National Educational Telecommunications Association

Financial Statements
and
Independent Auditor's Report

As of and for the Years Ended June 30, 2016 and 2015

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THOMAS, WATSON & DYCHES, LLC
Certified Public Accountants & Consultants

Independent Auditor's Report

To the Board of Directors and Management of
the National Educational Telecommunications Association

We have audited the accompanying financial statements of the National Educational Telecommunications Association (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Educational Telecommunications Association as of June 30, 2016 and 2015, 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.

Thomas, Watson + Dyches, LLC

October 26, 2016

220 STONERIDGE DRIVE • SUITE 402 • COLUMBIA, SC 29210-8018
PHONE: 803.771.0077 • FAX: 803.771.0770 • WWW.KTWD.BIZ

National Educational Telecommunications Association
Statements of Financial Position
As of June 30,

	2016	2015
Assets		
Current assets:		
Cash	$ 121,928	$ 81,683
Agency cash	30,231	30,134
Investments, at fair value	325,406	319,374
Accounts receivable, net	294,107	279,694
Prepaid expenses and other current assets	51,392	43,582
Total current assets	823,064	754,467
Non-current assets:		
Deferred charges	13,568	57,150
Other receivable	87,451	94,599
Property and equipment, net	596,181	617,905
Total non-current assets	697,200	769,654
Total Assets	$ 1,520,264	$ 1,524,121
Liabilities and Net Assets		
Current liabilities:		
Cash overdraft	$ -	$ 50,194
Line of credit	266,000	264,000
Notes payable, current portion	15,849	15,297
Accounts payable	45,272	49,784
Accrued expenses	14,268	20,449
Agency obligations	30,231	30,134
Unearned revenues	104,789	107,107
Unearned revenues, ancillary groups	219,114	159,168
Total current liabilities	695,523	696,133
Notes payable, less current portion	146,053	161,966
Total liabilities	841,576	858,099
Unrestricted net assets	678,688	666,022
Total Liabilities and Net Assets	$ 1,520,264	$ 1,524,121

See accompanying notes and independent auditor's report

National Educational Telecommunications Association
Statements of Activities
For the Years Ended June 30,

	2016	2015
Unrestricted Net Assets		
Revenues, grants and other support:		
General and administrative	$ 1,523,064	$ 1,510,634
Projects	2,150,004	1,705,950
Special services	89,383	90,144
Investment return	24,794	13,785
Total revenues, grants and other support	3,787,245	3,320,513
Functional expenses:		
Program services	2,854,149	2,390,555
General and administrative	920,430	924,922
Total functional expenses	3,774,579	3,315,477
Increase in unrestricted net assets	12,666	5,036
Unrestricted net assets, beginning of year	666,022	660,986
Unrestricted net assets, end of year	$ 678,688	$ 666,022

See accompanying notes and independent auditor's report

National Educational Telecommunications Association
Statement of Functional Expenses
for the Year Ended June 30, 2016

	Program Services							
	Programming	Education Services	Professional Development	System Support	Business Center	Total Program Services	General and Administrative	Total
Salaries, payroll taxes and employee benefits	$ 318,574	$ 112,281	$ 271,694	$ 113,963	$ 1,434,528	$ 2,251,040	$ 590,903	$ 2,841,943
Contractual services	10,632	4,253	23,736	66,451	32,843	137,915	15,884	153,799
Network origination	79,306	-	-	-	-	79,306	-	79,306
Staff travel	8,362	2,028	4,070	2,561	10,124	27,145	54,064	81,209
Food and beverage	-	-	27,243	16,627	-	43,870	7,121	50,991
Dues and publications	155	55	110	31,750	-	32,070	13,477	45,547
Board/committee/consultants	-	610	-	12,872	-	13,482	49,624	63,106
Telephone	2,329	2,266	2,700	1,392	644	9,331	21,000	30,331
Utilities	3,722	930	1,861	-	17,679	24,192	9,305	33,497
Audio/visual	-	-	36,250	456	-	36,706	-	36,706
Insurance	2,246	729	1,681	1,115	7,377	13,148	20,877	34,025
Depreciation	15,712	932	2,001	984	16,486	36,115	6,254	42,369
Audit and legal	-	-	-	-	-	-	25,079	25,079
Bad debts	-	-	-	-	-	-	10,000	10,000
Software support	-	-	-	-	2,778	2,778	17,835	20,613
Repairs and maintenance	533	133	267	-	2,533	3,466	13,991	17,457
Administrative overhead	-	-	-	19,650	15,269	34,919	-	34,919
Computer operations and supplies	2,349	940	2,934	5,007	4,529	15,759	3,446	19,205
Interest and bank service charges	3,815	213	7,342	518	4,472	16,360	2,128	18,488
Supplies	909	165	715	84	4,091	5,964	9,243	15,207
Consultants and honoraria	-	-	-	1,500	-	1,500	25,550	27,050
Employee recruitment	-	-	-	-	36,990	36,990	-	36,990
Printing and duplication	496	143	2,719	191	1	3,550	4,992	8,542
Freight	2,457	9	2,151	86	785	5,488	790	6,278
Data charges	4,900	-	-	-	-	4,900	-	4,900
Hospitality	610	153	455	-	2,899	4,117	3,766	7,883
Promo/photo/film	-	-	5,120	-	-	5,120	-	5,120
Production	-	-	-	-	1,782	1,782	-	1,782
Website development	-	-	-	-	-	-	8,363	8,363
Postage	116	-	126	162	1,850	2,254	5,476	7,730
Council	1,367	-	-	-	-	1,367	-	1,367
Miscellaneous	-	-	2,963	401	151	3,515	1,262	4,777
Totals	$ 458,590	$ 125,840	$ 396,138	$ 275,770	$ 1,597,811	$ 2,854,149	$ 920,430	$ 3,774,579

