WLVT-TV Channel 39
Lehigh Valley Public Telecommunications Corporation

June 30, 2017 and 2016

Financial Statements and Independent Auditors' Report

Concannon Miller
Certified Public Accountants
Business Consultants

WLVT-TV CHANNEL 39
LEHIGH VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
WLVT-TV Channel 39 Lehigh Valley Public Telecommunications Corporation

We have audited the accompanying financial statements of WLVT-TV Channel 39 Lehigh Valley Public Telecommunications Corporation ("Organization"), which comprise the statements of financial position of as of June 30, 2017 and 2016, 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 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 of 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 Organization'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.

GAAP Departures

As explained in Note 15 to the financial statements, generally accepted accounting principles require the primary beneficiary of a variable interest entity to consolidate the variable interest entity in its financial statements. Management has informed us that the Organization's financial statements do not include the accounts of WLVT RE, Inc. and PBS39 Foundation which the Organization has determined are variable interest entities and in which the Organization holds a variable interest and is the primary beneficiary entitled to receive a majority of the entities' returns.

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The effect of this departure from generally accepted accounting principles, net of eliminations, is to overstate the change in net assets by $294,732, understate total assets by $30,586,999 and understate total liabilities by $22,561,681.

In addition, and as explained in Note 10, the Organization has excluded from the accompanying balance sheet certain lease obligations and the property and equipment related thereto. Generally accepted accounting principles require that such lease obligations and the related property and equipment be capitalized. The effect of this departure has not been determined.

Opinion

In our opinion, except for the effects of the matters described in the GAAP Departures section above, the financial statements referred to above present fairly, in all material respects, the financial position of WLVT-TV Channel 39, Lehigh Valley Public Telecommunications Corporation, as of June 30, 2017 and 2016, 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.

Concannon, Miller + Co., P.C.

Bethlehem, PA
November 2, 2017

WLVT-TV CHANNEL 39
LEHIGH VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF FINANCIAL POSITION

	June 30, 2017	June 30, 2016
ASSETS		
CURRENT ASSETS		
Cash	$ 254,182	$ 54,021
Accounts receivable, related party	26,383	32,368
Accounts receivable, net of allowance of $43,966 and $0 for 2017 and 2016, respectively	271,211	148,789
Grant receivable	150,000	25,000
Spectrum auction proceeds receivable	121,752,169	0
Inventory	33,359	25,463
Prepaid expenses	93,985	119,217
Total Current Assets	122,581,289	404,858
PROPERTY AND EQUIPMENT, NET	830,993	1,173,048
OTHER ASSETS		
Beneficial interest in perpetual trust	64,163	61,271
Spectrum usage rights	39,876,085	0
Total Other Assets	39,940,248	61,271
Total Assets	$ 163,352,530	$ 1,639,177
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	$ 1,000,000	$ 750,000
Note payable, related party	1,249,845	480,931
Advances from related parties	191,300	0
Accounts payable and accrued expenses	355,508	267,284
Accounts payable, related party	41,333	0
Spectrum usage rights payable	39,876,085	0
Deferred revenue	54,022	69,205
Total Liabilities	42,768,093	1,567,420
NET ASSETS		
Unrestricted	120,286,485	(60,230)
Temporarily restricted	233,789	67,956
Permanently restricted	64,163	64,031
Total Net Assets	120,584,437	71,757
Total Liabilities and Net Assets	$ 163,352,530	$ 1,639,177

