

Southern Oregon Public Television, Inc.

**Financial Statements and
Independent Auditors' Report**

*As of and for the Years
Ended June 30, 2018 and 2017*

Southern Oregon Public Television, Inc.

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Independent Auditors' Report

To the Board of Directors
Southern Oregon Public Television, Inc.
Medford, OR

We have audited the accompanying financial statements of Southern Oregon Public Television, Inc.. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

MBW

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Oregon Public Television, Inc. as of June 30, 2018, 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.

Prior Period Financial Statements

The financial statements of Southern Oregon Public Television, Inc. as of June 30, 2017 were audited by other auditors whose report dated October 20, 2017, expressed an unmodified opinion on these statements.

More Benton ; Woodham LLP

Columbia, South Carolina
August 31, 2018

Southern Oregon Public Television, Inc.
 Statements of Financial Position
 As of June 30,

ASSETS	2018	2017
Current Assets:		
Cash & cash equivalents	\$ 699,002	\$ 664,140
Other receivables, net	24,050	52,453
Contributions receivable, net	13,898	13,665
Prepaid program rights	138,201	155,018
Prepaid expenses	27,989	25,985
Total current assets	903,140	911,261
Non-Current Assets:		
Investment in partnership	24,695	22,891
Property and equipment, net	586,951	539,678
Total non-current assets	611,646	562,569
Total Assets	\$ 1,514,786	\$ 1,473,830
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 33,157	\$ 49,726
Deferred support	25,106	77,623
Accrued payroll liabilities	51,761	55,834
Total current liabilities	110,024	183,183
Net Assets:		
Unrestricted		
Undesignated	1,034,922	1,013,269
Designated	369,840	277,378
Total Unrestricted	1,404,762	1,290,647
Total Liabilities and Net Assets	\$ 1,514,786	\$ 1,473,830

See accompanying notes and independent auditors' report.

Southern Oregon Public Television, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Major gifts <i>and bequests</i>	\$ 146,428	\$ -	\$ 146,428
Membership and pledges	790,031	-	790,031
CPB grants	795,327	-	795,327
Other grants	46,871	-	46,871
Program underwriting	192,360	-	192,360
Local production underwriting	51,055	-	51,055
Production contracts	41,696	-	41,696
Trade	43,943	-	43,943
In-kind	6,089	-	6,089
Bad debt recoveries	-	-	-
Other	143,873	-	143,873
	<u>2,257,673</u>	-	<u>2,257,673</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>2,257,673</u>	<u>-</u>	<u>2,257,673</u>
Functional expenses:			
Program services			
Programming and production	1,020,368	-	1,020,368
Technology and operations	193,408	-	193,408
Supporting services:			
Development and underwriting	455,597	-	455,597
Administration and general	474,185	-	474,185
Total functional expenses	<u>2,143,558</u>	<u>-</u>	<u>2,143,558</u>
Increase (decrease) in net assets	<u>114,115</u>	<u>-</u>	<u>114,115</u>
Net assets at beginning of year	<u>1,290,647</u>	<u>-</u>	<u>1,290,647</u>
Net assets at end of year	<u>\$ 1,404,762</u>	<u>\$ -</u>	<u>\$ 1,404,762</u>

See accompanying notes and independent auditors' report.

Southern Oregon Public Television, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Major gifts	\$ 24,298	\$ -	\$ 24,298
Membership and pledges	721,875	-	721,875
CPB grants	846,239	-	846,239
Other grants	29,270	-	29,270
Program underwriting	232,846	-	232,846
Local production underwriting	5,050	-	5,050
Production contracts	112,273	-	112,273
Trade	40,629	-	40,629
In-kind	10,989	-	10,989
Bad debt recoveries	17,163	-	17,163
Other	18,713	-	18,713
	<u>2,059,345</u>	<u>-</u>	<u>2,059,345</u>
Net assets released from restrictions	<u>21,075</u>	<u>(21,075)</u>	<u>-</u>
Total revenues and support	2,080,420	(21,075)	2,059,345
Functional expenses:			
Program services		-	
Programming and production	1,042,781	-	1,042,781
Technology and operations	155,982	-	155,982
Supporting services:			
Development and underwriting	438,452	-	438,452
Administration and general	470,920	-	470,920
Total functional expenses	<u>2,108,135</u>	<u>-</u>	<u>2,108,135</u>
Increase (decrease) in net assets	(27,715)	(21,075)	(48,790)
Net assets at beginning of year	<u>1,318,362</u>	<u>21,075</u>	<u>1,339,437</u>
Net assets at end of year	<u>\$ 1,290,647</u>	<u>\$ -</u>	<u>\$ 1,290,647</u>

