

**ILLINOIS VALLEY PUBLIC
TELECOMMUNICATIONS CORPORATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNCTIONAL EXPENDITURES	19
SCHEDULE OF FUNCTIONAL EXPENDITURES EXCLUDING IN-KIND CONTRIBUTIONS AND DONATED SERVICES	21

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Illinois Valley Public Telecommunications Corporation
Peoria, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Illinois Valley Public Telecommunications Corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' 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 auditors' 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 Illinois Valley Public Telecommunications Corporation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
October 19, 2018

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 505,877	\$ 396,557
Current Portion of Receivables:		
Pledges, Net	157,457	157,971
Accounts	176,883	126,138
Net Receivables	334,340	284,109
Inventory, at Cost or Net Realizable Value (for Donations)	3,976	4,872
Prepaid Expenses	142,520	166,679
Refundable Income Taxes	-	940
Total Current Assets	986,713	853,157
PLEDGES RECEIVABLE , Net of Current Portion	23,102	44,267
INVESTMENTS	1,623,458	1,542,519
PROPERTY AND EQUIPMENT		
Land	524,557	524,557
Transmitter Building and Improvements	1,126,915	1,126,915
Building and Improvements	5,706,463	5,691,168
Furniture, Fixtures, and Equipment	6,069,408	5,986,258
Total Property and Equipment	13,427,343	13,328,898
Less: Accumulated Depreciation and Amortization	8,925,820	8,699,209
Net Property and Equipment	4,501,523	4,629,689
 Total Assets	 \$ 7,134,796	 \$ 7,069,632

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 157,979	\$ 231,796
Current Maturities of Long-Term Debt	94,771	95,846
Accrued Expenses	12,160	6,443
Deferred Revenue	122,091	152,768
Total Current Liabilities	<u>387,001</u>	<u>486,853</u>
 LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	<u>854,538</u>	<u>948,398</u>
Total Liabilities	1,241,539	1,435,251
 NET ASSETS		
Unrestricted:		
Undesignated	4,250,103	4,070,814
Board Designated Endowment	1,623,458	1,542,519
Total Unrestricted	<u>5,873,561</u>	<u>5,613,333</u>
Temporarily Restricted	19,696	21,048
Total Net Assets	<u>5,893,257</u>	<u>5,634,381</u>
Total Liabilities and Net Assets	<u>\$ 7,134,796</u>	<u>\$ 7,069,632</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	2018		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,194,499	\$ -	\$ 1,194,499
Matching Contributions	119,101	-	119,101
In-Kind Contributions and Donated Services	82,991	-	82,991
Grants from Corporation for Public Broadcasting	854,467	-	854,467
State Grants	93,655	-	93,655
Other Grants	48,209	-	48,209
FCC Repack Grants	9,799	-	9,799
Auction Income	89,670	-	89,670
Underwriting Income	122,973	-	122,973
Contract Services	41,339	-	41,339
Satellite Services	12,806	-	12,806
Interest Income	2,032	-	2,032
Net Investment Income	77,874	-	77,874
Lease Income	497,806	-	497,806
Special Events	32,770	-	32,770
WTVP Travels Tour	301,538	-	301,538
Miscellaneous	8,896	-	8,896
Net Assets Released from Restrictions	1,352	(1,352)	-
Total Revenue, Gains, and Other Support	3,591,777	(1,352)	3,590,425
EXPENDITURES			
Program Services:			
Programming	704,237	-	704,237
Production	272,038	-	272,038
Broadcast Operations	789,215	-	789,215
Total Program Services	1,765,490	-	1,765,490
Supporting Services:			
Fundraising and Development	582,073	-	582,073
WTVP Travels Tour	283,485	-	283,485
Promotion	97,908	-	97,908
Management and General	509,526	-	509,526
Unrelated Business Services	93,067	-	93,067
Total Supporting Services	1,566,059	-	1,566,059
Total Expenditures	3,331,549	-	3,331,549
CHANGE IN NET ASSETS	260,228	(1,352)	258,876
Net Assets - Beginning of Year	5,613,333	21,048	5,634,381
NET ASSETS - END OF YEAR	\$ 5,873,561	\$ 19,696	\$ 5,893,257