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

WLVT-TV CHANNEL 39
LEHIGH VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENT OF ACTIVITES
YEAR ENDED JUNE 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
REVENUES AND SUPPORT					
Contributions	$ 1,529,993	$ 0	$ 0	$ 1,529,993	$ 1,327,096
Grants					
Corporation for Public Broadcasting	955,234			955,234	942,693
Neighborhood Partnership Program		50,000		50,000	75,000
Other	702,129	125,833		827,962	1,192,940
Donated materials and contributed professional services	234,152			234,152	351,229
Underwriting and other production services	1,396,968			1,396,968	999,152
Instructional television programming	152,681			152,681	142,804
Miscellaneous	9,935		5,652	15,587	56,069
	4,981,092	175,833	5,652	5,162,577	5,086,983
NET ASSETS RELEASED FROM RESTRICTIONS	15,520	(10,000)	(5,520)	0	0
Total Revenues and Support	4,996,612	165,833	132	5,162,577	5,086,983
EXPENSES					
Program services					
Programming and production	2,617,347			2,617,347	1,966,561
Broadcasting	1,248,305			1,248,305	1,934,087
Total Program Services	3,865,652	0	0	3,865,652	3,900,648
Supporting services					
Fund-raising, membership development, and underwriting and grant solicitation	1,254,464			1,254,464	1,250,710
Administrative and general	1,247,602			1,247,602	1,140,830
Total Supporting Services	2,502,066	0	0	2,502,066	2,391,540
Total Expenses	6,367,718	0	0	6,367,718	6,292,188
DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,371,106)	165,833	132	(1,205,141)	(1,205,205)
NONOPERATING ACTIVITY					
Spectrum auction proceeds	121,752,169			121,752,169	0
Interest expense, net of income	(34,348)			(34,348)	(25,190)
INCREASE (DECREASE) IN NET ASSETS	120,346,715	165,833	132	120,512,680	(1,230,395)
NET ASSETS, JULY 1	(60,230)	67,956	64,031	71,757	1,302,151
NET ASSETS, JUNE 30	$ 120,286,485	$ 233,789	$ 64,163	$ 120,584,437	$ 71,756

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

WLVT-TV CHANNEL 39
LEHIGH VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENT OF ACTIVITES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
REVENUES AND SUPPORT				
Contributions	$ 1,327,096	$ 0	$ 0	$ 1,327,096
Grants				
Corporation for Public Broadcasting	942,693			942,693
Neighborhood Partnership Program	50,000	25,000		75,000
Other	1,159,984	32,956		1,192,940
Donated materials and contributed professional services	351,229			351,229
Underwriting and other production services	989,152	10,000		999,152
Instructional television programming	142,804			142,804
Miscellaneous	58,684		(2,615)	56,069
	5,021,642	67,956	(2,615)	5,086,983
NET ASSETS RELEASED FROM RESTRICTIONS	50,000	(50,000)		0
Total Revenues and Support	5,071,642	17,956	(2,615)	5,086,983
EXPENSES				
Program services				
Programming and production	1,966,561			1,966,561
Broadcasting	1,934,087			1,934,087
Total Program Services	3,900,648	0	0	3,900,648
Supporting services				
Fund-raising, membership development, and underwriting and grant solicitation	1,250,710			1,250,710
Administrative and general	1,140,830			1,140,830
Total Supporting Services	2,391,540	0	0	2,391,540
Total Expenses	6,292,188	0	0	6,292,188
DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,220,546)	17,956	(2,615)	(1,205,205)
NONOPERATING ACTIVITY				
Interest expense, net of income	(25,189)			(25,189)
DECREASE IN NET ASSETS	(1,245,735)	17,956	(2,615)	(1,230,394)
NET ASSETS, JULY 1	1,185,505	50,000	66,646	1,302,151
NET ASSETS, JUNE 30	$ (60,230)	$ 67,956	$ 64,031	$ 71,757