See accompanying notes and independent auditors' report.

Southern Oregon Public Television, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services			Supporting Services		Total Program and Support Services
	Programming and Production	Technology and Operations	Total Program Services	Development and Underwriting	Administrative and General	
Wages	\$ 295,809	\$ 5,941	\$ 301,750	\$ 158,485	\$ 151,898	\$ 612,133
Program	450,706	-	450,706	-	-	450,706
Contract labor	72,455	55,995	128,450	128,464	-	256,914
Insurance	29,136	-	29,136	19,856	68,735	117,727
Depreciation	47,387	67,142	114,529	-	7,592	122,121
Rent	148	15,992	16,140	-	65,794	81,934
Professional fees	10,000	-	10,000	6,000	61,884	77,884
Premiums	2,654	-	2,654	59,682	-	62,336
Utilities	-	29,956	29,956	-	20,852	50,808
Payroll taxes and other	26,065	147	26,212	12,003	10,726	48,941
Trade	10,526	-	10,526	30,891	2,526	43,943
Dues and subscriptions	6,866	3,735	10,601	475	20,918	31,994
Travel and entertainment	21,307	-	21,307	2,206	10,006	33,519
Telephone	1,029	2,450	3,479	1,870	13,744	19,093
Equipment rental	9,835	3,080	12,915	-	14,331	27,246
Printing and production	53	-	53	26,391	174	26,618
Repairs	1,508	3,653	5,161	-	6,314	11,475
Postage and delivery	9,271	681	9,952	1,409	104	11,465
Bank service charges	1,215	-	1,215	6,016	4,687	11,918
In-kind	2,047	3,620	5,667	422	-	6,089
Licenses and permits	-	-	-	-	1,212	1,212
Janitorial	-	-	-	-	7,817	7,817
Supplies	15,884	416	16,300	293	1,580	18,173
Advertising	2,322	-	2,322	10	-	2,332
Security	-	-	-	-	1,818	1,818
Training and seminars	3,163	-	3,163	1,124	1,473	5,760
Internet	-	600	600	-	-	600
Bad debts	659	-	659	-	-	659
Video tape	323	-	323	-	-	323
Total Functional Expenses	\$ 1,020,368	\$ 193,408	\$ 1,213,776	\$ 455,597	\$ 474,185	\$ 2,143,558

See accompanying notes and independent auditors' report.