See accompanying notes and independent auditor's report

National Educational Telecommunications Association
Statement of Functional Expenses
for the Year Ended June 30, 2015

	Program Services								
	Programming	Education Services	Professional Development	System Support	Business Center	Captive Insurance Program	Total Program Services	General and Administrative	Total
Salaries, payroll taxes and employee benefits	$ 281,830	$ 113,025	$ 226,094	$ 109,633	$ 1,087,912	$ 356	$ 1,818,850	$ 612,261	$ 2,431,111
Contractual services	11,834	4,734	31,132	57,709	36,709	17,908	160,026	7,546	167,572
Network origination	86,735	-	-	-	-	-	86,735	-	86,735
Staff travel	11,281	3,004	4,137	3,938	-	2,560	24,920	60,510	85,430
Food and beverage	-	-	34,978	23,738	-	-	58,716	16,864	75,580
Dues and publications	196	55	110	31,880	-	-	32,241	13,174	45,415
Board/committee/consultants	-	364	-	12,133	-	-	12,497	42,463	54,960
Telephone	3,112	2,394	3,097	1,987	633	516	11,739	22,214	33,953
Utilities	2,845	948	1,897	-	17,072	-	22,762	9,485	32,247
Audio/visual	-	-	24,241	922	-	-	25,163	5,490	30,653
Insurance	2,013	745	1,714	1,115	7,393	-	12,980	16,782	29,762
Depreciation	14,315	563	1,169	230	8,041	-	24,318	4,129	28,447
Audit and legal	-	-	-	-	-	-	-	22,690	22,690
Bad debts	-	-	-	-	-	-	-	19,200	19,200
Software support	-	-	-	-	788	-	788	21,083	21,871
Repairs and maintenance	424	141	282	-	2,541	-	3,388	18,225	21,613
Administrative overhead	-	-	-	19,650	-	-	19,650	-	19,650
Computer operations and supplies	2,140	900	2,749	4,839	4,127	-	14,755	3,138	17,893
Interest and bank service charges	3,561	187	7,373	826	3,371	-	15,318	1,873	17,191
Supplies	229	147	225	21	3,057	48	3,727	9,595	13,322
Consultants and honoraria	-	-	70	7,800	-	-	7,870	5,000	12,870
Employee recruitment	-	-	-	-	8,906	-	8,906	-	8,906
Printing and duplication	272	69	2,764	114	478	1	3,698	3,551	7,249
Freight	4,457	8	1,959	27	370	-	6,821	289	7,110
Data charges	4,800	-	-	-	-	-	4,800	-	4,800
Hospitality	218	73	212	-	1,311	-	1,814	2,166	3,980
Promo/photo/film	-	-	786	-	-	819	1,605	1,850	3,455
Website development	-	-	-	-	-	-	-	2,538	2,538
Postage	206	52	326	169	39	-	792	1,382	2,174
Council	1,063	-	-	-	-	-	1,063	-	1,063
Miscellaneous	922	-	3,691	-	-	-	4,613	1,424	6,037
Totals	$ 432,453	$ 127,409	$ 349,006	$ 276,731	$ 1,182,748	$ 22,208	$ 2,390,555	$ 924,922	$ 3,315,477