See accompanying Notes to Financial Statements.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,001,639	\$ -	\$ 1,001,639
Matching Contributions	105,716	-	105,716
In-Kind Contributions and Donated Services	63,873	-	63,873
Grants from Corporation for Public Broadcasting	778,100	-	778,100
Other Grants	52,985	-	52,985
Auction Income	69,528	-	69,528
Underwriting Income	149,747	-	149,747
Contract Services	44,341	-	44,341
Satellite Services	15,197	-	15,197
Interest Income	1,247	-	1,247
Net Investment Income	115,968	-	115,968
Lease Income	488,221	-	488,221
Special Events	26,585	-	26,585
WTVP Travels Tour	165,470	-	165,470
Miscellaneous	11,528	-	11,528
Net Assets Released from Restrictions	160	(160)	-
Total Revenue, Gains, and Other Support	<u>3,090,305</u>	<u>(160)</u>	<u>3,090,145</u>
EXPENDITURES			
Program Services:			
Programming	668,214	-	668,214
Production	262,820	-	262,820
Broadcast Operations	822,280	-	822,280
Total Program Services	<u>1,753,314</u>	<u>-</u>	<u>1,753,314</u>
Supporting Services:			
Fundraising and Development	560,069	-	560,069
WTVP Travels Tour	152,094	-	152,094
Promotion	58,393	-	58,393
Management and General	537,247	-	537,247
Unrelated Business Services	112,923	-	112,923
Total Supporting Services	<u>1,420,726</u>	<u>-</u>	<u>1,420,726</u>
Total Expenditures	<u>3,174,040</u>	<u>-</u>	<u>3,174,040</u>
CHANGE IN NET ASSETS	(83,735)	(160)	(83,895)
Net Assets - Beginning of Year	<u>5,697,068</u>	<u>21,208</u>	<u>5,718,276</u>
NET ASSETS - END OF YEAR	<u>\$ 5,613,333</u>	<u>\$ 21,048</u>	<u>\$ 5,634,381</u>

See accompanying Notes to Financial Statements.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 258,876	\$ (83,895)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	226,611	303,614
Net Unrealized Gains on Investments	(29,628)	(85,717)
Cash Receipts from Save Our Station Campaign Contributions		
Restricted for Purposes of Debt Service	(1,850)	(760)
Effects of Changes in Operating Assets and Liabilities:		
Net Receivables	(29,066)	28,224
Inventory	896	(1,851)
Prepaid Expenses	24,159	(135,819)
Refundable Income Taxes	940	-
Accounts Payable	(73,817)	94,092
Accrued Expenses	5,717	(3,727)
Deferred Revenue	(30,677)	104,650
Net Cash Provided by Operating Activities	352,161	218,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(98,445)	(259,646)
Proceeds from Sale of Investments	983,856	258,557
Purchase of Investments, Including Reinvested Income	(1,035,167)	(367,023)
Net Cash Used by Investing Activities	(149,756)	(368,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(94,935)	(143,108)
Cash Receipts from Save Our Station Campaign Contributions		
Restricted for Purposes of Debt Service	1,850	760
Net Cash Used by Financing Activities	(93,085)	(142,348)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	109,320	(291,649)
Cash and Cash Equivalents - Beginning of Year	396,557	688,206
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 505,877	\$ 396,557
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 43,127	\$ 47,509

See accompanying Notes to Financial Statements.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Illinois Valley Public Telecommunications Corporation (the Corporation) is an Illinois nonprofit corporation which operates a public television broadcasting facility (WTVP Channel 47) under a license granted by the Federal Communications Commission in Peoria, Illinois. Revenues are substantially generated as a result of contributions and grants. WTVP is a noncommercial television station whose mission statement is to be an institution of education, culture, and citizenship that uses television as its distribution medium.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, gains, and other support, expenditures, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Net Assets

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted Net Assets – Assets currently available for the support of Corporation operations, and those resources invested in property and equipment.

Temporarily Restricted Net Assets – Include donor-restricted contributions for specific operating activities.

Permanently Restricted Net Assets – Include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The Corporation had only unrestricted and temporarily restricted net assets as of June 30, 2018 and 2017.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the statements of activities as net assets released from restrictions.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions and the related gains and investment income that are met in the same year as received are reported as unrestricted revenues. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as temporarily restricted revenues; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of donated noncash assets are recorded at their fair value in the period received.