Southern Oregon Public Television, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services			Supporting Services		Total Program and Support Services
	Programming and Production	Technology and Operations	Total Program Services	Development and Underwriting	Administrative and General	
Expenses:						
Wages	\$ 266,948	\$ 1,500	\$ 268,448	\$ 142,689	\$ 123,687	\$ 534,824
Program	459,222	-	459,222	702	-	459,924
Contract labor	126,178	40,929	167,107	136,114	804	304,025
Insurance	36,745	-	36,745	17,980	69,513	124,238
Depreciation	48,621	51,797	100,418	-	9,493	109,911
Rent	-	16,586	16,586	-	70,334	86,920
Professional fees	12,113	-	12,113	5,500	63,062	80,675
Premiums	-	-	-	53,264	-	53,264
Utilities	-	27,983	27,983	-	23,229	51,212
Payroll taxes and other	23,803	20	23,823	11,282	9,837	44,942
Trade	11,743	-	11,743	14,849	14,037	40,629
Dues and subscriptions	5,394	1,680	7,074	453	17,626	25,153
Travel and entertainment	12,476	21	12,497	2,108	8,702	23,307
Telephone	-	2,865	2,865	4,467	15,255	22,587
Equipment rental	9,657	210	9,867	39	12,636	22,542
Printing and production	9	-	9	21,201	126	21,336
Repairs	6,962	10,582	17,544	-	1,400	18,944
Direct marketing	-	-	-	15,544	-	15,544
Postage and delivery	8,006	8	8,014	3,843	711	12,568
Bank service charges	25	-	25	-	11,714	11,739
In-kind	10,092	-	10,092	896	-	10,988
Licenses and permits	-	445	445	-	6,810	7,255
Janitorial	-	-	-	-	6,944	6,944
Supplies	953	156	1,109	922	1,613	3,644
Advertising	3,012	-	3,012	-	50	3,062
Security	-	-	-	-	2,127	2,127
Training and seminars	520	-	520	-	1,210	1,730
Internet	52	1,200	1,252	-	-	1,252
Printing and reproduction campaign	250	-	250	-	-	250
Bad debts	-	-	-	6,599	-	6,599
Total Functional Expenses	\$ 1,042,781	\$ 155,982	\$ 1,198,763	\$ 438,452	\$ 470,920	\$ 2,108,135

See accompanying notes and independent auditors' report.

Southern Oregon Public Television, Inc.
 Statements of Cash Flows
 For the Years Ended June 30,

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 114,115	\$ (48,790)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	122,121	109,911
Bad debts	659	6,599
Investment in partnership	(1,804)	(3,073)
Decrease(increase) in operating assets:		
Contributions receivable, net	(233)	(20,264)
Grants receivable	-	32,793
Other receivables, net	27,744	27,937
Prepaid program rights	16,817	(24,515)
Prepaid expenses	(2,004)	(6,281)
Increase (decrease) in operating liabilities:		
Accounts payable	(16,569)	15,951
Deferred support	(52,517)	72,990
Accrued payroll liabilities	(4,073)	2,300
Net cash provided by operating activities	204,256	165,558
Cash Flows From Investing Activities		
Purchases of property and equipment	(169,394)	(10,907)
Distributions from investment in partnership	-	5,000
Net cash provided (used) by investing activities	(169,394)	(5,907)
Net increase (decrease in cash)	34,862	159,651
Cash, beginning of year	664,140	504,489
Cash, end of year	\$ 699,002	\$ 664,140
Summary of Reconciliation of Cash		
Unrestricted cash	\$ 699,002	\$ 664,140

See accompanying notes and independent auditors' report.

Southern Oregon Public Television, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

Southern Oregon Public Television, Inc. (“SOPTV”) is a nonprofit, commercial-free, educational, telecommunications organization located in Medford, Oregon that works with various partners to provide diverse cultural and informational programming and services. SOPTV’s activities are for the benefit of the communities served and strive to foster an informed and active citizenry: make knowledge and the creative life of the arts, sciences and humanities available to the widest possible public; reflect positively the diversity of the community and audience, invite a sense of inclusion and better understanding of each other; improve, for all people, access to public media; be a trusted partner to parents and educators providing programming and services which promote the healthy development of children; serve the individual, not just as a spectator, but as a participant able and willing to learn new skills through SOPTV’s programs and services; and work with educators to effectively use the telecommunications resources and capabilities to positively address educational needs of the region.

SOPTV receives significant funding from federal and state governments/agencies as well as from the Corporation for Public Broadcasting (“CPB”). Reductions in such support have and could have a significant effect of SOPTV’s activities and financial position.

Basis of Accounting

The financial statements of SOPTV have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payable, and other liabilities. Revenues and support are recognized when earned, and expenses are recognized when incurred.

Contributions, including unconditional promises to give, are recognized as revenue when the contribution is received. Grants for specific projects and activities are recognized as revenue when expended. Revenues from lease agreements, other rentals, services and program underwriting contracts are recognized in the period earned or stipulated in the agreements.