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

WLVT-TV CHANNEL 39
LEHIGH VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2017	Years Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 120,512,680	$ (1,230,394)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	382,085	991,230
Bad debt expense (recovery)	43,966	(5,000)
(Gain) loss on beneficial interest in perpetual trust	(5,652)	2,615
Changes in operating assets and liabilities		
Accounts receivable	(166,388)	(38,634)
Accounts receivable, related party	5,985	(5,822)
Grant receivable	(125,000)	25,000
Spectrum auction proceeds receivable	(121,752,169)	0
Inventory	(7,896)	3,603
Prepaid expenses	25,232	73,088
Beneficial interest in perpetual trust	2,760	2,760
Accounts payable and accrued expenses	88,224	(41,030)
Accounts payable, related party	41,333	0
Deferred revenue	(15,183)	(77,222)
Net Cash Used in Operating Activities	(970,023)	(299,806)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, net	(40,030)	(65,311)
Net Cash Used in Investing Activities	(40,030)	(65,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from line of credit	1,000,000	350,000
Payments on line of credit	(750,000)	0
Advances on related party note payable	768,914	0
Payments on related party note payable	0	(154,676)
Advances from related parties	191,300	0
Net Cash Provided by Investing Activities	1,210,214	195,324
NET INCREASE (DECREASE) IN CASH	200,161	(169,793)
CASH , JULY 1	54,021	223,814
CASH , JUNE 30	$ 254,182	$ 54,021

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2017	2016
NON CASH OPERATING ACTIVITIES		
In-kind contribution of materials and services	$ 234,152	$ 351,229
ADDITIONAL CASH FLOW INFORMATION		
Cash paid for interest	$ 25,584	$ 25,584

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

NOTE 1 Nature and Purpose of the Organization

WLVT-TV Channel 39 is a community television station licensed to the Lehigh Valley Public Telecommunications Corporation, ("Organization") a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The station provides public broadcasting services to Pennsylvania's Lehigh Valley and surrounding communities.

The Organization, through its affiliate companies PBS39 Foundation ("Foundation") and WLVT RE, Inc. ("WLVT RE"), embarked on a project to develop and construct a new Broadcast Center (the "Project"). Funding for the project is a combination of public and private grants and pledges, including Federal and State tax credit programs, as well as certain debt obligations. Construction of the Broadcast Center commenced during the fiscal year ended June 30, 2010 and was completed in September 2011.

NOTE 2 Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Basis of Presentation

Under ASC 958, the Organization is required to report information about 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 which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- *Temporarily Restricted* - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.
- *Permanently Restricted* - Net assets held in perpetuity, the income of which is to be used for unrestricted purposes.

Cash

Cash consists of non-interest bearing checking accounts which are maintained at three financial institutions.

NOTE 2 Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable primarily represent amounts due for production services, underwriting and educational programming and are stated at the amount the Organization expects to collect. These receivables are non-interest bearing and are not collateralized. The Organization maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: historical collection experience, a review of the current status of receivables and judgment.

Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable efforts are written off through a charge to the valuation and a credit to accounts receivable. The balance in the allowance for uncollectible accounts receivable at June 30, 2017 and 2016 was $43,966 and $0, respectively.

Inventory

Inventory consists of premium items sold as incentives during fund-raising events and is stated at the lower of cost or market valued on a first-in, first-out basis.

Property and Equipment

Donations of property and equipment are recorded at their estimated fair value at the date of donation. Such donations are recorded as unrestricted suport unless the donor has restricted the donated asset to a specific purpose.

Purchased property and equipment are recorded at cost. Maintenance and repairs which neither materially add to the value of property nor appreciably prolong its life are charged to expense. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Related gains or losses from such transactions are credited or charged to income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

Intangible Asset

The spectrum usage rights (see Note 9) are considered an indefinite-lived intangible and are not subject to amortization but are tested for impairment annually and whenever events or circumstances change, such as a significant adverse change in the economic climate that would make it more likely than not that impairment may have occurred. If the carrying value an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized. Management has reviewed the Organization's intangible asset and believes that there has been no impairment as of June 30, 2017.

NOTE 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized as revenue in the statement of activities when the commitment is received. Revenues for underwriting and educational production grants are recorded as deferred revenue and recognized over the period during which the related expenses are incurred, which coincides with the period during which the underwritten programming is broadcast and the educational videos are complete. Production services revenue is recognized when such services have been rendered.

Grants from the Corporation for Public Broadcasting are recognized as unrestricted revenues in the period during which the expenditure of those grants has occurred.

