

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Paso Public Television Foundation, Inc.

We have audited the accompanying financial statements of El Paso Public Television Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 El Paso Public Television Foundation, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of El Paso Public Television Foundation, Inc as of June 30, 2015 were audited by other auditors whose report dated November 16, 2015, expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 17 and 18 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.

A handwritten signature in cursive script that reads "Peter Bouwens McDaniel & Co".

November 15, 2016

EL PASO PUBLIC TELEVISION FOUNDATION, INCSTATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 231,338	\$ 285,745
Accounts receivable		
Underwriting receivable,		
net of allowance for uncollectible,	61,522	47,634
Pledge receivable, net of \$4,741 and \$0 allowance		
for uncollectible, for June 30, 2016 and 2015	26,998	21,777
Accounts and other receivables	186,669	194,570
Prepaid expenses and other assets	18,157	31,809
Auction inventory, net	31,050	34,400
Premium inventory, net	20,550	20,550
Total current assets	<u>576,284</u>	<u>636,485</u>
Cash, permanently restricted	25,700	25,700
Property and equipment, net of accumulated depreciation	1,203,833	1,318,590
Total noncurrent assets	<u>1,229,533</u>	<u>1,344,290</u>
TOTAL ASSETS	<u>\$ 1,805,817</u>	<u>\$ 1,980,775</u>
CURRENT LIABILITIES		
Accounts payable	\$ 193,062	\$ 187,298
Accrued expenses and other liabilities	20,282	14,731
Deferred revenues	17,625	49,238
Total current liabilities	<u>230,969</u>	<u>251,267</u>
NET ASSETS		
Unrestricted	1,549,148	1,703,808
Permanently restricted	25,700	25,700
Total net assets	<u>1,574,848</u>	<u>1,729,508</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,805,817</u>	<u>\$ 1,980,775</u>

See independent auditor's report and notes to financial statements.

EL PASO PUBLIC TELEVISION FOUNDATION, INC

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Unrestricted revenue		
Grants and contracts	\$ 762,698	\$ 853,376
Donations and pledges	273,497	235,571
Program underwriting	100,267	94,441
Production underwriting	42,158	-
Instructional television	249,579	240,930
Special event	84,970	108,811
Other revenue	7,279	1,278
Interest	1	162
Donated products and services	28,039	-
Total unrestricted revenue and support	1,548,488	1,534,569
Expenses:		
Program services		
Programming	515,526	508,606
Community Engagement	40,405	47,974
Production	88,480	80,544
Engineering	244,661	236,272
Support services		
General and administration	474,246	464,884
Fundraising and development	193,124	178,145
Total expenses	1,556,442	1,516,424
Change in unrestricted net assets before provisions and depreciation	(7,954)	18,145
Provision for uncollectible	4,741	-
Depreciation	141,965	141,102
DECREASE IN UNRESTRICTED NET ASSETS	(154,660)	(122,957)
Net assets, beginning of year	1,703,808	1,826,765
Net assets, end of year	\$ 1,549,148	\$ 1,703,808

See independent auditor's report and notes to financial statements.

EL PASO PUBLIC TELEVISION FOUNDATION, INC

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (154,660)	\$ (122,957)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	141,965	141,102
(Increase) decrease in operating assets		
Accounts and other receivables	13,001	6,599
Pledges receivable	(5,221)	(3,241)
Underwriting receivables	(18,988)	(11,457)
Inventories	3,350	36,676
Prepaid expenses and other assets	13,652	5,783
Increase (decrease) in liabilities		
Accounts payable	5,761	3,983
Accrued expenses and other liabilities	5,554	(6,440)
Deferred revenue	<u>(31,613)</u>	<u>17,529</u>
Net cash provided by (used in) operating activities	<u>(27,199)</u>	<u>67,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(27,208)	-
Purchase of investments	<u>-</u>	<u>103,199</u>
Net cash provided by (used in) investing activities	<u>(27,208)</u>	<u>103,199</u>
Net increase (decrease) in cash and cash equivalent	(54,407)	170,776
Cash and cash equivalents, beginning of year	<u>311,445</u>	<u>140,669</u>
Cash and cash equivalents, end of year	<u>\$ 257,038</u>	<u>\$ 311,445</u>

See independent auditor's report and notes to the financial statements.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of El Paso Television Foundation, Inc. (the Foundation), is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Purpose

El Paso Public Television Foundation, Inc. (the Foundation) is a nonprofit corporation of Texas which operates KCOS Channel 13 for digital transmission in El Paso, Texas and provides non-commercial public television to El Paso and the surrounding communities. The Foundation is granted their digital Channel 13 broadcasting license by the Federal Communications Commission (FCC) which was renewed on 2014 and will expire on 2022.

Basis of Accounting and Presentation

The accompanying financial statements are presented on the accrual basis of accounting. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification 958-205-05. Under FASB ASC 958-205-05, net assets, revenues and expenses, and gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets represent resources that are not subject to donor-imposed stipulations and over which the Board of Directors has discretionary control. Net assets received and expended within the reporting period are reported in the Statements of Activities as unrestricted support or revenue.

