Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)

Financial Statements
and
Independent Auditor's Report

As of and for the Years Ended
June 30, 2015 and 2014

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THOMAS, WATSON & DYCHES, LLC

Certified Public Accountants & Consultants

Independent Auditor's Report

To the Board of Directors and Management of
Blue Ridge Public Television, Inc.

We have audited the accompanying financial statements of Blue Ridge Public Television, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 Blue Ridge Public Television, Inc. as of June 30, 2015 and 2014, 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.

Emphasis-of-Matter Regarding Liquidity

As discussed in Note 17 to the financial statements, the Blue Ridge Public Television, Inc. has negative working capital and limited liquidity. Management's plans regarding those and other matters are also described in Notes 9 and 17. The financial statements do not include any adjustments that might result from the outcome of these matters. Our opinion is not modified with respect to these matters.

Thomas, Watson & Dyches, LLC

November 6, 2015

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Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)
Statements of Financial Position
As of June 30,

	2015	2014
Assets		
Current Assets:		
Cash	$ 84,738	$ 322,959
Accounts receivable	65,392	61,837
Contributions receivable, net	22,912	33,124
Investments, at fair value	-	592,625
Prepaid expenses	38,582	26,590
Total current assets	211,624	1,037,135
Contributed land lease rights	16,541	52,158
Investments, at fair value	410,338	378,453
Investment in partnership	17,281	19,537
Property and equipment, net	978,170	1,085,149
Total Assets	$ 1,633,954	$ 2,572,432
Liabilities and Net Assets		
Current liabilities:		
Lines of credit	$ -	$ 80,000
Accounts payable	483,201	789,858
Deferred revenue	105,982	121,507
Unearned spectrum lease, current portion	50,000	50,000
Other accrued liabilities	21,543	19,087
Total current liabilities	660,726	1,060,452
Unearned spectrum lease, less current portion	41,379	91,379
Total liabilities	702,105	1,151,831
Net assets:		
Unrestricted	915,308	1,368,443
Temporarily restricted	16,541	52,158
Total net assets	931,849	1,420,601
Total Liabilities and Net Assets	$ 1,633,954	$ 2,572,432

See accompanying notes and independent auditor's report

Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)
Statement of Activities
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions and related support:			
Subscription and membership revenues	$ 1,091,257	$ -	$ 1,091,257
Bequests	14,000	-	14,000
Program underwriting	199,363	-	199,363
In-kind contributions	94,986	-	94,986
Special events and other	80,997	-	80,997
Grants:			
Corporation for Public Broadcasting	795,711	-	795,711
Capital related	124,746	-	124,746
Education and program revenue:			
Other educational services revenue	101,763	-	101,763
Production - other	2,846	-	2,846
Other revenue and support			
Rental and leasing	150,130	-	150,130
Interest and dividends	13,313	-	13,313
Net investment gains/losses	29,581	-	29,581
	2,698,693	-	2,698,693
Net assets released from restrictions	35,617	(35,617)	-
Total revenues and support	2,734,310	(35,617)	2,698,693
Functional expenses:			
Program services	1,613,205	-	1,613,205
Supporting services:			
Development and underwriting	737,784	-	737,784
Management and general	836,456	-	836,456
Total functional expenses	3,187,445	-	3,187,445
Increase (decrease) in net assets	(453,135)	(35,617)	(488,752)
Net assets, beginning of year	1,368,443	52,158	1,420,601
Net assets, end of year	$ 915,308	$ 16,541	$ 931,849

