NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISON ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

INDEX

MMQ
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Independent Auditor's Report

To the Board of Directors of
Northeastern Pennsylvania Educational
Television Association
Pittston, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Northeastern Pennsylvania Educational Television Association which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 the 2017 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Board of Directors of
Northeastern Pennsylvania Educational
Television Association
Pittston, Pennsylvania

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

Opinion

In our opinion, the 2017 financial statements referred to above present fairly, in all material respects, the financial position of the Northeastern Pennsylvania Educational Television Association as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Northeastern Pennsylvania Educational Television Association as of and for the year ended June 30, 2016, were audited by other auditors whose report dated September 19, 2016 expressed an unmodified opinion on those statements.

McGrail, Merkel, Quinn
+ Associates, P.C.

Scranton, Pennsylvania
October 6, 2017

NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISION ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current Assets		
Cash and cash equivalents	$ 66,028	$ 71,183
Accounts receivable	159,141	247,187
Pledges receivable		
Membership pledges	82,334	77,964
Restricted pledges	52,725	67,556
Other receivables (Note 10)	51,934,668	-
Inventory	2,635	2,635
Prepaid expenses	104,109	137,973
Total current assets	52,401,640	604,498
Other assets		
Cash subject to program restrictions	82,667	-
Investments	1,171,668	1,445,661
Restricted pledges	113,548	125,888
Property and equipment, net	4,835,198	5,342,053
Franchise costs, net	19,241	19,241
Music and film rights, net	834,000	841,200
Total assets	$ 59,457,962	$ 8,378,541

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities		
Short-term debt	$ -	$ 320,053
Current portion of long-term debt	39,312	47,601
Accounts payable	93,649	103,192
Other payables (Note 10)	25,967,334	-
Accrued expenses	45,241	61,894
Film contracts payable	-	6,172
Deferred revenues	166,706	188,846
Total current liabilities	26,312,242	727,758
Long-term debt, net of current portion	-	973
Total liabilities	26,312,242	728,731
Net assets		
Unrestricted		
Undesignated	4,841,080	677,341
Designated for future technology	264,307	592,254
Designated for property and equipment	4,835,198	5,335,315
Designated for endowment	22,048,834	-
Temporarily restricted	240,825	147,204
Permanently restricted	915,476	897,696
Total net assets	33,145,720	7,649,810
Total liabilities and net assets	$ 59,457,962	$ 8,378,541

The accompanying Notes are an integral part of these Financial Statements.

NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISION ASSOCIATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions								
Contributions	$ 1,857,181	$ -	$ -	$ 1,857,181	$ 1,727,470	$ -	$ -	$ 1,727,470
In-kind contributions	557,312	-	-	557,312	627,044	-	-	627,044
Capital campaign and other contributions	-	50,153	-	50,153	-	25,000	-	25,000
Endowment contributions	-	-	17,780	17,780	-	-	21,520	21,520
Grants	-	39,563	-	39,563	-	65,000	-	65,000
Corporation for Public Broadcasting	1,079,471	-	-	1,079,471	1,030,665	-	-	1,030,665
Corporate underwriting	980,070	-	-	980,070	1,031,059	-	-	1,031,059
VIA Studios Global	458,224	-	-	458,224	547,822	-	-	547,822
Business development - special projects	-	-	-	-	-	25,000	-	25,000
Special events	53,329	-	-	53,329	116,938	-	-	116,938
Schools	76,885	-	-	76,885	100,950	-	-	100,950
Net investment (loss) income	(7,268)	40,954	-	33,686	(31,719)	12,985	-	(18,734)
Rental income	168,288	-	-	168,288	90,596	-	-	90,596
FCC auction proceeds (Note 10)	51,934,668	-	-	51,934,668	-	-	-	-
Miscellaneous	39,598	-	-	39,598	29,869	-	-	29,869
Net assets released from restrictions (Note 8)	37,049	(37,049)	-	-	145,122	(145,122)	-	-
Total revenues and other additions	57,234,807	93,621	17,780	57,346,208	5,415,816	(17,137)	21,520	5,420,199
Expenses								
Program								
Television programming	1,096,537	-	-	1,096,537	1,302,571	-	-	1,302,571
Television engineering	678,359	-	-	678,359	704,026	-	-	704,026
Radio programming	764,890	-	-	764,890	757,262	-	-	757,262
Television production	387,855	-	-	387,855	529,127	-	-	529,127
Communications	291,449	-	-	291,449	344,623	-	-	344,623
VIA Studios Global	307,110	-	-	307,110	238,682	-	-	238,682
Education	74,951	-	-	74,951	74,208	-	-	74,208
Radio engineering	67,938	-	-	67,938	68,397	-	-	68,397
Supporting services								
Auction	5,345	-	-	5,345	3,597	-	-	3,597
Corporate development	485,232	-	-	485,232	490,391	-	-	490,391
Membership and major giving	893,546	-	-	893,546	912,118	-	-	912,118
Telemarketing	142,824	-	-	142,824	100,132	-	-	100,132
Management and general	686,928	-	-	686,928	863,008	-	-	863,008
Channel sharing agreement (Note 10)	25,967,334	-	-	25,967,334	-	-	-	-
Total expenses	31,850,298	-	-	31,850,298	6,388,142	-	-	6,388,142
Increase (decrease) in net assets	25,384,509	93,621	17,780	25,495,910	(972,326)	(17,137)	21,520	(967,943)
Net assets, beginning	6,604,910	147,204	897,696	7,649,810	7,577,236	164,341	876,176	8,617,753
Net assets, ending	$31,989,419	$ 240,825	$ 915,476	$33,145,720	$ 6,604,910	$ 147,204	$ 897,696	$ 7,649,810