Contributions

Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Materials and Contributed Professional Services

Donated materials and contributed professional services are recorded as revenue and expense in the accompanying statements of activities at fair market value on the date of receipt.

Donated materials and contributed professional services were charged to the following expenses:

	2017	2016
Programming and production	$ 8,114	$ 48,144
Fund-raising, membership development underwriting and grant solicitation	0	66,284
Broadcasting	170,919	168,000
Administrative and general	55,119	68,801
	$ 234,152	$ 351,229

Advertising and Promotions

Advertising costs are charged to operations when incurred. Total advertising and promotion costs for the years ended June 30, 2017 and 2016 were $107,352 and $53,309 respectively, and included $41,120 and $31,500, respectively, of in-kind advertising.

NOTE 2 Summary of Significant Accounting Policies (Continued)

Income Taxes

No provision for income taxes has been made in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. However, income from activities not directly related to the Organization's tax-exempt purpose, if any, would be subject to taxation as unrelated business income.

During the years ended June 30, 2017 and 2016, the Organization evaluated these activities and recorded an unrelated business income tax refund of $29,203 and an expense of $40,710, respectively.

The Organization complies with guidance for uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities. As of June 30, 2017 and 2016, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Estimates

The preparation of financial statements, in accordance with generally accepted accounting principles, requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as of 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.

NOTE 3 Concentrations of Credit Risk

The Organization maintains cash accounts at several financial institutions. The amounts held at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. The risk is managed by maintaining all deposits in high quality financial institutions. At times during the year the Organization’s accounts may be in excess of federally insured limits. The Organization had an at risk balance of approximately $67,000 at June 30, 2017.

NOTE 4 Steel Stacks

The Organization, in partnership with another tax exempt arts organization, embarked on a project (the “SteelStacks” project) to develop the new broadcast center and a performing arts center. Funding for the project is a combination of public and private grants and pledges, including Federal and State tax credit programs. The agreement between the Organization and the arts organization included joint fundraising efforts by both Organizations and the methods used to determine the allocation of costs and expenses related to the development of the project. Effective December 3, 2009, this agreement was terminated with each party moving forward individually with their respective projects.

In 2008, the arts organization filed an application with the Pennsylvania Department of Community and Econcomic Development under the provisions of its Neighborhood Assistance Tax Credit program. As part of the program, five corporations have committed $4.5 million to the program, in support of the SteelStacks project. The committed funds are to be paid over a six to ten year period, and payment is contingent on the SteelStacks project continuing to qualify under the tax credit program in future years and the continued funding of the program by the Commonwealth of Pennsylvania. The allocation of this funding between the the two organizations will be determined by the intent of the respective contributors on an annual basis.

In December 2016 and 2015, the program qualified and was approved for the fiscal years ended June 30, 2017 and 2016, respectively. Because these commitments are of a contingent nature, the Organization has recognized solely the portions qualified and received from the related corporations of $50,000 and $75,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5 Property and Equipment

	June 30, 2017	June 30, 2016
Building and improvements	$ 44,165	$ 44,165
Equipment	6,968,204	6,943,765
Computers	535,680	525,562
Furniture and fixtures	429,445	423,972
Vehicles	53,476	53,476
	8,030,970	7,990,940
Less accumulated depreciation	7,199,977	6,817,892
Property and equipment, net	$ 830,993	$ 1,173,048

Depreciation expense was $382,085 and $991,230 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 Beneficial Interest in Perpetual Trust

The Organization has been named an income beneficiary in the will of an individual donor. The amount is held by a trust company in perpetuity and 17.25% of the net income is to be distributed to the Organization annually. The Organization uses the fair value basis for recognizing the asset. The method used to recognize the fair value is the fair market value of the assets contributed to the trust. The change in fair value is reflected as a gain or loss on permanently restricted net assets. For the years ended June 30, 2017 and 2016, the Organization recognized gains of $5,652 and losses of $2,615, respectively.