See accompanying notes and independent auditor's report

Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)
Statement of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions and related support:			
Subscription and membership revenues	$ 1,024,715	$ -	$ 1,024,715
Bequests	896,960	-	896,960
Program underwriting	226,547	-	226,547
In-kind contributions	135,209	-	135,209
Special events and other	99,642	-	99,642
Grants:			
Corporation for Public Broadcasting	842,557	-	842,557
Capital related	70,450	-	70,450
Education and program revenue:			
Other educational services revenue	80,000	-	80,000
Production - other	4,311	-	4,311
Other revenue and support			
Rental and leasing	149,136	-	149,136
Interest and dividends	12,307	-	12,307
Net investment gains/losses	74,727	-	74,727
Proceeds from sale of programming rights	37,428	-	37,428
Gain on sale of equipment	1,698	-	1,698
	3,655,687	-	3,655,687
Net assets released from restrictions	22,553	(22,553)	-
Total revenues and support	3,678,240	(22,553)	3,655,687
Functional expenses:			
Program services	1,842,857	-	1,842,857
Supporting services:			
Development and underwriting	654,079	-	654,079
Management and general	582,434	-	582,434
Total functional expenses	3,079,370	-	3,079,370
Increase (decrease) in net assets	598,870	(22,553)	576,317
Net assets, beginning of year	792,126	52,158	844,284
Net assets, end of year	$ 1,390,996	$ 29,605	$ 1,420,601

See accompanying notes and independent auditor's report

Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)
Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services				Supporting Services		
	Program/ Educational Services/ Production	Broadcasting	Marketing	Total Program Services	Development and Underwriting	Management and General	Total
Salaries, payroll taxes and employee benefits	$ 275,625	$ 176,211	$ -	$ 451,836	$ 282,396	$ 215,152	$ 949,384
Program rental	625,824	-	-	625,824	-	-	625,824
Professional services	16,437	49,312	320	66,069	71,790	101,248	239,107
Premiums	-	-	-	-	221,277	-	221,277
Depreciation	-	-	-	-	-	218,497	218,497
Utilities	45,281	82,157	1,415	128,853	9,463	11,497	149,813
Building, equipment and land rental	-	32,407	-	32,407	-	87,600	120,007
Special events	88,067	-	-	88,067	14,296	-	102,363
Repairs and maintenance	22,359	25,288	265	47,912	33,155	2,267	83,334
Insurance	32,612	14,968	1,019	48,599	6,815	8,280	63,694
Brokerage/financing fees	-	-	-	-	18,465	44,606	63,071
Postage and shipping	2,505	331	-	2,836	37,538	17,034	57,408
Membership dues and subscriptions	27,493	68	-	27,561	599	16,662	44,822
In-kind	-	-	-	-	-	39,079	39,079
Auto and travel	130	8,346	-	8,476	10,658	16,582	35,716
Program services	34,797	-	-	34,797	-	563	35,360
Telephone	331	11,828	-	12,159	-	18,000	30,159
General supplies	4,686	4,063	72	8,821	8,785	11,495	29,101
Bad debts	11,000	-	-	11,000	1,425	-	12,425
Printing and publications	-	-	-	-	18,183	2,219	20,402
Computer	704	7,630	-	8,334	1,194	9,903	19,431
Other taxes and licenses	-	1,895	-	1,895	-	-	1,895
Video tape	1,537	-	-	1,537	-	-	1,537
Miscellaneous	317	5,905	-	6,222	1,745	15,772	23,739
Totals	$ 1,189,705	$ 420,409	$ 3,091	$ 1,613,205	$ 737,784	$ 836,456	$ 3,187,445