The accompanying Notes are an integral part of these Financial Statements.

NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISION ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 31, 2017 AND 2016

	2017	2016
Operating activities		
Increase (decrease) in net assets	$ 25,495,910	$ (967,943)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	536,964	555,397
Net realized and unrealized (gains) losses on investments	(20,529)	65,371
Donated investments and equipment	(52,835)	-
Bad debt	13,984	9,060
(Increase) decrease in operating assets:		
Receivables	(51,837,805)	48,395
Prepaid expenses	33,864	22,329
Increase (decrease) in operating liabilities:		
Accounts payable	25,957,791	(78,009)
Accrued expenses	(16,653)	13,160
Film contracts payable	(6,172)	(6,171)
Deferred revenue	(22,140)	(82,714)
Net cash provided by (used in) operating activities	82,379	(421,125)
Investing activities		
Change in cash subject to program restrictions	(82,667)	-
Purchase of property and equipment	(22,909)	(145,600)
Purchase of investments	(863,183)	(1,415,509)
Proceeds from sale of investments	1,210,540	1,622,140
Net cash provided by investing activities	241,781	61,031
Financing activities		
Lines of credit, net	(320,053)	320,053
Proceeds from long-term debt	55,693	59,305
Principal payments on long-term debt	(64,955)	(60,753)
Net cash (used in) provided by financing activities	(329,315)	318,605
Net decrease in cash	(5,155)	(41,489)
Cash and cash equivalents, at beginning of year	71,183	112,672
Cash and cash equivalents, at end of year	$ 66,028	$ 71,183

The accompanying Notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Northeastern Pennsylvania Educational Television Association (the Association) is a not-for-profit Pennsylvania corporation that operates a noncommercial public television station (WVIA-TV) and noncommercial public radio station (WVIA-FM) which broadcasts to households located primarily in Northeastern Pennsylvania and the Central Susquehanna Valley.

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits with original maturities of three months or less.

Accounts Receivable

The Association extends credit to underwriters and school districts in the form of uncollateralized account receivable. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded in the financial statements. If accounts become uncollectible, they are charged to operations when the determination is made.

Inventory

Inventory is stated at cost and consists primarily of DVD items held for resale.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the Statements of Activities.

The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor imposed stipulations.

Property and Equipment

Land, buildings and equipment purchases are capitalized at cost. Donations of land, buildings or equipment are recorded at estimated fair value and are included in support unless restricted to a specific purpose. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Long-Lived Assets

The Association reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable.

Deferred Revenue

Underwriting payments received are recognized on an accrual basis ratably over the term of the contracts.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Association have been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Association in perpetuity.

Public Support and Promises to Give

The Association engages in fund-raising campaigns manifested by offering some special television programs and on-air and mail appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Association for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is 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 to unrestricted net assets.

In-Kind Contributions

In-kind contributions are recorded as revenues and expenses in the period received at their estimated fair values. In-kind contributions include donated professional services, programming services, rents, advertising, materials and supplies.

Cash Flows

For purposes of the Statements of Cash Flows, cash and cash equivalents includes cash and highly liquid money market funds and excludes temporarily and permanently restricted cash and cash equivalents.

For the years ended June 30, 2017 and 2016, the Association paid interest of $8,220 and $11,889, respectively.

Income Taxes

The Association is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code.

In accordance with the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Association is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2013.