Basis of Presentation

SOPTV reports information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted and permanently restricted as described below.

Unrestricted net assets include resources that are not temporarily or permanently restricted by the donor and are available for operations of SOPTV without limitation. Unrestricted net assets also include resources restricted by donor-imposed criteria for which the restrictions are met within the same time period as the funds are received. Unrestricted net assets which have been designated for specific uses, such as for programming activities, by the Board of Directors have also been identified.

Temporarily restricted net assets include those resources restricted by donor/grantor-imposed criteria and which either expire with the passage of time or by actions of SOPTV. SOPTV had no temporarily restricted net assets to report in the accompanying financial statements.

Permanently restricted net assets include contributions subject to donor-imposed or other legal restrictions with requirements that the principal be invested in perpetuity and only the income is expended for designated purposes. SOPTV had no permanently restricted net assets to report in the accompanying financial statements.

Southern Oregon Public Television, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

Note 1 • Nature of Organization and Summary of Significant Accounting Policies (continued)

Grants, Contributions and Other Receivables

SOPTV provides program services to the residents of the Rogue Valley. The organization relies on grants with the federal government, the State of Oregon and local governmental units, as well as contributions from local sources.

Grants and contributions receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Other receivable substantially consist of amounts that exist from SOPTV granting credit to underwriters, substantially all of whom are located in the Rogue Valley area on open account (without requiring collateral or any other security). An allowance for doubtful contributions has been recorded by management based on management's analysis of specific contributions and other receivable made an historical collection percentages.

Revenues from grants and contracts are recognized as the related costs are incurred under the grant or contract agreements.

Prepaid Program Rights

Prepaid program rights represent future broadcast rights purchases as part of the original program cots. Costs are amortized as the broadcast rights are utilized and are fully amortized in the year they expire per contract limitations.

Property and Equipment

SOPTV capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Repairs and maintenance which do not extend the useful life of an asset are expensed as incurred. Major expenses and those which substantially increase useful lives are also capitalized.

Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Antennae and tower	5 - 30
Studio equipment	2 - 30
Leasehold improvements	5 - 25
Furniture and fixtures	3 - 10
Automobiles and trucks	10

Property and equipment are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impaired assets at June 30, 2018 or 2017.

Deferred Support

Unrestricted deferred support represents revenue received to underwrite programs or facilitate programming not yet broadcasted as of the end of the fiscal year.

Southern Oregon Public Television, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

Note 1 • Nature of Organization and Summary of Significant Accounting Policies (continued)

Accrued Payroll Liabilities

Accrued payroll liabilities represent SOPTV's liability for the combined cost of accrued payroll, vacation, payroll taxes and benefits.

Donated Materials and Services

Donated services are recognized when they create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not donated.

Donations of assets are recorded as support at their estimated fair value at the date of donation. Assets whose estimated fair value cannot be reasonably determined are not recorded. Recorded donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, SOPTV reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SOPTV reclassifies temporarily restricted net assets at that time.

Under generally accepted accounting principles, contributed services must require specialized skills that SOPTV would otherwise need to purchase. Volunteers also provided various services throughout the year that would not be recognized as contributions in the financial statements since the recognition criteria under generally accepted accounting principles were not met, or the valuation of such services could not be reasonably determined.

Additionally, for the purpose of obtaining the CPB Community Service Grant, public television stations are required by CPB to include as income those contributed goods, rent and services which are utilized in the operation of SOPTV and for which SOPTV would normally pay. These in-kind contributions are recorded as income and expense, or capitalized as appropriate at their fair value and meet the criteria for recognition under generally accepted accounting principles.

In-Kind Contributions

In-kind contributions, which may include securities, advertising, programming and supplies, are recorded at estimated fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various methods.

Southern Oregon Public Television, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

Note 1 • Nature of Organization and Summary of Significant Accounting Policies (continued)

The following program and supporting services are included in the accompanying financial statements:

Program services include:

- *Programming and production* provides for the creation and distribution of the locally produced educational and informational media that is central to SOPTV's mission.
- *Technology and operations* allows for the maintenance of and improvements to the technology that is required to provide SOPTV's diverse cultural and informational programming and services.