Temporarily and Permanently Restricted Net Assets

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets are released from restrictions.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers cash equivalents to be highly liquid investments available for current use with an original maturity of three months or less.

Underwriting Receivables

Contributions are recognized when the donor makes a contract to underwrite a specific program of the Foundation. The Foundation uses the allowance method to determine uncollectible underwriting receivables. An allowance is determined based on prior year's experience and management's analysis of specific contacts made. As of June 30, 2016 and 2015, the allowance for uncollectible underwriting receivables totaled zero.

Pledges and Bequest Receivable

Pledges and bequest receivable consist of donor pledges for the capital campaign, which are designated for a specific purpose, and a bequest receivable which is designated for production. The net present value of the pledges and bequest is recognized as revenue in the period the pledge or bequest is received. An allowance is determined based on prior year's experience and management's analysis of specific contacts made. As of June 30, 2016 and 2015, the allowance for uncollectible pledge receivables was \$4,741 and \$0, respectively. During fiscal year 2016 and 2015, the Foundation wrote off as uncollectible pledges \$6,880 and \$2,101, respectively.

Accounts and Other Receivables

Accounts and other receivables consist of \$186,669 and \$194,570, as of June 30, 2016 and 2015, respectively, of which \$181,569 and \$181,569, is due from the El Paso Community College (EPCC) for instructional television, year round college announcements. The amount is offset by an equal amount in accounts payable to the El Paso Community College (EPCC) for rental of office space. Management evaluates these accounts on an ongoing basis to determine collectability. As of June 30, 2016 and 2015, no allowance was deemed necessary by management.

Inventories

Inventories consist of promotional materials which are carried at the lower of cost or market, using the first-in, first-out method. Donate auction items are also included in inventory at the value stated by the donor. As of June 30, 2016 the Foundation did not have any auction items on consignment, for the auction.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment

Property and equipment are recorded at cost. Donated assets are reflected as contributions at their estimated value on the date of receipt. The Foundation capitalizes items with a unit cost greater than \$1,000 and a useful life greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When property or equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenues.

Furniture and equipment of the Foundation are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Telecasting equipment	5-20
Satellite equipment	8-10
Furniture, fixtures, and equipment	5-10
Computer equipment	5
Transportation equipment	10-15

Deferred Revenue

Deferred revenue represents funds received from underwriters for programs that are to be aired and produced in the subsequent fiscal year.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Income Taxes

The Foundation is exempt from organization under Section 501(c) (3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for the income taxes, as the Foundation had no unrelated business taxable income for the years ended June 30, 2016 and 2015. The Foundation believes it has appropriate support for the tax positions taken and as such does not have an uncertain tax position that is material to the financial statements. The tax returns from 2013 to 2015 are subject to examination by the IRS, generally for three years after they were filed.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Products and Services

Donates facilities, services, and products are reflected as donates products or services in the accompanying financial statements at their estimated values at the date of receipt, with an equal amount expensed or capitalized as related cost.

Advertising

Advertising cost is expensed as incurred since the Foundation does not expect to derive future economics benefits from the expense. For the years ended June 30, 2016 and 2015, advertising cost was \$0 and \$500, respectively.

Fair Value of Financial Instruments

Management believes the carrying amount of its financial instruments approximates fair value at June 30, 2016 and 2015 because of the relatively short maturity of these instruments.

Compensated Absences and Sick Leave

The policy of the Foundation does not allow for the accrual of unused vacation time. Therefore no compensation absences are recorded.

Unused sick leave not taken during the calendar year is paid out on the employee's anniversary date, however the Foundation does not accrue unused sick leave beyond the calendar year. The policy was changed and as of July 1, 2016, the accrued hours will not be paid out.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of FASB ASC 958-205-50-1B

In August 2008, the Financial Accounting Standards Board issued FASB ASC 958-205-50-1B, "Endowment of Not-for-Profit Organization: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Investment Funds Act, and Enhanced Disclosures for All Endowment Funds" (FASB ASC 958-205-50-1B).

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of FASB ASC 958-205-50-1B (Continued)

FASB ASC 958-205-50-1B provides guidance on the net assets classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Investment Funds Act of 2006 (UPMIFA). FASB ASC 958-205-50-1B also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Texas enacted UPMIFA in 2007, the provisions of which apply to endowment funds existing on or established after that date. The Foundation has adopted FASB ASC 958-205-50-1B for the year ending June 30, 2009. The Board of Directors, on the advice of legal counsel, has determined that the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Generally accepted accounting principles requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Subsequent Event

The Foundation has evaluated subsequent events through November, 15 2016, the date on which the financial statements were available to be issued and no reportable items were noted.

2. CASH AND CASH EQUIVALENTS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Foundation places substantially all of its cash and liquid investments with highly-quality financial institutions; however, cash balances may periodically exceed federally insured limits, especially the Foundation's money market balance. It should be noted that although not always fully FDIC insured, the excess balance the Foundation carries in the money market fund is invested in U.S. Government Money Market funds. Investments consist of Certificate of Deposits and therefore are included in the FDIC insurance coverage. The Foundation accounts, pledges, and notes receivable, are due from third parties.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. CASH AND CASH EQUIVALENTS (Continued)

The Foundation's maximum risk of accounting loss associated with these receivables is limited to the recorded amounts. Collateral associated with accounts receivable are generally not required. Credit losses are provided for in the financial statements when deemed necessary.