See accompanying notes and independent auditor's report

National Educational Telecommunications Association
Statements of Cash Flows
For the Years Ended June 30,

	2016	2015
Cash Flows From Operating Activities		
Change in net assets	$ 12,666	$ 5,036
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	42,369	28,447
Bad debts	10,000	19,200
Unrealized losses (gains) on investments	(3,592)	1,493
Gains on sale of investments	(7,156)	-
Decrease (increase) in operating assets:		
Agency cash	(97)	736
Accounts receivable	(24,413)	(44,726)
Prepaid expenses and other current assets	(7,810)	12,993
Other non-current assets	50,730	(32,914)
Increase (decrease) in operating liabilities:		
Accounts payable	(4,512)	(29,856)
Accrued expenses	(6,181)	(12,598)
Agency obligation	97	(736)
Unearned revenues	(2,318)	(11,480)
Unearned revenues, ancillary groups	59,946	(3,338)
Net cash provided (used) by operating activities	119,729	(67,743)
Cash Flows From Investing Activities		
Purchases of property and equipment	(20,645)	(46,269)
Purchases of investments	(199,885)	-
Proceeds from sales of investments	204,601	-
Net cash used by investing activities	(15,929)	(46,269)
Cash Flows From Financing Activities		
Increase (decrease) in bank overdraft	(50,194)	50,194
Net proceeds/principal repayments on line of credit	2,000	58,398
Principal repayments on notes payable	(15,361)	(27,861)
Net cash provided (used) by financing activities	(63,555)	80,731
Net increase (decrease) in cash	40,245	(33,281)
Cash, beginning of the year	81,683	114,964
Cash, end of the year	$ 121,928	$ 81,683
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 7,635	$ 6,658

The Association financed its facility renovations in fiscal 2015 via note payable and line of credit borrowings totaling $74,802.

See accompanying notes and independent auditor's report

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

Nature of Organization

The National Educational Telecommunications Association (the "Association" or "NETA") is a nonprofit organization of public and educational television entities, incorporated in 1967, serving public television/radio licenses and educational organizations in the United States and its territories. The Association's purpose is to exchange and share educational, instructional, cultural, and other resources to support the public broadcasting industry. The Association provides resources such as annual continuing professional education and develops platforms used to exchange instructional and educational materials and programming.

The Association, through its Business Center, provides accounting and administrative functions primarily for other organizations in the public broadcasting industry.

A summary of the Association's significant accounting policies follows.

Basis of Accounting

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

Basis of Presentation

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

Unrestricted net assets are those currently available for use in the Association's operations.

Temporarily restricted net assets are those that are stipulated by donor restriction for specific purposes or time periods. When a donor restriction is met or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. The Association had no temporarily restricted net assets to report in the accompanying financial statements.

Permanently restricted net assets represent resources that are restricted in perpetuity. Generally, the income generated by these resources is expendable in accordance with the conditions of each specific donation. The Association had no permanently restricted net assets to report in the accompanying financial statements.

Support and Revenue Recognition

Revenues from membership dues, program acquisitions, usage fees, services, and underwriting contracts are recognized in the period earned or stipulated in the agreement(s). Grants for specific projects and activities are recognized as revenue when awarded.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

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

Investments

Investments in mutual funds and equity securities are stated at fair value as determined by quoted market prices and brokerage firm quotations. Fixed income securities are valued using a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system. Purchases and sales of securities are recorded on a trade-date basis; dividends are recorded as of the ex-dividend date; and interest income is recorded on the accrual basis. Realized and unrealized gains and losses are reflected in the accompanying statements of activities.

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

Accounts Receivable

Accounts receivable consist primarily of membership and Business Center fees and other various receivables. They are carried at original amounts billed, less an estimate for doubtful receivables based on periodic review by management. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience to determine an average allowance percentage. Accounts receivable are written off when deemed uncollectible. Recoveries of amounts previously written off are recorded when received.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the approximate fair value at date of donation. The Association capitalizes property and equipment costing $1,000 or more. Certain building and improvements are reported at estimated salvage value for fiscal 2014. Repairs and maintenance which do not extend the useful life of an asset are expensed as incurred.