NOTE 7 Lines of Credit

The Organization has a $750,000 unsecured line of credit available for operational purposes. This line of credit expires October 31, 2017 and interest on outstanding borrowings is payable at the bank's variable prime rate of interest, with a minimum floor of 4.0% (5.00% and 4.25% at June 30, 2017 and 2016, respectively). The outstanding balance was $0 and $750,000 at June 30, 2017 and 2016, respectively.

In May 2017, the Organization obtained a $4,000,000 unsecured line of credit available for operational purposes. This line of credit expires December 31, 2017 and interest on outstanding borrowings is payable at 2.25% plus LIBOR 30 day EOM (3.31% at June 30, 2017). The outstanding balance was $1,000,000 at June 30, 2017.

NOTE 8 Collaborative Arrangements

In May 2016, the Organization entered into an agreement with ASR Media, LLC ("ASR") in which ASR provided business development and production services as well as assigned all outstanding production contracts as of the date of the agreement to the Organization. In exchange, the Organization agreed to hire the employees of ASR and entered into a contract with the owner of ASR to provide business development services for the Organization. The contract requires the Organization to pay a base compensation to ASR as well as commissions based on revenues from existing and future clients. The agreement also requires the Organization to provide discretionary funding of up to $50,000 to ASR for use in production services, and requires ASR to lease their production equipment to the Organization for $1 per year. Total revenue under this agreement was $343,368 and $60,250 for the years ended June 30, 2017 and 2016, respectively. Total expense under this agreement was $378,679 and $17,042 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 Spectrum Auction

In April 2017, the Organization participated in a broadcast television spectrum incentive auction facilicated by the Federal Communications Commission (FCC). The Organization received a winning bid in the auction and sold its spectrum usage rights for $121,752,169. The Organization received the proceeds from the auction in July 2017 and relinquished its usage rights to the winning bidder.

NOTE 9 Spectrum Auction (Continued)

In order to continue broadcasting, the Organization entered into a channel sharing agreement (CSA) with another station that received a winning bid in the spectrum auction ("Sharee") and a station that retained their spectrum usage rights ("Sharer"). Under the CSA, the Organization purchased a 33.3% interest in the spectrum usage rights of the Sharer station for $39,876,085, with payment occurring upon receipt of the spectrum auction proceeds. In addition, the partners in the CSA formed a joint venture to hold, operate and maintain certain transmission equipment to operate the parnter's respective broadcast stations under the CSA. There was no activity in the joint venture as of June 30, 2017.

NOTE 10 Lease Commitments

In December 2010, the Organization executed a lease agreement with WLVT RE, a related party, for the use of the newly constructed Broadcast Center. The lease requires quarterly payments of $62,000 beginning August 2011 and continuing through February 2018. Quarterly lease payments will increase to $193,750 beginning May 1, 2018 through May 1, 2043.

FASB ASC 840, *Leases*, requires that a lease which meets certain criteria under generally accepted accounting principles is to be treated as a capital lease. The terms of this lease have been determined to meet these criteria. However, these financial statements recognize this agreement as an operating lease. The effect of this departure has not been determined.

The Organization executed a lease for a copier in October 2016. The lease requires monthly payments of $4,594 plus service and maintenance fees for 60 months. Rent expense related to this lease was $41,346 for the year ended June 30, 2017.

In addition, the Organization leases a television transmitter tower which required an original monthly amount of $2,500 with a 4% escalation on an annual basis. The lease expires June 2020. Since inception, the Organization has only been charged the $2,500 original amount with no escalation. To compensate for the amount due the vendor, the Organization has recorded an additional liability to reflect the amount due under the terms of the contract. At June 30, 2017 and 2016, the balance of this liability was $108,805 and $90,774, respectively.