See accompanying notes and independent auditor's report

Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Program Services				Supporting Services		
	Program/ Educational Services/ Production	Broadcasting	Marketing	Total Program Services	Development and Underwriting	Management and General	Total
Salaries, payroll taxes and employee benefits	$ 266,221	$ 151,592	$ -	$ 417,813	$ 258,553	$ 214,800	$ 891,166
Program rental	753,878	-	-	753,878	-	-	753,878
Depreciation	41,121	117,665	-	158,786	-	72,881	231,667
Professional services	16,523	11,739	196	28,458	64,281	110,600	203,339
Premiums	-	-	-	-	180,405	-	180,405
Utilities	43,494	70,660	1,359	115,513	9,090	11,043	135,646
Building, equipment and land rental	-	134,400	-	134,400	-	166	134,566
Special events	68,650	-	-	68,650	8,804	-	77,454
Brokerage/financing fees	-	-	-	-	15,311	41,012	56,323
Insurance	28,588	13,121	893	42,602	5,974	7,259	55,835
In-kind	-	-	-	-	34,760	16,518	51,278
Repairs and maintenance	23,732	19,196	213	43,141	1,424	1,730	46,295
Postage and shipping	3,280	153	-	3,433	29,271	12,800	45,504
Membership dues and subscriptions	20,350	92	-	20,442	890	15,133	36,465
Auto and travel	2,525	5,487	-	8,012	3,508	20,116	31,636
Telephone	-	8,978	-	8,978	-	21,606	30,584
Printing and publications	-	-	-	-	21,718	2,275	23,993
General supplies	4,588	3,289	81	7,958	8,267	7,150	23,375
Program services	22,098	-	-	22,098	-	66	22,164
Computer	647	2,496	-	3,143	9,689	4,407	17,239
Video tape	-	-	-	-	-	12,109	12,109
Other taxes and licenses	-	1,793	-	1,793	-	-	1,793
Bad debts	-	225	-	225	-	-	225
Miscellaneous	187	3,347	-	3,534	2,134	10,763	16,431
Totals	$ 1,295,882	$ 544,233	$ 2,742	$ 1,842,857	$ 654,079	$ 582,434	$ 3,079,370

See accompanying notes and independent auditor's report

Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)
Statements of Cash Flows
For the Years Ended June 30,

	2015	2014
Cash Flows From Operating Activities		
Increases (decreases) in net assets	$ (488,752)	$ 576,317
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	218,497	231,667
Grant proceeds received for capital expenditures	(77,950)	(70,450)
Bad debts	12,425	225
Net unrealized (gains)/losses on investments	2,425	(57,052)
Decrease in investment in partnership	2,256	-
Net realized gains on sales of investments	(32,006)	(17,675)
Gain on sale of equipment	-	(1,500)
Change in present value of land lease rights	(360)	1,407
Amortization of land lease rights	35,977	21,146
Spectrum lease revenue recognized	(50,000)	(50,000)
Decrease (increase) in operating assets:		
Accounts and contributions receivable	(5,768)	(375)
Prepaid expenses	(11,992)	(408)
Increase (decrease) in operating liabilities:		
Accounts payable	(306,657)	65,300
Deferred revenue	(15,525)	(8,817)
Other accrued liabilities	2,456	13,843
Net cash provided (used) by operating activities	(714,974)	703,628
Cash Flows From Investing Activities		
Proceeds from sales of investment securities	590,321	160,803
Purchases of investment securities	-	(572,521)
Proceeds from sale of equipment	-	1,698
Purchases of property and equipment	(33,568)	(7,575)
Net cash provided (used) by investing activities	556,753	(417,595)
Cash Flows From Financing Activities		
Net proceeds/(principal repayments) on lines of credit	(80,000)	(30,000)
Net cash provided (used) by financing activities	(80,000)	(30,000)
Net increase (decrease) in cash	(238,221)	256,033
Cash, beginning of year	322,959	66,926
Cash, end of year	$ 84,738	$ 322,959
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 40,084	$ 36,891

See accompanying notes and independent auditor's report

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

Nature of Organization

Blue Ridge Public Television, Inc. (the "Organization") is a non-profit corporation formed in 1967. The Organization provides educational and informational programming for southwest Virginia and instructional television to area schools. The Organization is committed to extensive local programming, educational services and community involvement opportunities for the coverage area of twenty counties in Virginia as well as four in West Virginia and two in North Carolina.

The Organization receives significant funding from the Corporation for Public Broadcasting ("CPB"). Reductions in this and other such support have and could have a significant effect on the Organization's activities and financial position.