Cash Equivalents

For purposes of the cash flows statements, the Corporation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents of \$505,877 and \$396,557 at June 30, 2018 and 2017, respectively, consist of money market funds and interest-bearing checking accounts. At times, the Corporation may have cash balances in excess of insured limits by the Federal Deposit Insurance Corporation.

Receivables

Pledges, accounts, and grants receivable are uncollateralized obligations to the Corporation. The carrying amount of pledges and accounts receivable is reduced by a valuation allowance that reflects management's best estimate of probable losses determined principally on the basis of historical experience.

Investments

Investments from time to time may consist of certificates of deposit, municipal bonds, mutual funds, and money market funds. Certificates of deposit are stated at cost, which approximates their fair value. The fair values of municipal bonds, mutual funds, and money market funds are estimated based on quoted market prices for those of similar investments with unrealized holding gains and losses included in the statement of activities.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair market value at date of gift. The Corporation has adopted a policy of capitalizing assets with values of \$2,500 or greater. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Impairment of Long-Lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Revenue

Revenue is deferred to the extent of unexpended grant monies and for program underwriting and WTVP Travels Tour revenue which is recognized on a pro rata basis for the period covered.

In-Kind Contributions and Donated Services

In-kind contributions and donated services are recorded as revenue and expense in the accompanying statement of activities. In-kind contributions consist of donated equipment, inventory, equipment rental and use, and legal and other professional services. These donations are recorded at their approximate fair market value.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

Advertising Costs

Advertising costs are expensed as incurred.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

WTVP Travels Tour

WTVP Travels Tour is a fundraising event generally consisting of two trips per year designed for the WTVP audience. Revenue and expenses are deferred and recognized for the period covered by the trip. At June 30, 2018 and 2017, prepaid expenses included \$107,105 and \$132,728, respectively, related to WTVP Travels Tour. At June 30, 2018 and 2017, deferred revenue included \$119,121 and \$148,098, respectively, related to WTVP Travels Tour.

Reclassifications

Certain reclassifications have been made with prior year amounts in order to conform to the current year presentation, with no effect on previously reported change in net asset.

NOTE 2 PLEDGES RECEIVABLE

Included in pledges receivable at June 30, 2018 and 2017 are the following promises to give:

	<u>2018</u>	<u>2017</u>
Program Underwriting	\$ 18,048	\$ 16,561
Membership	83,699	86,885
Matching	33,906	30,624
Unrestricted Campaigns	56,856	82,051
Save Our Stations	-	1,850
Gross Promises to Give	<u>192,509</u>	<u>217,971</u>
Less: Allowance for Uncollectible Pledges	9,677	10,881
Less: Discount to the Present Value of the Future		
Cash Flows	<u>2,273</u>	<u>4,852</u>
Net Promises to Give	<u>\$ 180,559</u>	<u>\$ 202,238</u>

Pledges for Save Our Station have been discounted at a 3.625% annual rate of interest. Membership and unrestricted campaign pledges have been discounted at a 3.77% annual rate of interest. Save Our Station pledges receivable represent temporarily restricted promises for specific debt service purposes. The following represents gross pledges receivable at June 30, 2018 that are expected to be collected in the following fiscal years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 157,457
2020	25,052
2021	10,000
Total	<u>\$ 192,509</u>

Pledges receivable at June 30, 2018 and 2017 include amounts due from board members and management of approximately \$58,613 and \$1,255, respectively.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 INVESTMENTS

Investments as of June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Certificates of Deposit	\$ 665,658	\$ 488,831
Municipal Bonds	162,738	167,382
Mutual Funds	730,927	695,445
Money Market Funds	63,999	190,754
Equity Securities	136	107
Total Investments	<u>\$ 1,623,458</u>	<u>\$ 1,542,519</u>

Components of net investment income are as follows for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividend and Interest Income	\$ 48,246	\$ 30,251
Unrealized Gains	29,628	85,717
Net Investment Income	<u>\$ 77,874</u>	<u>\$ 115,968</u>