Support services include:

- *Development and underwriting* activities provide the structure necessary to encourage and secure private financial support from individuals, foundations and corporations. Development and underwriting activities include contribution drives, memberships and related events and major donor solicitations.
- *Administration and general* activities include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of SOPTV's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration; and manage SOPTV's financial and budgetary responsibilities.

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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Income Taxes

SOPTV is exempt from incomes taxes under Section 501(c)(3) of the Internal Revenue Code but is required to pay taxes on unrelated business income, if any, at statutory rates. SOPTV had no tax liability on unrelated business income during the years ended June 30, 2018 and 2017. SOPTV follows the guidance for the accounting for uncertainty in income taxes. Under this guidance, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. SOPTV has filed for and received income tax exemptions. In addition, SOPTV qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

SOPTV's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the Internal Revenue Service, generally for three years after filing.

Southern Oregon Public Television, Inc.
Notes to the Financial Statements
As of and for the Years Ended June 30, 2018 and 2017

Note 1 • Nature of Organization and Summary of Significant Accounting Policies (continued)

Advertising Costs

SOPTV expenses advertising costs as incurred. Advertising expense was \$2,332 and \$3,062 as of June 30, 2018 and 2017, respectively.

Concentration of Credit Risk

SOPTV maintains its cash accounts with a commercial bank. The cash accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to the FDIC insurance limit. As of June 30, 2018, the Company had \$477,196 in excess of the FDIC insured limit. SOPTV does not require collateral or other security on receivables. The credit risk on these accounts is controlled primarily through monitoring procedures.

Recent Accounting Pronouncements

Financial Statement Presentation

The Financial Accounting Standards Board (the "FASB") issued an Accounting Standards Update ("ASU"), "Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities," that decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard also requires, among other things, the presentation of qualitative information regarding the management of liquid available resources and liquidity risks as well as the reporting and analysis of expenses by both function and nature.

The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The station plans to comply with the standard when it becomes effective.

Contributions and Grants

The Financial Accounting Standards Board (the "FASB") issued an Accounting Standards Update ("ASU"), "Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made," that clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The ASU provides guidance for distinguishing between contributions and exchange transactions which then determines which guidance for recognition is applied. The guidance also requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The station plans to comply with the standard when it becomes effective.

The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The station plans to comply with the standard when it becomes effective.

Leases

The FASB issued an ASU requiring organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Additional disclosure will also be required.

The accounting standards update on leases will be effective for fiscal years beginning after December 15, 2019. The station plans to comply with the standard when it becomes effective.

Southern Oregon Public Television, Inc.
Notes to the Financial Statements
As of and for the Years Ended June 30, 2018 and 2017

Note 1 • Nature of Organization and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

Revenue Recognition

The FASB issued an ASU and subsequent amendments that eliminates the transaction and industry- specific revenue recognition guidance and replaces it with a principle-based approach for determining revenue recognition.

The accounting standards update regarding revenue recognition will be affected for annual reporting periods beginning after December 15, 2018. The station plans to comply with the standard when it becomes effective.

Note 2 - Grants, Contributions and Other Receivables

Contributions and other receivables for the years ended June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Contributions receivable	\$ 15,043	\$ 14,810
Other receivables	24,397	54,265
	<u>39,440</u>	<u>69,075</u>
Less: Allowances for doubtful accounts	(1,492)	(2,957)
Contributions and other receivables, net	<u>\$ 37,948</u>	<u>\$ 66,118</u>

Management's estimate for the allowance for doubtful accounts decreased to \$1,492 as of June 30, 2018.

Note 3 - Investment in Partnership

Investment in partnership represents an approximate five-percent interest in a limited partnership engaged in broadcasting related activities and is accounted for under the cost method and adjusted annually for any impairment and changes in the partnership interest.