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

	Years
Buildings and improvements	15-31.5
Office furniture, fixtures and equipment	5-10
Computer equipment and software	3-5
Television and radio equipment	6-7
Automobiles	5

Property and equipment are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Deferred Charges

The Association defers certain costs to then match against future revenues for specific and limited projects. Also see Note 5.

Unearned Revenues

Unearned revenues primarily consists of receipts for Association services to be provided in the subsequent year as well as unearned grant proceeds.

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

Unearned Revenues - Ancillary Groups

Unearned revenues - ancillary groups consists of deferred revenue accounts of NETA-related entities for which funds are separately tracked and held. The related organizations work as a function of NETA to achieve similar objectives for the public broadcasting industry, however, they maintain an independent board of directors utilizing NETA staff for management and day-to-day operational functions.

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.

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. Accordingly, actual results could differ from those estimates.

Income Taxes

The Association 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. The Association had no tax liability on unrelated business income during the years ended June 30, 2016 and 2015. The Association 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.

The Association's Forms 990, *Return of Organization from Income Tax*, are subject to examination by the IRS, generally for three years after filing.

Concentrations of Credit Risk

The Association maintains its cash in bank deposit accounts which, at times, may exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation, currently $250,000 as of June 30, 2016. The Association believes that there are no significant risks with respect to such deposits. Cash overdrafts as presented in the accompanying statement of financial position as of June 30, 2015 represented outstanding checks from the Association's primary disbursement account.

The Association does not require collateral or other security on accounts receivable. The credit risk on these accounts is controlled primarily through monitoring procedures.

Subsequent Events

Subsequent events have been evaluated through October 26, 2016, which was the date the financial statements were available to be issued.

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

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, 2017.

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.

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.

Note 2 - Investments

Investments as of June 30, 2016 are summarized as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 294,885	$ 2,463	$ -	$ 297,348
Preferred fixed-rate securities	27,500	-	813	26,687
Government mortgage and asset-backed bond funds				
Fannie Mae	1,197	-	70	1,127
Ginnie Mae	8,135	-	7,985	150
Freddie Mac	592	-	498	94
	$ 332,309	$ 2,463	$ 9,366	$ 325,406

Note 2 - Investments (continued)

Investments as of June 30, 2015 are summarized as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit	$ 25,000	$ 71	$ -	$ 25,071
Corporate bonds	267,414	-	972	266,442
Preferred fixed-rate securities	27,500	-	1,056	26,444
Government mortgage and asset-backed bond funds				
Fannie Mae	1,197	-	60	1,137
Ginnie Mae	8,140	-	7,985	155
Freddie Mac	618	-	493	125
	$ 329,869	$ 71	$ 10,566	$ 319,374

Fair value amounts are subject to significant fluctuations given the market environment.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2016 and 2015:

	2016	2015
Interest	$ 14,046	$ 15,242
Realized gains and (losses), net	7,156	-
Unrealized gains and (losses), net	3,592	(1,457)
	$ 24,794	$ 13,785

Note 3 - Accounts Receivable

Accounts receivable as of June 30, 2016 and 2015, are summarized as follows:

	2016	2015
Membership dues	$ -	$ 6,601
Satellite/handling fees	45,342	60,784
Grants and projects	316	14,472
Business Center fees	273,480	212,662
Other	26	232
Total	319,164	294,751
Less: allowance for doubtful accounts	(25,057)	(15,057)
Accounts receivable, net	$ 294,107	$ 279,694

Note 3 - Accounts Receivable (continued)

Aged receivables as of June 30, 2016 primarily relate to the Business Center fees with the related receivables classified approximately as follows:

Greater than (in days)	Amount
Current	$ 257,136
30	19,902
60	17,939
90	11,023
120	13,164
Total	$ 319,164

The allowance for doubtful accounts increased in fiscal 2016 due to bad debt expense of $10,000.

Note 4 - Other Receivable

Other receivable primarily consisted of amounts due from a public broadcasting related entity for which the Association was under contract for various projects and classified as noncurrent due to the nature of the various projects.

Note 5 - Captive Insurance Program

The Association incurred during the fiscal years ended June 30, 2016 and 2015 certain costs in developing a captive insurance program for the public broadcasting industry. These costs are primarily presented in the accompanying statement of functional expenses. Fee revenues are expected in future years under this program.

The Association contracted with a third party to administer certain aspects of the captive insurance program. Deferred charges in the accompanying statements of financial position as of June 30, 2016 and 2015 included $13,568 and $28,090, respectively, representing capitalized costs.