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

Basis of Accounting

The financial statements of the Organization 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 Organization 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 Organization's operations, including substantially all resources invested in equipment.
>
> *Temporarily restricted net assets* are those that are stipulated by donor 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 statement of activities as net assets released from restriction.
>
> *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 Organization had no permanently restricted net assets to report in the accompanying financial statements.

Support and Revenue Recognition

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 awarded. Revenues from lease agreements, other rentals, services and underwriting contracts are recognized in the period earned or stipulated in the agreement(s). In-kind contributions, which may include securities, advertising, program rental and services, and printing and publications, are recorded at estimated fair value at the date of donation.

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

Accounts and Contributions Receivable

Accounts and contributions receivable 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 applied to certain types of receivables, primarily membership subscriptions.

Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the financial statements. Recoveries of amounts previously written off are recorded when received.

Investments

Investments in marketable securities with readily determinable fair values are stated at fair value (see Note 6). 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 statement 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.

Unconditional Promises to Give

Unconditional promises to give 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Changes in in-kind contributions of land lease rights are reported on the accompanying statement of activities as in-kind contributions. The related in-kind expenses are included under program rental on the accompanying statement of functional expenses.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes all property and equipment costing $500 or more. 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:

Broadcasting and related equipment	3 - 25 years
Studio building and parking lot	5 - 30 years
Transmitter buildings	15 - 30 years
Furniture and fixtures	3 - 15 years
Automobiles and trucks	5 - 10 years

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

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

Deferred Revenue

Income from advance rental payments and the unearned portions of education and program revenue is deferred and recognized over the period to which the dues and fees relate.

Donated Services

Under generally accepted accounting principles, contributed services must require specialized skills (i.e., services provided by professionals such as attorneys, accountants, etc.) that the Organization would otherwise need to purchase.

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 the Organization and for which the Organization 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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of 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 Organization 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 Organization had no tax liability on unrelated business income during the years ended June 30, 2015 and 2014. The Organization 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 Organization's Forms 990, *Return of Organization Exempt from Income Tax,* are subject to examination by the IRS, generally for three years after filing.

Advertising Costs

The Organization expenses advertising costs as incurred.

Blue Ridge Public Television, Inc.
(a.k.a. Blue Ridge PBS)
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

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

Concentration of Credit Risk

The Organization maintains its cash accounts at financial institutions that at times may exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation, currently $250,000 as of June 30, 2015. The Organization believes that there are no significant risks with respect to such deposits.

The Organization 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 November 6, 2015, which was the date the financial statements were available to be issued.

Note 2 - Accounts and Contributions Receivable

Accounts and contributions receivable consist primarily of membership subscriptions, underwriting, contributions and miscellaneous receivables.

Accounts receivable as of June 30, 2015 are comprised of approximately $27,000 currently receivable and approximately $38,000 representing receivables over thirty days old.

The allowance for uncollectible contributions accounts totaled approximately $16,300 and $12,300 for the years ended June 30, 2015 and 2014, respectively.

Note 3 - Investments

The Organization invests in various securities primarily based on its investment policy and liquidity needs.

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

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities, not in a loss position greater than 12 months	$ 199,281	$ 80,168	$ 1,369	$ 278,080
Mutual funds	104,678	8,678	716	112,640
Money market and cash	19,618	-	-	19,618
	$ 323,577	$ 88,846	$ 2,085	$ 410,338

Investments totaling $592,625 were classified as current assets as of June 30, 2014. See Note 9.

Note 3 - Investments (continued)

Investments as of June 30, 2014 are summarized as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities, not in a loss position greater than 12 months	$ 259,652	$ 68,203	$ 2,353	$ 325,502
Corporate bonds	58,222	-	855	57,367
Mutual funds	253,000	85,226	91,397	246,829
Fixed rate securities	10,740	-	121	10,619
Money market and cash	330,761	-	-	330,761
	$ 912,375	$ 153,429	$ 94,726	$ 971,078

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

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2015 and 2014:

	2015	2014
Interest	$ 3,068	$ 397
Dividends	10,245	11,910
Realized gains and (losses), net	32,006	17,675
Unrealized gains and (losses), net	(2,425)	57,052
	$ 42,894	$ 87,034

The Organization periodically evaluates its equity securities for other-than-temporary impairment. Management fees paid on investment accounts totaled approximately $3,300 and $1,300 for the years ended June 30, 2015 and 2014, respectively.