Future minimum lease payments under these leases as of June 30, 2017 are:

2018	$ 484,830
2019	882,078
2020	884,156
2021	830,128
2022	788,782
Thereafter	16,275,000
	$ 20,144,974

Total rental expense was $353,443 and $319,587 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 Retirement Plan

The Organization maintains a defined contribution 401(k) retirement plan for its employees. Prior to January 1, 2017, all employees were eligible to participate in the plan on the first day of the month following their completion of one year of service with a minimum of 1,000 hours. The Organization matched up to 50% of an employee's voluntary contribution up to a maximum of 8% of the employee's base salary. Employees could also elect to defer greater than 8% of their salary, up to the maximum amount allowed by law. In addition, the Organization could make an additional discretionary contribution.

On January 1, 2017, the plan was amended to allow employees to participate in the plan the first day of the month following the completion of 250 hours of service in a three month period. The Organization will match up to 100% of an employee’s contribution up to 3% of his/her base salary and an additional 50% of contributions over 3% but not exceeding 5%. Employees may elect to defer greater than 5% of the employee’s base salary, up to the maximum allowed by law.

Employer contributions to the plan amounted to $46,880 and $21,079 for the years ended June 30, 2017 and 2016, respectively.

NOTE 12 Temporarily Restricted Net Assets

	June 30, 2017	June 30, 2016
Steelstacks (Note 4)	$ 75,000	$ 25,000
Grants restricted for capital expenditures	42,956	32,956
Production and programming	100,833	10,000
Sponsorships	15,000	0
	$ 233,789	$ 67,956

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors. The amount released for the years ended June 30, 2017 and 2016 was $10,000 and $50,000, respectively.

NOTE 13 Major Funders

The Organization receives contributions from both individuals and businesses to support its various programs. During each of the years ended June 30, 2017 and 2016, the Organization received funding representing 19% of revenues and support from one donor.

NOTE 14 Related Party Transactions

On January 25, 2010, the Organization executed a non-interest bearing note payable for an amount up to $5,000,000 to the Foundation. In October 2011, the Organization executed an amendment on this note calling for payments to be due on demand. Outstanding balances on this note were $1,249,845 and $480,931 as of June 30, 2017 and 2016, respectively.

NOTE 14 Related Party Transactions (Continued)

During the year ended June 30, 2017, the Organization was advanced cash from the Foundation and WLVT-RE to assist in the funding of its operations. The total amount advanced as of June 30, 2017 was $191,300.

The Organization has entered into an agreement with the Foundation to support the payroll costs of executive management who provide services to each organization. The terms of this agreement call for an annual review of the factors used in determining the fee to be charged each fiscal year. Total fees under this agreement for each of the years ending June 30, 2017 and 2016 were $180,000.

Please see Note 10 – Lease Commitments for an additional related party transaction.

NOTE 15 Consolidation

FASB ASC 810, *Consolidation*, requires the consolidation of certain variable interest entities (“VIE”) under generally accepted accounting principles. PBS39 Foundation and WLVT RE, Inc. have been identified as variable interest entities that are required to be consolidated with the Organization under these rules. However, these financial statements do not consolidate these VIEs. The effect of this departure, net of eliminations, is to overstate the change in net assets by $294,732, understate total assets by $30,586,999 and understate total liabilities by $22,561,681.

NOTE 16 Reclassifications

Certain reclassifications have been made to the prior years consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets or the net asset totals.

NOTE 17 Subsequent Events

Subsequent to June 30, 2017, the Organization transferred approximately $80,000,000 of the net proceeds from the sale of its broadcasting spectrum to the Foundation. Upon receipt, the Foundation will invest the proceeds and use the earnings in future years to support the operations of the Organization.

Subsequent to June 30, 2017, the Organization entered into an agreement to outsource certain marketing and technology services to a third-party vendor. The agreement is for a four year term with automatic three year renewals. The agreement requires monthly payments of $14,100 per month, plus certain incentive and additional fees.

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 2, 2017, the date on which the financial statements were available to be issued. Except as disclosed above, no such events or transactions occurred which would require recognition or disclosure in the financial statements.