Subsequent Events

The Association has evaluated subsequent events through October 6, 2017, the date the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Note 2 - Pledges Receivable

Pledges receivable, net, consisted of the following at June 30, 2017 and 2016:

	2017	2016
Membership	$ 82,334	$ 77,964
Pledges receivable in:		
Less than one year	48,600	67,556
One year to five years	102,000	121,100
More than five years	25,000	18,500
	257,934	285,120
Less: Unamortized discount	(9,327)	(13,712)
Total pledges receivable, net	$ 248,607	$ 271,408

Note 3 - Investments

Investments consisted of the following at June 30, 2017 and 2016:

	2017	2016
U.S. Government bonds	$ 29,516	$ 29,943
Corporate bonds	430,355	25,640
Municipal bonds	54,235	57,194
Mutual funds	514,077	583,332
Money market funds	143,485	749,552
	$ 1,171,668	$ 1,445,661

The following schedule summarizes the investment return in the Statements of Activities:

	2017		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 5,612	$ 17,640	$ 23,252
Net realized gains (losses)	(1,032)	-	(1,032)
Net unrealized gains (losses)	(7,527)	29,088	21,561
Investment fees	(4,321)	(5,774)	(10,095)
Total investment return	$ (7,268)	$ 40,954	$ 33,686

	2016		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 39,678	$ 20,612	$ 60,290
Net realized gains (losses)	(4,523)	(11,323)	(15,846)
Net unrealized gains (losses)	(57,981)	8,456	(49,525)
Investment fees	(8,893)	(4,760)	(13,653)
Total investment return	$ (31,719)	$ 12,985	$ (18,734)

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016	Depreciable Lives
Land and buildings	$ 3,821,020	$ 3,817,985	10-50 Years
Television equipment	5,685,972	5,683,331	3-10 Years
Radio equipment	1,405,725	1,388,870	3-10 Years
Transportation equipment	195,168	195,168	5-10 Years
Office furniture and equipment	423,917	423,539	5-10 Years
Construction in progress	11,999	16,799	
	11,543,801	11,525,692	
Less: Accumulated depreciation	6,708,603	6,183,639	
Property and equipment, net	$ 4,835,198	$ 5,342,053	

Depreciation expense amounted to $524,964 and $546,686 for the years ended June 30, 2017 and 2016, respectively.

Note 5 - Music and Film Rights

Intangible assets at June 30, 2017 and 2016 are as follows:

	2017	2016
Music and film rights subject to amortization	$ 29,686	$ 29,686
Less: Accumulated amortization	(29,686)	(22,486)
	-	7,200
Music rights not subject to amortization	834,000	834,000
Music and film rights, net	$ 834,000	$ 841,200

Amortization expense amounted to $7,200 and $8,711 for the years ended June 30, 2017 and 2016, respectively.

Note 6 - Short-Term Debt

The Association has a line of credit through a loan management account agreement with Bank of America, N.A. The maximum amount available is the lesser of $700,000 and the amount available based on the bank's determination of the valuation of the collateral in the Association's securities accounts. The line is secured by two of the Association's investment accounts and bears interest at the LIBOR rate plus 3.4%. There was no balance outstanding at June 30, 2017. The balance outstanding at June 30, 2016 amounted to $320,053.

In August, 2016, the Association entered into a line of credit agreement in the amount of $1,000,000 with Fidelity Deposit and Discount Bank. The line is secured by the Association's real estate and bears interest at the national prime rate. There was no balance outstanding at June 30, 2017.

Note 7 - Long-Term Debt

Long-term debt consisted of the following at June 30, 2017 and 2016:

	2017	2016
Premium finance agreement with monthly payments of $5,743, including interest at 6.75%, through January, 2018; secured by unearned or return premiums and dividends which may become due under the policies purchased.	$ 39,312	$ -
Premium finance agreement with monthly payments of $6,102, including interest at 6.25%, through January, 2017; secured by unearned or return premiums and dividends which may become due under the policies purchased.	-	41,836
Installment note with monthly payments of $488, including interest at 2.29%, through August, 2017; secured by a vehicle.	-	6,738
	39,312	48,574
Less: Current portion	(39,312)	(47,601)
Long-term debt, net of current portion	$ -	$ 973

The aggregate maturities of long-term debt are as follows:

Years Ending June 30,	Amount
2018	$ 39,312
Thereafter	-
Total	$ 39,312

Note 8 - Temporarily Restricted Net Assets

At June 30, 2017 and 2016, temporarily restricted net assets are available as follows:

	2017	2016
Program (including Endowment)	$ 183,609	$ 147,204
Purchase of equipment	57,216	-
	$ 240,825	$ 147,204

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for programs, including endowment, in the amount of $37,049 and $145,122 for the years ended June 30, 2017 and 2016, respectively.