NOTE 4 DEBT

At June 30, long-term debt consisted of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Note payable to PNC Bank, bearing fixed interest at 4.50%. Monthly payments of principal and interest are \$7,732 with final balloon payment due November 1, 2022. Note is secured by a first mortgage and substantially all business assets.	\$ 773,811	\$ 829,888
Note payable to IFF, due February 2023. The note bears interest at 3.90% with monthly payments of principal and interest of \$3,374. Note is secured by a third mortgage and substantially all business assets. The note is subordinate to the lien of the PNC Bank senior mortgages originally totaling \$1,550,000 in principal.	175,498	209,590

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 DEBT (CONTINUED)

<u>Description</u>	<u>2018</u>	<u>2017</u>
Note payable to PNC Bank, bearing fixed interest at 3.39%. Monthly payments of principal and interest are \$4,779 with final payment due July 29, 2017. Note is secured by equipment purchased for Western Illinois University - Quad Cities campus' public television station WQPT.	\$ -	\$ 4,766
Total	949,309	1,044,244
Less: Current Portion	<u>(94,771)</u>	<u>(95,846)</u>
Total	<u>\$ 854,538</u>	<u>\$ 948,398</u>

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 94,771
2020	98,618
2021	102,625
2022	106,799
2023	546,496
Total	<u>\$ 949,309</u>

The Corporation also had a \$300,000 revolving secured line of credit from PNC Bank for operating activities. Interest was based on PNC Bank's prime interest rate with interest payable monthly and maturity on December 31, 2018. This line of credit was secured by a second mortgage and a blanket lien on substantially all assets. No amounts were drawn against this note during fiscal year 2018 and 2017.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 LEASE INCOME

The Corporation is the lessor of a communications tower under an operating lease expiring November 5, 2022 with Verizon Wireless. The lease agreement provides monthly lease income of \$1,542 per month.

The Corporation is the lessor of a communications tower under a thirteen-year operating lease expiring on September 30, 2024 with the United States of America National Oceanic and Atmospheric Administration (NOAA). The lease agreement provides monthly lease income of \$540 per month for antenna space.

The Corporation is the lessor of a communications tower under a five-year operating lease expiring August 15, 2018 with IPCS Wireless, Inc. The agreement provides monthly lease income of \$5,432 per month for antenna space.

The Corporation is the lessor of a communications tower under a five-year operating lease expiring September 2023 with U.S. Cellular. The agreement provides monthly lease income of \$2,397 per month.

The Corporation is the lessor of a communications tower under a month-to-month operating lease with WCBU-FM. The lease agreement provides monthly lease income of \$2,500 per month, plus an additional charge for estimated electrical usage of approximately \$1,879 per month.

The Corporation is the lessor of a communications tower under a five-year operating lease expiring October 31, 2022 with New Cingular Wireless PCS, LLC. The lease agreement provides monthly lease income of \$1,944 per month.

The Corporation is the lessor of commercial space at the main WTVP facility under a five-year lease expiring December 31, 2021 with Peoria Symphony Orchestra. The lease agreement provides monthly lease income of \$2,004, plus the tenant will also reimburse the Corporation monthly for 15.6% of utilities (water, sewer, gas, and electricity).

The Corporation is the lessor of a communications tower under a ten-year operating lease expiring August 2, 2022 with Peoria County ETSB. The lease agreement provides monthly lease income of \$495 per month.

The Corporation is contracted under a one-year professional services agreement that expires June 30, 2019 to provide master control services for Western Illinois University – Quad Cities campus' public television station WQPT. The agreement provides monthly income of \$21,139 per month.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 LEASE INCOME (CONTINUED)

Future minimum lease payments to be received under the operating leases and professional services agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 425,519
2020	171,853
2021	171,853
2022	144,277
2023	50,044
Thereafter	15,283
Total	<u>\$ 978,829</u>

NOTE 6 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described as follows:

Basis of Fair Value Measurement:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

For the fiscal years ended June 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

Investment Securities

The fair value of equity securities, mutual funds, and municipal bonds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use observable and/or unobservable inputs. The money market funds are valued at the net asset value of shares held by the Corporation at year-end.