Southern Oregon Public Television, Inc.
Notes to the Financial Statements
As of and for the Years Ended June 30, 2018 and 2017

Note 4 - Property and Equipment

Property and equipment for the years ended June 30,:

	2018	2017
Studio equipment	\$ 3,261,935	\$ 3,526,393
Antennae and tower	478,020	478,018
Land and leasehold improvements	175,498	175,498
Furniture and fixtures	139,099	139,099
Automobiles and trucks	27,351	27,351
	4,081,903	4,346,359
Less: accumulated depreciation	(3,494,952)	(3,806,681)
Property and equipment, net	\$ 586,951	\$ 539,678

Depreciation expense was \$122,121 and \$109,911 for the years ended June 30, 2018 and 2017, respectively.

SOPTV received equipment grants from federal agencies which covered the cost of specific items of equipment. The federal agencies have a lien on this equipment for a period of ten years from the date of acquisition. If during the ten-year period certain conditions are not met, or the equipment is disposed of, SOPTV could be required to refund a portion of the grant proceeds to the granting agency. The net book value of these assets was approximately \$260,213 as of June 30, 2018.

Note 5 - Line-of-Credit

SOPTV has a bank line-of-credit for borrowings to a maximum of \$150,000, with variable interest based on the prime rate published in *The Wall Street Journal* rate plus 1.5% with a minimum interest rate of 5.00% (5.00% as of June 30, 2018). SOPTV's equipment serves as collateral for borrowings. Interest accrues on the unpaid balance until the note is paid in full. SOPTV had no advances on the line-of-credit as of June 30, 2018 and 2017.

Note 6 - Operating Lease Commitments

SOPTV has entered into a non-cancellable operating lease for its office facilities. The current facility lease commenced on December 1, 2017 and is a five year lease with an option to renew the lease for an additional five years at the end of the lease term in November 2022. The terms of the existing lease agreement include an annual rent adjustment clause based on the Consumer Price Index and an additional charge for use of common areas and allocation of facility overhead costs for real property taxes, insurance premiums, etc. The base rent amount is \$6,055 per month.

Future minimum lease payments under the non-cancellable lease terms as of June 30,:

Year		
2019	\$	72,600
2020		72,660
2021		72,660
2022		72,660
2023		30,250
	\$	320,830

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Note 6 - Operating Lease Commitments (continued)

SOPTV broadcasts from various tower locations in its viewing region. Five of the tower sites involve partnerships with other broadcasting entities, and SOPTV owns a percentage of the equipment. One of these arrangements involves the payment of fees totaling less than \$1,000 annually.

Six other tower sites are leased under varying arrangements with lease payments totaling approximately \$1,400 per month or \$16,800 annually for all six towers.

Additionally, four tower sites are operated without any fees for the use of the land and/or tower, as applicable. Management is unable to estimate the related fair value but believes the fair value to be nominal.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use on specific production projects. There were no temporarily restricted assets at June 30, 2018.

Note 8 - Donated Materials and Services

The value of donated materials and services included as donations received in the accompanying Statement of Activities and the corresponding expenses are as follows for the years ended June 30:

	2018	2017
Donated services	\$ -	\$ 10,092
Donated supplies	6,089	897
	\$ 6,089	\$ 10,989

Note 9 - Concentrations and Contingencies

SOPTV receives general support in the form of program underwriting, individual contributions and memberships, fund-raising, and contributions from business, industry and local governments in Jackson and Josephine Counties. SOPTV also receives grant income from the Corporation for Public Broadcasting for general operations.

For the years ended June 30, 2018 and 2017, approximately 35% and 41%, respectively, of total support and revenues came from the Corporation of Public Broadcasting.

Note 10 - Risks and Uncertainties

SOPTV is exposed to various risks of loss arising from litigation and claims in the normal course of business. SOPTV maintains insurance coverage to provide for risks of loss.

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Note 11 – Subsequent Events

The date to which events occurring after June 30, 2018 (the date of the most recent balance sheet) have been evaluated for possible adjustment to the financial statements or disclosure is August 31, 2018, which is the date on which the financial statements were available to be issued.