Note 4 - Investment in Partnership

Investment in partnership represents an approximate one 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.

Note 5 - Property and Equipment

Property and equipment and accumulated depreciation as of June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Broadcasting and related equipment	$ 13,466,686	$ 13,373,839
Studio building and parking lot	1,575,942	1,575,942
Transmitter buildings	719,922	747,486
Furniture and fixtures	499,774	480,686
Automobiles and trucks	157,507	157,507
	16,419,831	16,335,460
Less: accumulated depreciation	(15,441,661)	(15,250,311)
Property and equipment, net	$ 978,170	$ 1,085,149

The Organization 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, the Organization could be required to refund a portion of the grant proceeds to the granting agency. These assets were at or near being fully depreciated as of June 30, 2015 (also see Note 7).

Note 6 - Fair Value Measurements

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 Organization 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.

Note 6 - Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Money market funds: Valued at the net asset value of shares held by the Organization at year end based on publicly available prices that are quoted daily.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Equity securities and fixed rate securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Contributed land lease rights: Valued based upon management's estimate of the fair value rents of the leased property.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015 and 2014:

Description	As of June 30, 2015	Level 1	Level 2	Level 3
Money markets and cash	$ 19,618	$ 19,618	$ -	$ -
Mutual funds	112,640	112,640	-	-
Equity securities	278,080	278,080	-	-
Contributed land lease rights	16,541	-	-	16,541
	$ 426,879	$ 410,338	$ -	$ 16,541

Description	As of June 30, 2014	Level 1	Level 2	Level 3
Money markets and cash	$ 330,761	$ 330,761	$ -	$ -
Mutual funds	246,829	246,829	-	-
Equity securities	325,502	325,502	-	-
Fixed rate securities	10,619	10,619	-	-
Corporate bonds	57,367	57,367	-	-
Contributed land lease rights	16,541	-	-	16,541
	$ 987,619	$ 971,078	$ -	$ 16,541

Fair value amounts are subject to significant fluctuations given the market environment. See Note 7 for the change in fair value of contributed land lease rights.

Note 6 - Fair Value Measurements (continued)

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

Note 7 - Contributed Land Lease Rights

In-kind contributions primarily represent land usage at estimated fair value and include the City of Roanoke land usage on which the Organization's primary facility is located (as described in Note 12) and land usage at applicable transmitter sites.

The Organization leases land from unrelated parties in Virginia (on which transmitter towers are located) under non-cancelable operating lease agreements at prices below the estimated fair rental value of the properties, as described below. The difference is recorded as a contribution.

- Roanoke County, expired June 2015, terms were $100 paid at the beginning of the 25 year lease, fair rental estimated to be $30,000 per year
- Smyth County, expiring December 2019, terms are approximately $8,000 per year, fair rental value estimated to be $12,000 per year

The transmitter towers in Smyth County and Wise County ceased transmission in fiscal 2013 as part of a cost curtailment plan. The Federal Communications Commission ("FCC") requires that these two transmitters broadcast a minimum of two hours per day. Management plans to renew the related land leases and believes the carrying values of the contributed land lease rights are not impaired. Management has also contracted with a broker to explore the sale of these two transmitter towers and related equipment (also see Note 17). These two transmitters and related equipment had costs totaling approximately $3.693 million and were at or near being fully depreciated as of June 30, 2015.

