NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISON ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

INDEX

SUPPLEMENTARY INFORMATION

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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 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, 2018 and 2017, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedule of Activities – TV and FM is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Scranton, Pennsylvania
October 5, 2018

NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISION ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Current Assets		
Cash and cash equivalents	$ 190,042	$ 66,028
Accounts receivable	162,294	159,141
Accrued interest receivable	38,473	-
Pledges receivable		
Membership pledges	110,023	82,334
Restricted pledges	23,141	52,725
Contributions receivable	35,551	-
Grants receivable	39,578	-
Other receivables (Note 10)	-	51,934,668
Inventory	2,635	2,635
Prepaid expenses	97,733	104,109
Total current assets	699,470	52,401,640
Other assets		
Cash subject to program restrictions	103,155	82,667
Cash escrow account	285,000	-
Investments	25,852,462	1,171,668
Restricted pledges	107,376	113,548
Property and equipment, net	5,142,962	4,835,198
Franchise costs, net	19,241	19,241
Music and film rights, net	834,000	834,000
Total assets	$ 33,043,666	$ 59,457,962

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities		
Current portion of long-term debt	$ -	$ 39,312
Accounts payable	178,479	93,649
Other payables (Note 10)	-	25,967,334
Accrued expenses	43,949	45,241
Deferred revenues	157,816	166,706
Security deposits	5,000	-
Total liabilities	385,244	26,312,242
Net assets		
Unrestricted		
Undesignated	4,059,752	4,841,080
Designated for future technology	249,163	264,307
Designated for property and equipment	5,142,962	4,835,198
Designated for endowment	22,048,834	22,048,834
Temporarily restricted	226,992	240,825
Permanently restricted	930,719	915,476
Total net assets	32,658,422	33,145,720
Total liabilities and net assets	$ 33,043,666	$ 59,457,962

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

NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISION ASSOCIATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions								
Contributions	$ 1,811,642	$ 4,000	$ -	$ 1,815,642	$ 1,857,181	$ -	$ -	$ 1,857,181
In-kind contributions	667,409	-	-	667,409	557,312	-	-	557,312
Capital campaign and other contributions	-	-	-	-	-	50,153	-	50,153
Endowment contributions	-	-	15,243	15,243	-	-	17,780	17,780
Grants	75,292	37,000	-	112,292	31,250	39,563	-	70,813
Corporation for Public Broadcasting	975,171	-	-	975,171	1,048,221	-	-	1,048,221
Corporate underwriting	948,255	-	-	948,255	980,070	-	-	980,070
VIA Studios Global	937,008	-	-	937,008	458,224	-	-	458,224
Special events	92,750	-	-	92,750	53,329	-	-	53,329
Schools	73,075	-	-	73,075	76,885	-	-	76,885
Net investment income (loss)	258,875	14,382	-	273,257	(7,268)	40,954	-	33,686
Rental income	103,852	-	-	103,852	168,288	-	-	168,288
FCC auction proceeds (Note 10)	-	-	-	-	51,934,668	-	-	51,934,668
Miscellaneous	4,987	-	-	4,987	39,598	-	-	39,598
Net assets released from restrictions (Note 8)	69,215	(69,215)	-	-	37,049	(37,049)	-	-
Total revenues and other additions	6,017,531	(13,833)	15,243	6,018,941	57,234,807	93,621	17,780	57,346,208
Expenses								
Program								
Television programming	1,052,559	-	-	1,052,559	1,096,537	-	-	1,096,537
Television engineering	748,379	-	-	748,379	678,359	-	-	678,359
Radio programming	806,977	-	-	806,977	764,890	-	-	764,890
Television production	474,548	-	-	474,548	387,855	-	-	387,855
Communications	338,028	-	-	338,028	291,449	-	-	291,449
VIA Studios Global	516,058	-	-	516,058	307,110	-	-	307,110
Education	126,161	-	-	126,161	74,951	-	-	74,951
Radio engineering	63,756	-	-	63,756	67,938	-	-	67,938
Supporting services								
Auction	5,377	-	-	5,377	5,345	-	-	5,345
Corporate development	472,749	-	-	472,749	485,232	-	-	485,232
Membership and major giving	946,084	-	-	946,084	893,546	-	-	893,546
Telemarketing	118,848	-	-	118,848	142,824	-	-	142,824
Management and general	836,715	-	-	836,715	686,928	-	-	686,928
Channel sharing agreement (Note 10)	-	-	-	-	25,967,334	-	-	25,967,334
Total expenses	6,506,239	-	-	6,506,239	31,850,298	-	-	31,850,298
(Decrease) increase in net assets	(488,708)	(13,833)	15,243	(487,298)	25,384,509	93,621	17,780	25,495,910
Net assets, beginning	31,989,419	240,825	915,476	33,145,720	6,604,910	147,204	897,696	7,649,810
Net assets, ending	$ 31,500,711	$ 226,992	$ 930,719	$ 32,658,422	$ 31,989,419	$ 240,825	$ 915,476	$ 33,145,720