Note 6 - Property and Equipment

Property and equipment as of June 30, 2016 and 2015, is summarized as follows:

	2016	2015
Land	$ 170,963	$ 170,963
Buildings and improvements	1,091,631	1,091,631
Computer equipment and software	221,521	202,431
Office furniture, fixtures and equipment	73,082	71,527
Television and radio equipment	113,021	113,021
Automobiles	15,808	15,808
Total	1,686,026	1,665,381
Less: accumulated depreciation	(1,089,845)	(1,047,476)
Property and equipment, net	$ 596,181	$ 617,905

Note 6 - Property and Equipment (continued)

Certain building and improvements totaling approximately $953,000 in costs and $694,000 in accumulated depreciation as of June 30, 2016 were not depreciated in fiscal 2016 and 2015 due to estimated salvage value equaling net book value.

Note 7 - Line of Credit

The Association has a $300,000 unsecured, revolving line of credit. The line of credit agreement is renewed annually and carries a variable interest rate based on a prime rate (3.5% as of June 30, 2016) with interest on borrowings due monthly. Additional borrowings of $34,000 were available as of June 30, 2016. The principal is due at maturity, March 2017.

Note 8 - Notes Payable

Notes payable as of June 30, 2016 and 2015, are summarized as follows:

	2016	2015
Mortgage note payable to a bank; original amount $182,517; monthly principal payments of $1,850 beginning April, 2015 including interest at a fixed rate of 3.95%; balloon payment of $102,279 due March 2020; collateralized by the Association's real estate.	$ 161,902	$ 177,263

Interest expense on the notes payable for the years ended June 30, 2016 and 2015 totaled approximately $7,700 and $6,300, respectively.

Principal repayments on the mortgage note payable as of June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Amount
2017	$ 15,849
2018	16,553
2019	17,218
2020	112,282
Total	161,902
Less: current portion	(15,849)
Total notes payable, long-term	$ 146,053

Note 9 - Agency Obligations

The Association serves in an agency capacity providing management and broadcast uplinking for certain organizations engaged in the production of content for public broadcasting. Production funding is primarily provided via donations and grants.

Note 10 - Defined Contribution Retirement Plan

The Association has a defined contribution retirement plan covering substantially all of its employees. The plan requires the Association to contribute an amount equal to seven percent of employee compensation (contingent upon the employee electing at least a five percent contribution and subject to prescribed limitations). Association contributions totaled approximately $124,000 and $110,000 for the years ended June 30, 2016 and 2015, respectively.

Note 11 - Lease Commitments

The Association has two non-cancellable lease agreements for office equipment.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,		
2017	$	5,640
2018		3,336
2019		3,336
2020		1,668
	$	13,980

Lease expense totaled approximately $6,800 for the years ended June 30, 2016 and 2015, respectively.

Note 12 - Fair Value Measurement

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2 Inputs to the valuation methodology include

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

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

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

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2016 and 2015.

Certificates of deposit: The fair value of certificates purchased directly from financial institutions are estimated using Level 2.

Note 12 - Fair Value Measurement (continued)

Equity and preferred fixed rate securities: Valued at quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1).

Corporate Bonds: Valued at quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1).

Government mortgage and asset-backed bond funds: The fair value of government mortgage and asset-backed bond funds are valued at market prices provided by recognized broker dealers estimated using Level 2.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2016 and 2015:

		Fair Value Measurements as of Reporting Date Using:		
Description	As of June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	$ 297,348	$ 297,348	$ -	$ -
Preferred fixed rate securities	26,687	26,687	-	-
Government mortgage and asset-backed bond funds	1,371	-	1,371	-
	$ 325,406	$ 324,035	$ 1,371	$ -

		Fair Value Measurements as of Reporting Date Using:		
Description	As of June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 25,071	$ -	$ 25,071	$ -
Corporate bonds	266,442	266,442	-	-
Preferred fixed rate securities	26,444	26,444	-	-
Government mortgage and asset-backed bond funds	1,417	-	1,417	-
	$ 319,374	$ 292,886	$ 26,488	$ -

Fair value amounts are subject to significant fluctuations given the market environment.

Interest on certificates of deposit and changes in bond funds are reported in the accompanying statements of activities in investment return.

The carrying amounts for receivables, prepaid expenses and other current assets, accounts payable, deferred revenue, other accrued liabilities and the line of credit approximate fair value because of the nature and terms of these assets and liabilities.

Note 13 - Risks and Uncertainties

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

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