The estimated present value of the contributed land lease rights related to the leases described above as of June 30, 2015 and 2014 are as follows:

	2015	2014
Realizable in less than one year	$ 3,912	$ 34,392
Realizable in one to five years	13,693	19,190
	17,605	53,582
Less discounts to net present value	(1,064)	(1,424)
Contributed land lease rights, net	$ 16,541	$ 52,158

Contributed land lease rights extending beyond one year are discounted at the estimated risk-free rate of 2.75%.

Note 8 - Lines of Credit

The Organization has an unsecured bank line of credit for borrowings to a maximum of $400,000, with a variable interest based on the bank's prime rate (3.25% as of June 30, 2015) less 0.25%. Borrowings are payable on demand. Interest accrues on the unpaid balance until the line is paid in full. The line of credit agreement matures in November 2017. Accrued interest is repayable monthly and the terms require that the principal balance be reduced to zero for at least 15 consecutive days during the year. Outstanding borrowings on the line of credit totaled $0 and $80,000 as of June 30, 2015 and 2014, respectively. An advance of $68,000 was received in July 2015 under the line of credit facility.

Note 8 - Lines of Credit (continued)

The line of credit agreement has certain covenants including a requirement that audited financial statements be provided to the bank within 120 days after fiscal year-end. The bank granted a waiver of this particular covenant for fiscal 2015. The Organization was in compliance with the other financial covenants as of June 30, 2015 and for the year then ended.

The Organization had a bank line of credit for borrowings to a maximum of $300,000, with a variable interest based on LIBOR rate plus 1.75% with a minimum interest rate of 3.00% (3.00% as of June 30, 2014). Outstanding borrowings on the line of credit totaled $80,000 as of June 30, 2013. The Organization did not renew this line of credit and paid the balance in full during fiscal 2014.

Note 9 - Accounts Payable

Accounts payable in the accompanying statements of financial position as of June 30, 2015 and 2014 included approximately $424,000 and $746,000 respectively, representing fees due to the Public Broadcasting Service ("PBS"). Included in these amounts are approximately $20,000 and $28,000, respectively, representing late fees assessed by PBS. The Organization entered into a payment plan with PBS with respect to the outstanding fees owed PBS for fiscal 2014. The payment plan required monthly payments of approximately $28,500 including interest at 7.5%, and the Organization used $200,000 from the sale of securities in the investment portfolio to repay the remaining balance owed for fiscal 2014 and a portion of the outstanding balance due. Management is determining a plan to pay the outstanding balance owed PBS for fiscal 2015 and the PBS-assessed fees for fiscal 2016. Also see Note 17.

Note 10 - Deferred Revenue

Deferred revenue consists primarily of advance rental payments and the unearned portions of education and program revenue.

Note 11 - Unearned Spectrum Lease

The Organization entered into a long-term lease agreement (the "Agreement") with a commercial communications company (lessee) whereby a portion of the Organization's unused frequency spectrum (channels) is available to the lessee for its long-term use. The initial term of the Agreement is ten years through January 2017 and is subject to renewal for each of the five-year periods thereafter for up to four additional five-year terms. A one-time fee of $500,000 was paid by the lessee to the Organization and the related unearned balances are presented in the accompanying statements of financial position. The balance is accreted to revenue on a straight-line basis over the remaining portion of the initial ten-year lease term (one year and seven months remaining as of June 30, 2015) as the use of the channels is earned.

The Agreement requires a monthly payment of $6,500, increasing annually by three percent, for the use of the channels plus an account credit of $1,030 per month, increasing annually by three percent, against the monthly charges billed to the Organization for routine use of communication services provided by the lessee.

Note 12 - Operating Leases and Other Leasing Arrangements

The Organization leases land in Virginia from unrelated parties (on which transmitter/microwave tower facilities are located) under non-cancelable operating leases with terms equal to the estimated fair rental value of the property as described below:

- Land in Roanoke County; $16,800 per year, expiring in June 2020
- Land and right-of-way in Pulaski County; $20,400 per year, expiring in June 2016
- Land in Washington County; terms require broadcasting of lessor's public service announcements in exchange for land use; exchange value estimated to be $12,000 per year; expiring February 2017 with a five-year automatic renewal available.