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

NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISION ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating activities		
(Decrease) increase in net assets	$ (487,298)	$ 25,495,910
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	464,554	536,964
Net realized and unrealized losses (gains) on investments	109,516	(20,529)
Donated investments and equipment	-	(52,835)
Bad debt	7,412	13,984
(Increase) decrease in operating assets:		
Receivables	51,818,568	(51,837,805)
Prepaid expenses	6,376	33,864
Increase (decrease) in operating liabilities:		
Accounts payable	(25,882,504)	25,957,791
Accrued expenses	(1,292)	(16,653)
Film contracts payable	-	(6,172)
Deferred revenue	(8,890)	(22,140)
Security deposits	5,000	-
Net cash provided by operating activities	26,031,442	82,379
Investing activities		
Change in cash subject to program restrictions	(20,488)	(82,667)
Change in cash escrow account	(285,000)	-
Purchase of property and equipment	(772,318)	(22,909)
Purchase of investments	(57,758,162)	(863,183)
Proceeds from sale of investments	32,967,852	1,210,540
Net cash (used in) provided by investing activities	(25,868,116)	241,781
Financing activities		
Lines of credit, net	-	(320,053)
Proceeds from long-term debt	-	55,693
Principal payments on long-term debt	(39,312)	(64,955)
Net cash used in financing activities	(39,312)	(329,315)
Net increase (decrease) in cash	124,014	(5,155)
Cash and cash equivalents, at beginning of year	66,028	71,183
Cash and cash equivalents, at end of year	$ 190,042	$ 66,028

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.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

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, 2018 and 2017, the Association paid interest of $260 and $8,220, 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 2014.

Subsequent Events

The Association has evaluated subsequent events through October 5, 2018, 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 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU No. 2014-09 is effective for the Association for fiscal 2020. Early application is permitted for fiscal years beginning after December 15, 2016. The Association is assessing the impact this new standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for the Association for fiscal 2021. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Association is assessing the impact this standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (*Topic 958*): *Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Association for fiscal 2019, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Association is assessing the impact this standard will have on its financial statements.

Note 2 - Pledges Receivable

Pledges receivable, net, consisted of the following at June 30, 2018 and 2017:

	2018	2017
Membership	$ 110,023	$ 82,334
Pledges receivable in:		
Less than one year	25,600	48,600
One year to five years	101,000	102,000
More than five years	10,000	25,000
	246,623	257,934
Less: Unamortized discount	(6,083)	(9,327)
Total pledges receivable, net	$ 240,540	$ 248,607

Note 3 - Investments

Investments consisted of the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
U.S. Agencies	$ 3,194,947	$ 3,186,670	$ 30,033	$ 29,516
Corporate bonds	3,795,235	3,760,122	438,335	430,355
Municipal bonds	-	-	54,496	54,235
Common stocks	612,310	594,663	-	-
Mutual funds	13,335,427	13,178,690	484,461	514,077
Money market funds	5,132,317	5,132,317	143,485	143,485
	$ 26,070,236	$ 25,852,462	$ 1,150,810	$ 1,171,668