Fair Value on a Recurring Basis

The table below presents the balances of investments measured at fair value on a recurring basis as of June 30, 2018 and 2017:

	2018			Total
	Level 1	Level 2	Level 3	
Investments:				
Municipal Bonds	\$ -	\$ 162,738	\$ -	\$ 162,738
Mutual Funds	730,927	-	-	730,927
Equity Securities	136	-	-	136
Money Market Funds	63,999	-	-	63,999
Total Investments	<u>\$ 795,062</u>	<u>\$ 162,738</u>	<u>\$ -</u>	<u>\$ 957,800</u>
	2017			Total
	Level 1	Level 2	Level 3	
Investments:				
Municipal Bonds	\$ -	\$ 167,382	\$ -	\$ 167,382
Mutual Funds	695,445	-	-	695,445
Equity Securities	107	-	-	107
Money Market Funds	190,754	-	-	190,754
Total Investments	<u>\$ 886,306</u>	<u>\$ 167,382</u>	<u>\$ -</u>	<u>\$ 1,053,688</u>

NOTE 7 CONCENTRATION OF CREDIT RISK

The Corporation receives a substantial amount of its support from the Corporation for Public Broadcasting and state government. If a significant reduction in the level of this support were to occur, it would have an adverse effect on the Corporation's programs and activities.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 COMMITMENTS

The Corporation leases office equipment under various operating lease agreements. The total minimum lease payments as of June 30, 2018 are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	<u>\$ 1,509</u>

The total rental expense was \$6,504 and \$7,215 for the years ended June 30, 2018 and 2017, respectively.

The Federal Communications Commission (FCC) is undergoing a process to repurpose a portion of the television broadcast spectrum for use by mobile broadband providers. As a result of this process, the Corporation's channel location will be relocated from channel 46 to channel 35. The new channel assignment will require assorted new equipment for signal transmission. The Corporation has made an initial filing with the FCC estimating the costs associated with this move at \$1,625,694. The FCC has set aside a portion of the proceeds from auctioning spectrum to mobile broadband providers for the purpose of reimbursing stations for these costs. Noncommercial educational stations are eligible for initial allocations up to 90% of their estimated eligible costs, with final allocations based upon their actual documented costs planned prior to the end of the three-year reimbursement period. The Corporation's relocation has been assigned to the seventh of ten transition phases. In this transition phase, new broadcast equipment can be tested no earlier than October 19, 2019 and must be completed by January 17, 2020.

NOTE 9 BOARD-DESIGNATED ENDOWMENT

The Corporation's board of trustees established an endowment fund whereby certain contributions and their earnings would remain intact. There is no legal restriction on the endowment since the donors did not specify contributions to be treated as such. At June 30, 2018 and 2017, the designated endowment funds totaled \$1,623,458 and \$1,542,519, respectively. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Corporation has a spending policy of appropriating for distribution each year up to 7% of its board-designated endowment principal balance valued at the date of distribution. In the event of a hardship, the Corporation can withdraw up to 20% of the restricted balance at the time of distribution.

The Corporation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes certificates of deposit, checking account, municipal bonds, mutual funds, and money market funds. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed not to expose the fund to unacceptable levels of risk.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 BOARD-DESIGNATED ENDOWMENT (CONTINUED)

Composition of and changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Board-Designated Endowment Net Assets -		
Beginning of Year	\$ 1,542,519	\$ 1,441,714
Contributions	13,834	95,229
Investment Income, Net of Fees	37,477	20,779
Net Appreciation	29,628	85,717
Amounts Appropriated for Expenditure	-	(100,920)
Board-Designated Endowment Net Assets -		
End of Year	<u>\$ 1,623,458</u>	<u>\$ 1,542,519</u>

