,695	(103,084)
Net cash and cash equivalents provided by operating activities	<u>5,207,123</u>	<u>4,749,462</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(15,040,943)	(5,739,421)
Proceeds from sale of investments	10,622,867	4,498,781
Purchases of property and equipment	(1,074,096)	(465,335)
Proceeds from sale of property and equipment	275,000	
Net cash and cash equivalents used by investing activities	<u>(5,217,172)</u>	<u>(1,705,975)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Permanently restricted contributions	(2,300)	(11,500)
Proceeds from Paycheck Protection Program loan		627,000
Repayment of long-term debt	(145,666)	(139,461)
Net cash and cash equivalents provided (used) by financing activities	<u>(147,966)</u>	<u>476,039</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(158,015)	3,519,526
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>6,844,620</u>	<u>3,325,094</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 6,686,605</u>	<u>\$ 6,844,620</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest	<u>\$ 177,523</u>	<u>\$ 183,705</u>

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

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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### 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 20<sup>th</sup> 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.

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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Outstanding conditional promises to give for the purposes of underwriting on television programs were \$528,363 and \$792,728 at June 30, 2021 and 2020, respectively, and will be recognized as revenue as the conditions are met.

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 years ended June 30, 2021 and 2020, revenue recognized for goods and services provided at a point in time for production revenues and video production revenues totaling \$250,295 and \$412,688, respectively.

**Cash and cash equivalents** – For financial statement purposes, the Station considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes. The Station minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Station has not experienced any losses in such accounts and management believes the Station is not exposed to any significant credit risk related to cash. Cash balances in excess of the federally insured limits at June 30, 2021 and 2020 were \$5,997,267 and \$5,988,152, 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, 2021 and 2020 was \$2,173 and \$9,570, respectively.

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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**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, 2021 and 2020 was \$55,889 and \$70,997, 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.

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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

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

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

**Recent accounting pronouncements** – In 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 8, 2021, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2021, that require recognition or disclosure in such financial statements.

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,686,605	\$ 6,844,620
Investments	18,529,594	11,233,619
Contributions, grants, and accounts receivable, net of allowance	<u>527,566</u>	<u>726,558</u>
Total financial assets	25,743,765	18,804,797
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Board designated funds	(19,941,736)	(11,787,914)
Restriction by donors for time or purpose	<u>(734,072)</u>	<u>(970,246)</u>
Total financial assets available for general expenditure within one year	<u>\$ 5,067,957</u>	<u>\$ 6,046,637</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>2021</u>	<u>2020</u>
Contributions and grants	\$ 363,888	\$ 619,970
Less: Allowance for doubtful accounts	<u>(55,889)</u>	<u>(70,997)</u>
Total	<u>\$ 307,999</u>	<u>\$ 548,973</u>

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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

	<u>2021</u>	<u>2020</u>
Within one year	\$ 174,899	\$ 208,830
One to five years	188,989	401,140
More than five years		10,000
Less: Allowance for doubtful accounts	<u>(55,889)</u>	<u>(70,997)</u>
Total	<u>\$ 307,999</u>	<u>\$ 548,973</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. Investments consist of the following, as of June 30:

	<u>2021</u>	<u>2020</u>
Level 1 Investments:		
Cash and equivalents	\$ 105,957	\$ 61,858
Stock funds:		
Others	2,208,895	712,063
Information technology	1,981,972	1,299,450
Healthcare	1,824,267	1,022,694
Communication services	1,800,113	955,826
Consumer staples	1,378,710	800,992
Consumer discretionary	1,228,964	568,932
Financial	1,019,180	368,708
Industrial	1,000,319	325,176
Materials	603,224	113,143
Utilities	411,598	286,427
Energy	175,544	184,815
Fixed income funds:		
Ultra-short-term	3,121,338	3,541,766
Short-term	689,183	707,455
High yield fixed income	414,534	1,293
US fixed income taxable		60,197
Alternative funds:		
Precious metals	217,973	181,596
Real estate	<u>347,823</u>	<u>41,228</u>
Total	<u>\$ 18,529,594</u>	<u>\$ 11,233,619</u>

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### 6. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 2,386,128	\$ 2,392,502
Buildings	9,330,426	9,330,426
Broadcast equipment	7,070,366	7,059,882
Production equipment	3,013,930	2,975,755
Office and production furniture and equipment	1,369,163	1,369,163
Leasehold improvements	427,713	427,713
Vehicles and related equipment	161,349	161,349
Construction in process	<u>1,363,604</u>	<u>338,167</u>
Total	25,122,679	24,054,957
Less: Accumulated depreciation and amortization	<u>(17,298,602)</u>	<u>(16,516,284)</u>
Total	<u>\$ 7,824,077</u>	<u>\$ 7,538,673</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, 2021. There were no amounts outstanding on this line of credit at June 30, 2021 and 2020.

### 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, 2021 and 2020 was \$3,732,253 and \$3,877,919, 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, 2021 and 2020 was \$52,352 and \$74,789, respectively.

Total interest expense was \$177,030 and \$183,233 for June 30, 2021 and 2020, respectively.

Maturities on the note are as follows:

#### Year ending June 30:

2022	\$ 151,589
2023	157,856
2024	<u>3,422,808</u>
Total	<u>\$ 3,732,253</u>



# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### 9. PAYCHECK PROTECTION PROGRAM LOAN

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

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

### 10. NET ASSETS

Net assets without donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Board designated reserve	\$ 19,941,736	\$ 11,787,914
Undesignated	<u>7,785,640</u>	<u>7,852,990</u>
Total net assets without donor restrictions	<u>\$ 27,727,376</u>	<u>\$ 19,640,904</u>

Net assets with donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Time restricted contributions receivable	\$ 307,999	\$ 548,973
Purpose restricted contributions	2,500	
Perpetual endowment fund	<u>423,573</u>	<u>421,273</u>
Total net assets with donor restrictions	<u>\$ 734,072</u>	<u>\$ 970,246</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, 2021 and 2020 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

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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of \$2,300 and \$11,500 in June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Tower facilities	\$ 360,000	\$ 360,000
Goods and supplies	<u>304</u>	<u>96,711</u>
Total donated services and facilities	<u>\$ 360,304</u>	<u>\$ 456,711</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:

2022	\$ 291,028
2023	<u>246,314</u>
Total	<u>\$ 537,342</u>

### 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.

# KVIE, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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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 \$130,577 and \$147,100 for the years ended June 30, 2021 and 2020, 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 ongoing COVID-19 pandemic, economic uncertainties have arisen which could have a negative impact on the Organization through future business disruption or decreases in funding. While the impact is expected to be temporary, there is considerable uncertainty around the duration of the impact. Therefore, the potential financial impact and duration cannot be reasonably estimated at this time.

### **17. RELATED PARTIES**

On September 16, 2020 KVIE Real Property Holdings LLC was created, with KVIE, Inc. being the sole member of the LLC. This organization was created for the purpose of holding title over any land donations made to KVIE, Inc. and conducting the sale of said land. As of June 30, 2021, no such donations have been received and the LLC has had no activity.