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

	2018		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	$ 378,297	$ 18,919	$ 397,216
Net realized gains (losses)	82,865	46,251	129,116
Net unrealized gains (losses)	(194,805)	(43,827)	(238,632)
Investment fees	(7,482)	(6,961)	(14,443)
Total investment return	$ 258,875	$ 14,382	$ 273,257

	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

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017	Depreciable Lives
Land and buildings	$ 3,821,020	$ 3,821,020	10-50 Years
Television equipment	6,420,534	5,685,972	3-10 Years
Radio equipment	1,417,608	1,405,725	3-10 Years
Transportation equipment	195,168	195,168	5-10 Years
Office furniture and equipment	449,790	423,917	5-10 Years
Construction in progress	11,999	11,999	
	12,316,119	11,543,801	
Less: Accumulated depreciation	7,173,157	6,708,603	
Property and equipment, net	$ 5,142,962	$ 4,835,198	

Depreciation expense amounted to $464,554 and $524,964 for the years ended June 30, 2018 and 2017 respectively.

Note 5 - Music and Film Rights

Intangible assets at June 30, 2018 and 2017 are as follows:

	2018	2017
Music and film rights subject to amortization	$ 29,686	$ 29,686
Less: Accumulated amortization	(29,686)	(29,686)
	-	-
Music rights not subject to amortization	834,000	834,000
Music and film rights, net	$ 834,000	$ 834,000

Amortization expense amounted to $7,200 for the year ended June 30, 2017.

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, 2018 and 2017.

Note 7 - Long-Term Debt

Long-term debt consisted of the following at June 30, 2018 and 2017:

	2018	2017
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
	-	39,312
Less: Current portion	-	(39,312)
Long-term debt, net of current portion	$ -	$ -

Note 8 - Temporarily Restricted Net Assets

At June 30, 2018 and 2017, temporarily restricted net assets are available as follows:

	2018	2017
Program (including Endowment)	$ 176,839	$ 183,609
Purchase of equipment	50,153	57,216
	$ 226,992	$ 240,825

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 $69,215 and $37,049 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 as follows:

	2018	2017
Television programming:		
Professional services	$ 67,408	$ 39,679
Communications:		
Advertising	231,925	189,517
Television and radio engineering:		
Rents	7,800	7,800
Donated equipment usage	5,060	5,520
Membership development:		
Miscellaneous	355,216	314,796
	$ 667,409	$ 557,312

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. As part of the agreement, the Association was required to establish a cash escrow account in an amount equal to its portion of one year's estimated operating costs. The escrow account is to be maintained for the term of the agreement.

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, 2018 and 2017 was $51,549 and $55,261, 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, 2018 and 2017 amounted to $1,085,298 and $1,060,076, 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.

Note 13 - Fair Value Measurements - (Continued)

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.

U.S. Agencies, Corporate bonds, Municipal bonds, Common stocks, and Mutual funds: 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, 2018 and 2017.

