Shenandoah Valley Educational Television Corporation

Financial Statements

January 31, 2018

Keiter
Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

Table of Contents

	Page
Report of Independent Accountants	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Shenandoah Valley Educational Television Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Shenandoah Valley Educational Television Corporation (the "Corporation), which comprise the statement of financial position as of January 31, 2018, and the related statements of activities, functional expenses, and cash flows for the seven-month period 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of January 31, 2018, and the changes in net assets and its cash flows for the seven-month period then ended in accordance with accounting principles generally accepted in the United States.

Keiter

May 17, 2019
Glen Allen, Virginia

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

Statement of Financial Position
January 31, 2018

Assets		
Cash and cash equivalents	$	1,045,585
Accounts receivable		32,150
Prepaid expenses		47,000
Broadcast and duplications rights		121,584
Property and equipment, net		539,921
Investments		8,402,649
Total assets	$	10,188,889
Liabilities and Net Assets		
Accounts payable	$	114,850
Accrued expenses		84,530
Deferred revenue for capital additions		165,135
Deferred operating revenue		152,529
Total liabilities		517,044
Net assets:		
Unrestricted:		
Undesignated		8,919,176
Board designated		704,333
Total unrestricted net assets		9,623,509
Temporarily restricted		48,336
Total net assets		9,671,845
Total liabilities and net assets	$	10,188,889

See accompanying notes to financial statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

Statement of Activities
Seven-Month Period Ended January 31, 2018

Change in unrestricted net assets:	
Support and revenue:	
CPB community service contract grant	$ 469,486
City, county and other grants	4,650
Memberships and donations	109,469
Program underwriting	150,932
Tower rental income	163,075
Production and programming	42,372
Moss print income	7,227
Other development projects	4,829
Educational service and other revenue	46,502
Investment income, net	620,956
Amortization of deferred revenue from capital grants	131,053
Total unrestricted support and revenue	1,750,551
Expenses:	
Program services:	
Programming and production	$ 222,549
Broadcasting	485,992
Program information	222,464
Fundraising and development	230,756
Administration	382,101
Total expenses	1,543,862
Total change in unrestricted net assets	206,689
Net assets at beginning of year	9,465,156
Net assets at end of year	$ 9,671,845

See accompanying notes to financial statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

Statement of Functional Expenses
Seven-Month Period Ended January 31, 2018

	Program Services						
	Programming & Production	Public Broadcasting	Program Information	Total Program Services	Fundraising & Development	Administrative	Total
Salaries and wages	$ 43,613	$ 36,061	$ 106,539	$ 186,213	$ 138,522	$ 137,641	$ 462,376
Employess benefits and other personnel costs	15,190	5,486	19,555	40,231	32,748	14,663	87,642
Broadcast rights	136,777	-	-	136,777	-	-	136,777
Travel and training	2,130	6	519	2,655	1,786	168	4,609
Maintenance and repairs	221	53,223	-	53,444	-	-	53,444
Operating supplies	9	21	2,779	2,809	5,101	6,145	14,055
Utilities and communication	-	71,276	1,144	72,420	3,170	11,432	87,022
Fees and dues	-	99	-	99	5,423	4,992	10,514
Contracted services	4,021	82,129	42,823	128,973	19,954	97,372	246,299
Postage and freight	8	-	104	112	4,656	2,618	7,386
Advertising and promotion	-	-	47,358	47,358	-	-	47,358
Depreciaton	23,890	217,662	1,643	243,195	3,735	5,791	252,721
Insurance	-	-	-	-	-	20,529	20,529
Rent	-	28,664	-	28,664	-	51,233	79,897
Other	-	-	-	-	3,716	29,517	33,233
	225,859	494,627	222,464	942,950	218,811	382,101	1,543,862
Allocation of joint activity costs	(3,310)	(8,635)	-	(11,945)	11,945	-	-
	$ 222,549	$ 485,992	$ 222,464	$ 931,005	$ 230,756	$ 382,101	$ 1,543,862

See accompanying notes to financial statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

Statement of Cash Flows
Seven-Month Period Ended January 31, 2018

Cash flows from operating activities:		
Change in net assets	$	206,689
Adjustments to reconcile change in net assets to net cash from operating activites:		
Depreciation		252,721
Reinvested net investment income		(520,423)
Changes in assets and liabilites:		
Accounts receivable		1,213,068
Contributions receivable		107,529
Prepaid expenses		7,201
Accounts payable		(205,596)
Accrued expenses		22,156
Income tax payable		(8,311)
Deferred revenue for capital additions		(131,053)
Deferred operating revenue		41,123
Net cash provided by operating activities		985,104
Cash flows from investing activities		
Purchases of property and equipment		(24,071)
Purchases of broadcasting and publication rights		(7,165)
Net cash used in investing activities		(31,236)
Cash flows from investing activities:		
Payments on line of credit		(100,000)
Net change in cash		853,868
Cash and cash equivalents at the beginning of the year		191,717
Cash and cash equivalents at the end of the year	$	1,045,585
Supplemental disclosure of cash flow information		
Cash paid during the year for taxes	$	8,126

See accompanying notes to financial statements.