NOTE 10 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 19, 2018, the date the financial statements were available to be issued.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program Services			Total Program Services
	Programming	Production	Broadcast Operations	
Salaries and Payroll Taxes	\$ 111,285	\$ 171,682	\$ 197,738	\$ 480,705
Employee Benefits	16,013	29,199	23,620	68,832
Professional Services - Excluding In-Kind Contributions	-	43,537	81,514	125,051
Professional Services - In-Kind Contributions	-	-	-	-
Office Support	-	17,047	27,838	44,885
Communications	-	-	-	-
Postage and Shipping	-	-	-	-
Occupancy	-	-	141,431	141,431
FCC Repack Expenses	-	-	9,799	9,799
Rental and Maintenance of Equipment	10,572	-	87,236	97,808
Printing and Publications	-	-	-	-
Conferences, Meetings, and Travel	-	9,236	-	9,236
WTVP Travels Tour	-	-	-	-
Marketing	-	-	-	-
Dues and Program Rights	-	-	-	-
Program Acquisition	566,367	-	-	566,367
Interest	-	-	-	-
Provision for Uncollectible Pledges/Accounts	-	-	-	-
Miscellaneous	-	-	-	-
Total Expenditures Before Depreciation	<u>704,237</u>	<u>270,701</u>	<u>569,176</u>	<u>1,544,114</u>
Depreciation	-	1,337	220,039	221,376
Total Expenditures	<u>\$ 704,237</u>	<u>\$ 272,038</u>	<u>\$ 789,215</u>	<u>\$ 1,765,490</u>

Supporting Services

Fundraising and Development	WTVP Travels Tour	Promotion	Management and General	Unrelated Business Services	Total Supporting Services	2018 Total	2017 Total
\$ 251,459	\$ -	\$ 66,802	\$ 116,028	\$ 35,035	\$ 469,324	\$ 950,029	\$ 882,293
26,094	-	-	1,392	7,912	35,398	104,230	82,357
13,945	-	10,110	148,995	-	173,050	298,101	374,645
63,896	-	-	19,095	-	82,991	82,991	63,873
33,225	-	7,833	3,294	5,979	50,331	95,216	80,688
49,366	-	-	-	-	49,366	49,366	48,439
26,866	-	10,461	37	-	37,364	37,364	38,129
-	-	-	53,964	-	53,964	195,395	192,469
-	-	-	-	-	-	9,799	-
26,426	-	-	66,635	-	93,061	190,869	169,097
22,701	-	-	-	-	22,701	22,701	24,773
2,148	-	-	16,500	3,874	22,522	31,758	26,707
-	283,485	-	-	-	283,485	283,485	152,094
51,924	-	2,452	-	-	54,376	54,376	46,684
3,254	-	-	23,750	-	27,004	27,004	21,989
-	-	-	-	-	-	566,367	544,824
-	-	-	42,947	-	42,947	42,947	47,226
-	-	-	-	35,395	35,395	35,395	44,428
10,769	-	250	16,526	-	27,545	27,545	29,711
<u>582,073</u>	<u>283,485</u>	<u>97,908</u>	<u>509,163</u>	<u>88,195</u>	<u>1,560,824</u>	<u>3,104,938</u>	<u>2,870,426</u>
-	-	-	363	4,872	5,235	226,611	303,614
<u><u>\$ 582,073</u></u>	<u><u>\$ 283,485</u></u>	<u><u>\$ 97,908</u></u>	<u><u>\$ 509,526</u></u>	<u><u>\$ 93,067</u></u>	<u><u>\$ 1,566,059</u></u>	<u><u>\$ 3,331,549</u></u>	<u><u>\$ 3,174,040</u></u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES EXCLUDING
IN-KIND CONTRIBUTIONS AND DONATED SERVICES
YEAR ENDED JUNE 30, 2018

	Functional Expenses Excluding In-Kind Contributions and Donated Services	In-Kind Contributions and Donated Services	Total
	<u> </u>	<u> </u>	<u> </u>
PROGRAM SERVICES			
Programming	\$ 704,237	\$ -	\$ 704,237
Production	272,038	-	272,038
Broadcast Operations	789,215	-	789,215
Total Program Services	<u>1,765,490</u>	<u>-</u>	<u>1,765,490</u>
 SUPPORTING SERVICES			
Fundraising and Development	518,177	63,896	582,073
WTVP Travels Tour	283,485	-	283,485
Promotion	97,908	-	97,908
Management and General	490,431	19,095	509,526
Unrelated Business Services	93,067	-	93,067
Total Supporting Services	<u>1,483,068</u>	<u>82,991</u>	<u>1,566,059</u>
 Total	 <u>\$ 3,248,558</u>	 <u>\$ 82,991</u>	 <u>\$ 3,331,549</u>