Note 9 - In-Kind Contributions

The Association recognized in-kind contributions for certain services received at the fair value of those services for the years ended June 30, 2017 and 2016 as follows:

	2017	2016
Television programming:		
Professional services	$ 39,679	$ 58,093
Communications:		
Advertising	189,517	248,237
Television and radio engineering:		
Rents	7,800	7,800
Donated equipment usage	5,520	5,060
Membership development:		
Miscellaneous	314,796	305,098
Management and general:		
Miscellaneous	-	2,756
	$ 557,312	$ 627,044

Note 10 - FCC Broadcast Television Spectrum Incentive Auction

In April, 2017, the Association was notified by the Federal Communications Commission that it was the subject of a winning bid in the broadcast television spectrum incentive auction. The compensation to be received was $51,934,668, with fifty percent of the proceeds to be paid to another station through a channel sharing and facilities agreement. The Association received this amount in July, 2017.

Note 11 - Pension and Employee Benefits

The Association has a defined contribution pension plan. The Plan operates under Section 403(b) of the Internal Revenue Code. Participants are allowed to contribute an amount equal to the maximum allowed by the Internal Revenue Service. The Association makes an annual safe harbor matching contribution of 100% of the participant's elective deferral up to 3% of a participant's compensation plus 50% of the participant's elective deferral between 3% and 5% of the participant's compensation.

The pension expense for the plan for the years ended June 30, 2017 and 2016 was $55,261 and $58,589, respectively.

Note 12 - Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The total cost of fundraising activities for the years ended June 30, 2017 and 2016 amounted to $1,060,076 and $1,101,008, respectively.

Note 13 - Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds, Corporate bonds, Municipal bonds, and U.S. Agencies: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 13 - Fair Value Measurements - (Continued)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2017 and 2016.

	June 30, 2017			
Assets:	Level 1	Level 2	Level 3	Total
U.S. Agencies	$ 29,516	$ -	$ -	$ 29,516
Corporate bonds	430,355	-	-	430,355
Municipal bonds	54,235	-	-	54,235
Mutual funds				
Equity/growth	254,898	-	-	254,898
Global/international	30,926	-	-	30,926
U.S. Government	34,169	-	-	34,169
Bond	194,084	-	-	194,084
Money market funds	143,485	-	-	143,485
	$ 1,171,668	$ -	$ -	$ 1,171,668

	June 30, 2016			
Assets:	Level 1	Level 2	Level 3	Total
U.S. Agencies	$ 29,943	$ -	$ -	$ 29,943
Corporate bonds	25,640	-	-	25,640
Municipal bonds	57,194	-	-	57,194
Mutual funds				
Equity/growth	185,114	-	-	185,114
Global/international	47,117	-	-	47,117
U.S. Government	76,055	-	-	76,055
Bond	275,046	-	-	275,046
Money market funds	749,552	-	-	749,552
	$ 1,445,661	$ -	$ -	$ 1,445,661

Note 14 - Endowments

The Association's endowment fund was established to support programming now and in the future. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions. The Board classifies these funds as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the fund that is not classified as permanently restricted net assets is classified as temporally restricted net assets until those funds are appropriated for expenditure for programming.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Board of Directors has authorized the use of up to 5% of the value of the endowment for programming expenditures.

Note 14 - Endowments - (Continued)

Endowment net assets as of June 30, 2017 and 2016 and the changes in endowment net assets for the years then ended are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 147,204	$ 897,696	$ 1,044,900
Investment return:				
Investment income	-	11,866	-	11,866
Net realized and unrealized losses	-	29,088	-	29,088
Total investment return	-	40,954	-	40,954
Contributions	22,048,834	-	17,780	22,066,614
Appropriation of endowment assets for expenditure	-	(30,000)	-	(30,000)
Endowment net assets, end of year	$ 22,048,834	$ 158,158	$ 915,476	$ 23,122,468

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 164,219	$ 876,176	$ 1,040,395
Investment return:			
Investment income	4,529	-	4,529
Net realized and unrealized losses	8,456	-	8,456
Total investment return	12,985	-	12,985
Contributions	-	21,520	21,520
Appropriation of endowment assets for expenditure	(30,000)	-	(30,000)
Endowment net assets, end of year	$ 147,204	$ 897,696	$ 1,044,900

The donor-restricted endowment assets are invested with Merrill Lynch in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a balanced level of investment risk. The Association expects its endowment funds, over time, to provide a rate of return commensurate with the portfolio risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 15 - Concentration of Credit Risk

The Association maintains its cash accounts in various commercial banks located in Northeastern Pennsylvania. Accounts at each bank are insured, in aggregate, by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

During the years ended June 30, 2017 and 2016, the Association received approximately and 3% and 19%, respectively, of its revenue from one source.

Note 16 - Contingencies

The Association is a member of an unemployment savings program with a company organized to facilitate its members in making payments to their respective states as reimbursement for claims in lieu of contributions. No provision has been made in the accompanying financial statements for possible losses arising from unemployment claims, as claims are based on factors not readily determinable.