	June 30, 2018			
Assets:	Level 1	Level 2	Level 3	Total
U.S. Agencies	$ 3,186,670	$ -	$ -	$ 3,186,670
Corporate bonds				
Aaa	285,269	-	-	285,269
Aa1	52,659	-	-	52,659
Aa2	72,878	-	-	72,878
Aa3	156,413	-	-	156,413
A1	725,428	-	-	725,428
A2	233,592	-	-	233,592
A3	405,661	-	-	405,661
Baa1	579,006	-	-	579,006
Baa2	592,849	-	-	592,849
Baa3	656,367	-	-	656,367
Total Corporate bonds	3,760,122	-	-	3,760,122
Common stocks				
Consumer discretionary	64,636	-	-	64,636
Consumer Staples	55,055	-	-	55,055
Energy	32,382	-	-	32,382
Financial	84,195	-	-	84,195
Healthcare	65,631	-	-	65,631
Industrials	85,551	-	-	85,551
Information Technology	132,840	-	-	132,840
Materials	10,890	-	-	10,890
Real Estate	24,505	-	-	24,505
Telecommunication	24,598	-	-	24,598
Utilities	14,380	-	-	14,380
Total Common stocks	594,663	-	-	594,663
Mutual funds				
Equity/growth	7,651,412	-	-	7,651,412
Global/international	3,917,956	-	-	3,917,956
U.S. Government	111,290	-	-	111,290
Bond	1,498,032	-	-	1,498,032
Total Mutual funds	13,178,690	-	-	13,178,690
Money market funds	5,132,317	-	-	5,132,317
	$ 25,852,462	$ -	$ -	$ 25,852,462

Note 13 - Fair Value Measurements - (Continued)

	June 30, 2017			
Assets:	Level 1	Level 2	Level 3	Total
U.S. Agencies	$ 29,516	$ -	$ -	$ 29,516
Corporate bonds				
Aaa	36,513	-	-	36,513
Aa2	19,449	-	-	19,449
Aa3	41,654	-	-	41,654
A1	130,837	-	-	130,837
A2	70,461	-	-	70,461
A3	99,238	-	-	99,238
Baa1	19,884	-	-	19,884
Baa2	12,319	-	-	12,319
Total 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
Total Mutual funds	514,077	-	-	514,077
Money market funds	143,485	-	-	143,485
	$ 1,171,668	$ -	$ -	$ 1,171,668

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 temporarily 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, 2018 and 2017 and the changes in endowment net assets for the years then ended are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 22,048,834	$ 158,158	$ 915,476	$ 23,122,468
Investment return:				
Investment income	-	11,958	-	11,958
Net realized and unrealized losses	-	2,424	-	2,424
Total investment return	-	14,382	-	14,382
Contributions	-	-	15,243	15,243
Appropriation of endowment assets for expenditure	-	(48,703)	-	(48,703)
Endowment net assets, end of year	$ 22,048,834	$ 123,837	$ 930,719	$ 23,103,390

	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

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, 2018 and 2017, the Association received approximately and 16% and 2%, 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.

SUPPLEMENTARY INFORMATION

NORTHEASTERN PENNSYLVANIA EDUCATIONAL TELEVISION ASSOCIATION

SCHEDULE OF ACTIVITIES - TV AND FM

YEAR ENDED JUNE 30, 2018

	TV	FM	Total
Revenues and other additions			
Contributions	$ 1,072,555	$ 743,087	$ 1,815,642
In-kind contributions	414,841	252,568	667,409
Endowment contributions	15,243	-	15,243
Grants	72,714	39,578	112,292
Corporation for Public Broadcasting	858,995	116,176	975,171
Corporate underwriting	597,402	350,853	948,255
VIA Studios Global	937,008	-	937,008
Special events	92,750	-	92,750
Schools	73,075	-	73,075
Net investment income	273,257	-	273,257
Rental income	103,852	-	103,852
Miscellaneous	1,997	2,990	4,987
Total revenues and other additions	4,513,689	1,505,252	6,018,941
Expenses			
Program			
Television programming	1,052,559	-	1,052,559
Television engineering	748,379	-	748,379
Radio programming	-	806,977	806,977
Television production	474,548	-	474,548
Communications	338,028	-	338,028
VIA Studios Global	516,058	-	516,058
Education	126,161	-	126,161
Radio engineering	-	63,756	63,756
Supporting services			
Auction	5,377	-	5,377
Corporate development	472,749	-	472,749
Membership and major giving	946,084	-	946,084
Telemarketing	118,848	-	118,848
Management and general	836,715	-	836,715
Total expenses	5,635,506	870,733	6,506,239
(Decrease) increase in net assets	$ (1,121,817)	$ 634,519	$ (487,298)