The tower lease agreements require the Organization to return the leased land to a pristine condition upon lease termination. Management is unable to estimate the remedial costs that would be incurred to return land to a pristine condition. The accompanying financial statements do not include any adjustments if and when these lease agreements are terminated.

The future minimum payments under these operating leases with terms equal to the estimated fair rental value are as follows:

Fiscal Year		
2016	$	47,400
2017		23,225
2018		15,453
2019		15,685
2020		15,920
	$	117,683

Rent expense under these lease agreements totaled approximately $40,000 for each of the years ended June 30, 2015 and 2014.

The Organization leases office equipment requiring basic monthly payments of approximately $900 through May 2018. Lease expense under the office equipment lease agreement totaled approximately $11,000 for each of the years ended June 30, 2015 and 2014.

The Organization's primary facility is located on land owned by the City of Roanoke for which no lease agreement is currently in force. Management estimates the fair value of the land usage to total $72,000 annually and charges this amount to program rental expense.

The Organization is provided right-of-way to its microwave towers in Wytheville County at no charge. Management estimates the fair value of the rights-of-way and land usage total $15,600 annually and charges this amount to program rental expense. Also, the Organization receives revenue under two rental agreements for tower usage totaling approximately $6,000 per year.

Note 13 - Temporarily Restricted Net Assets

During the years ended June 30, 2015 and 2014, net assets representing contributed land lease rights were released from restriction as follows:

	2015	2014
Facilities rent	$ 35,977	$ 21,146

Note 14 - Economic Dependency

Grants and contracts from one source, the CPB, comprised approximately 30% and 24% of total support and revenues reported in the fiscal years ended June 30, 2015 and 2014, respectively.

Note 15 - Sale of Programming Rights

In November 2013, PBS divested its interest in a 24/7 preschool cable channel and distributed a portion of the net proceeds to member stations of record. The Organization's share totaled $37,428 as indicated in the accompanying statement of activities for fiscal 2014.

Note 16 - Employee Benefit Plans

The Organization sponsors a defined contribution plan covering substantially all eligible employees. Employees must complete a specific period of service and attain age 21 before becoming eligible. Under the provisions of the plan, eligible employees may defer a percentage of their compensation. Total deferrals in any taxable year may not exceed a prescribed dollar limit.

The plan provides for discretionary matching contributions by the Organization equal to two percent of the amount of the employee's salary and a three percent safe harbor contribution. The Organization contributed approximately $29,000 and $25,000 to the plan in 2015 and 2014, respectively.

Note 17 - Risks and Uncertainties

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

As indicated in the accompanying financial statements, the Organization had a negative working capital of approximately $448,000 as of June 30, 2015. The Organization has limited liquidity with a substantial amount of its assets being comprised of property and equipment, investments or otherwise illiquid assets. The Organization also faces uncertainty regarding future revenue sources, changes in CPB's Community Service Grant Policy in terms of funding requirements, and other operational concerns.

As disclosed in Note 9, the Organization owes PBS for past dues. The formula used by PBS to determine dues is, in part, a function of the broadcast territory served via traditional airwaves. The transmitter towers in Smyth and Wise Counties ceased PBS transmission in 2012 and now carry a schedule of "other" public television programs for two hours daily, thus maintaining the station's licenses for both transmitters and reducing significantly the costs of operations, since PBS dues do not apply for these transmitters.

Note 17 - Risks and Uncertainties (continued)

The Organization is maintaining the broadcast licenses of these two transmitters in order to include them in the FCC's Spectrum Auction scheduled for early 2016. This national auction of television channels is designed to transfer large segments of broadcast spectrum to the nation's cell phone companies and may produce significant revenue. It is unknown what amounts (if any) will be received by the Organization, but the FCC's estimates generally indicate significant value. The Organization's board of directors has been fully apprised of the FCC's Spectrum Auction and is being kept fully informed by management.

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