SHENANDOAH VALLEY EDUCATIONAL TELEVISION CORPORATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Business: Shenandoah Valley Educational Television Corporation (the "Corporation") is a nonprofit corporation whose primary operations consist of the production and/or broadcasting of educational (public) television programs in and around the Shenandoah Valley, Central Virginia, Northern Virginia, and parts of the District of Columbia. Originating from facilities in Harrisonburg, Virginia, the Corporation broadcasts over its television station, WVPT in Staunton, and five translators.

As of January 31, 2018 the Corporation contributed its assets and liabilities to Commonwealth Public Broadcasting. The accompanying financial statements represent the Corporation's standalone financial position as of January 31, 2018 and its change in net assets and cash flows for the seven month period then ended. The Corporation's operations will continue to exist under Commonwealth Public Broadcasting subsequent to the transaction.

Financial Statement Presentation: The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include undesignated and board designated net assets. Board designated net assets represent contributions with no donor-imposed stipulations as to their purpose which the Corporation's Board of Directors have earmarked for specific purposes.

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose.

The Corporation had no permanently restricted net assets as of January 31, 2018.

Recognition of Support and Revenue, Contributions and Grants: Contributions and grants are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contribution or grant is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted. Revenue from grants for specific projects and activities are recognized as revenue when expended. Grants for construction or acquisition of property and equipment are initially recorded as deferred revenue and amortized to income over the estimated aggregate lives of the assets related to the grant(s). Revenue from services is recorded as the service is rendered. Corporate underwriting support revenue is treated as an exchange transaction in which funds received are exchanged for underwriting credits with an equal value.

Fair Value of Financial Instruments: Due to the short-term nature of the Corporation's accounts receivable, prepaid expenses, accounts payable, and accrued liabilities, there are no significant differences between their recorded and fair values.

1. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents: The Corporation considers demand deposits, money market accounts, and other investment with a maturity of less than three months when purchased to be cash equivalents.

Accounts Receivable: Accounts receivable consist principally of membership subscriptions, certain grant receivables, and amounts for underwriting and miscellaneous receivables. They are carried at original amounts billed, less an estimate for doubtful receivables based on periodic review by management. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to certain types of accounts receivable, primarily membership subscriptions. Accounts receivable are written off when deemed uncollectible. Recoveries of amounts previously written off are recorded when received. There was no estimate for doubtful accounts receivable as of January 31, 2018.

Broadcast and Duplication Rights: The costs of purchased broadcast rights are capitalized and charged to operating expenses over the length of the license period based upon the estimated number of future showings, which is generally less than one year. Contributions of rights to duplicate artwork for resale are capitalized and charged to expenses as the prints are sold.

Investments: Investments are measured at fair value as determined by quoted market prices with gains and losses included in the accompany statement of activities. Purchases and sales of securities are recorded on a trade date basis; dividends are recorded as of the ex-dividend date, and interest is accrued as earned. See Notes 2 and 4 for additional information on fair value measurement.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment: Purchased property and equipment are stated at cost. Equipment donated by the Public Broadcasting Service is included at the fair market value of the equipment as of the date of the donation. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is determined by the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and leasehold improvements	5 - 27 years
Transmitter, towers and antennas	5 - 25 years
Other broadcasting equipment	5 - 10 years
Office furniture and equipment	3 - 10 years
Vehicles	5 - 7 years

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment, Continued: Depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Concentrations of Credit Risk: Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and accounts receivable. Two customers accounted for 67% of the accounts receivable balance as of January 31, 2018.

The Corporation maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. The Corporation periodically has funds in excess of federally insured limits.

The Corporation receives a significant amount of its funding directly or indirectly from the federal government and from local underwriters. Significant reductions in these levels of this support could have a significant effect on the Corporation's activities.

Deferred Revenue: Deferred operating revenue consists of advance grant payments, advance rental payments and the unearned portion of underwriting support. Deferred revenue for capital additions represents capital expenditure grants, which are recognized as revenue as the related assets are depreciated (as described in Note 3).

Advertising and Promotion: Advertising and promotion costs are expensed as incurred. Advertising costs for the seven-month period ending January 31, 2018 were $47,358.

Functional Allocation of Expenses: Program, fundraising, and administrative costs have been summarized on a functional basis in the statement of activities. Certain direct costs have been charged to programs and supporting services on the basis of the activity benefited. The Corporation's production and broadcasting activities and certain program information materials include fundraising appeals. Accordingly, joint costs are allocated to fundraising as displayed in the statement of functional expenses.

Tax Status: The Internal Revenue Service has determined that the Corporation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Under the provisions of Section 501, the Corporation is exempt from income taxes on income other than unrelated business income.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Corporation has no significant financial statement exposure to uncertain income tax positions at January 31, 2018. The Corporation is not currently under audit by any tax jurisdiction.

1. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Retirement Plan: The Corporation sponsors a 401(k) defined contribution retirement plan, which allows for contributions by employees as well as the Corporation, covering substantially all employees. The Corporation may match a portion of elective employee contributions to the plan and/or make additional contributions at the discretion of the Board of Directors. There were no employer contributions for the seven-month period ended January 31, 2018.

Subsequent events: Subsequent events have been evaluated through May 17, 2019 which was the date the financial statements were available to be issued. On January 31, 2018 the Corporation contributed its assets and liabilities to Commonwealth Public Broadcasting.

2. Investments:

The Corporation's investment policies describe overall investment objectives as well as defining types of authorized investments to provide for a diversified portfolio. Under these policies, investments are managed to maintain funds for future needs. The funds may be invested in U.S. government and corporate obligations, domestic and international equities, and other instruments meeting criteria established by the Board of Directors.

Fair values as of January 31, 2018 are summarized as follows:

Equities:	
Exchange traded funds	$ 1,374,112
Mutual funds	5,574,862
Fixed income	1,453,675
	$ 8,402,649

2. Investments, Continued:

Net investment income is reported as follows for the seven-month period ended January 31, 2018:

Interest and dividends	$	61,267
Net realized gain		131,958
Net unrealized gain		427,731
Net investment income	$	620,956

3. Property and Equipment:

Property and equipment consists of the following at January 31, 2018:

Buildings and leasehold improvements	$	964,697
Transmitter, towers and antennas		4,405,813
Other broadcasting equipment		3,107,905
Office furniture and equipment		181,562
Vehicles		93,859
		8,753,836
Less accumulated depreciation		8,213,915
	$	539,921

The Corporation received equipment grants from federal agencies which covered the cost of specific items of equipment. The federal agencies have a lien on this equipment for a period of ten years from the date of acquisition. If during the ten-year period certain conditions are not met, or the equipment is disposed of, the Corporation could be required to refund a portion of the grant proceeds to the granting agency. At January 31, 2018, the net book value of these assets is approximately $156,913.

All tower lease agreements require the Corporation to return the leased land to a pristine condition in the event the leases are terminated. Management is unable to estimate the remedial costs that would be incurred to return land to a pristine condition. Management intends to renew all tower lease agreements indefinitely; therefore, management cannot reasonably estimate a timeframe in which those costs would be incurred. The accompanying financial statements do not include any adjustments if and when these agreements are terminated.

4. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of January 31, 2018.

Equities: Mutual funds or exchange traded funds valued at the closing price reported on the active market on which the mutual funds are sold.

Fixed income: Valued at original cost adjusted for any premium or coupon.

All assets measured at fair value on a recurring basis at January 31, 2018 were Level 1 investments.

5. Line of Credit:

The Corporation had a bank line of credit for borrowings to a maximum of $513,000. The line of credit was closed on January 23, 2018. The line of credit accrued interest at prime rate plus 0.65% and was also subject to a floor of 5.0%.

6. Unrestricted Net Assets:

Unrestricted net assets consist of designated and undesignated amounts. Undesignated amounts are available for general operations. Designated amounts are assigned by the Board for specific purposes.

6. Unrestricted Net Assets, Continued:

The designated amounts consist of the Artistic and Cultural Enrichment Fund (Moss Fund). The Moss Fund, which was initiated from the annual sale of artwork donated by P. Buckley Moss, is designated to support television promoting artistic excellence and cultural awareness.

During the seven-month period ending January 31, 2018, designations of $7,227 related to painting sales increased the balance of designated net assets to $704,333 as of January 31, 2018.

7. Temporarily Restricted Assets:

Temporarily restricted net assets consist of contributions for the Kids Book Festival and donor requested programming.

No net assets were released through the expiration of purpose restrictions related to expenses incurred for the Kids Book Festival program or donor imposed programming aired during seven-month period ending January 31, 2018.

8. Operating Leases:

The Corporation leased space for television and radio transmitter equipment, office equipment and space, and vehicles at an expense of approximately $79,897 for the seven-month period ending January 31, 2018.

The following is a schedule, by year, of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of January 31, 2018:

Fiscal Year Ended June 30,	Amount
2018	$ 40,670
2019	99,358
2020	108,108
2021	108,108
2022	92,358
2023 and thereafter	124,740
	$ 573,342

9. Related Party:

WVPT maintains membership affiliation with the National Educational Telecommunications Association (NETA) and outsources a substantial portion of its fiscal and accounting operations to NETA. WVPT's transactions with NETA are within the normal course of business.