3. PREMIUM INVENTORY

Premium inventory is valued at cost and consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Premium inventory, at cost	\$ 28,740	\$ 43,880
Less allowance for obsolete inventory	<u>(8,190)</u>	<u>(23,330)</u>
Net premium inventory	<u>\$ 20,550</u>	<u>\$ 20,550</u>

4. AUCTION INVENTORY

Auction inventory is valued at the donor's stated fair market value with an allowance and consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Auction Inventory	\$ 93,565	\$ 80,341
Less allowance valuation	<u>(62,515)</u>	<u>(45,941)</u>
Ending Inventory	<u>\$ 31,050</u>	<u>\$ 34,400</u>

An allowance of \$62,515 and \$45,941, has been established to adjust the estimated value of anticipated collections based on historic records, respectively.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**5. PROPERTY AND EQUIPMENT**

Property and equipment at June 30 consisted of the following:

	<u>2016</u>	<u>2015</u>
Telecasting equipment	\$ 5,008,971	\$ 4,992,235
Satellite equipment	61,353	61,353
Furniture, fixtures and equipment	105,452	105,704
Computer equipment	46,012	35,543
Transportation equipment	<u>14,300</u>	<u>14,300</u>
	5,236,088	5,209,135
Accumulated depreciation	<u>(4,032,255)</u>	<u>(3,890,545)</u>
Total	<u>\$ 1,203,833</u>	<u>\$ 1,318,590</u>

Total depreciation charged to operations was \$141,965 and \$141,102, respectively, for the year ended June 30, 2016 and 2015. See Note 10 for restrictions on the transmitter, production equipment, and digital television equipment included in telecasting equipment.

6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted cash consisted of a Neil and Sue O'Hara grant for \$700, and a Roderick Foundation grant in the amount of \$25,000. The principal of these donations are to be maintained in perpetuity. The income is unrestricted and may be used as determined by management.

7. ENDOWMENTS

The Foundation's endowments consist of (2) two endowments established for a variety of purposes. Its endowments consist of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowments funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence of absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Investment Funds Act ("UPMIFA") to not require the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds unless the donor explicitly required preservation of fair value. None of the Foundations endowments explicitly require preservation of fair value as of the original gift date. The Foundation classifies as permanently restricted net assets (a) the value of gifts donated to the permanent endowment, (b) the value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

7. ENDOWMENTS (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net asset is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in certificates of deposit. Therefore the Foundation expects its endowment funds, over time, to produce an average rate of return of approximately 2% annually. Actual returns in any given year may vary from this amount. Further, in any given year one or more donor restricted funds may incur losses.

Spending Policy

The Foundation has a policy of appropriating for distribution zero percent of the funds capital balance, and 100% of the earnings. In establishing this policy, the Foundation considered the long-term expected return on its investments assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to maintain the corpus of the endowment funds. Notwithstanding the foregoing, the Foundation's spending policy will always comply with UPMIFA and any applicable regulations promulgated with respect thereto.

EL PASO PUBLIC TELEVISION FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

7. ENDOWMENTS (Continued)

Endowment net assets composition by type as of the years ended June 30, are as follows:

<u>2016</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ <u>25,700</u>	\$ <u>25,700</u>

<u>2015</u>		
Donor-restricted endowments	\$ <u>25,700</u>	\$ <u>25,700</u>

Changes in endowment net assets as of the years ended June 30, are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net asset, July 1, 2014	\$ -	\$ 25,700	\$ 25,700
Contributions			-
Investment income	12	-	12
Amounts appropriated for expenditures	<u>(12)</u>	<u>-</u>	<u>(12)</u>
Endowment net asset, June 30, 2015	<u>\$ -</u>	<u>\$ 25,700</u>	<u>\$ 25,700</u>
Contributions			-
Investment income	-	-	-
Amounts appropriated for expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net asset, June 30, 2016	<u>\$ -</u>	<u>\$ 25,700</u>	<u>\$ 25,700</u>

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. DONATED PRODUCTS AND SERVICE

Donations of products included the following at June 30;

	<u>2016</u>
Fundraising and Development Donated Services	<u>28,039</u>
Total	<u>\$ 28,039</u>

9. LEASE AGREEMENTS

During the year ended June 30, 2015, the Foundation entered into a ten year lease agreement (to end in the year 2024) for antenna tower space. The agreement calls for monthly rental payments of \$7,000 for the first year, with monthly payment increases in each subsequent year of the lease.

In September 2006, the Foundation entered into a lease agreement with El Paso Community College (EPCC). EPCC leases a portion of its facilities to the Foundation for a ten year period beginning September 2006 at fair market value as determined on an annual basis.

In addition, the Foundation makes the facilities of the station available to EPCC as a laboratory for students regularly enrolled in credit courses in the Department of Communications and to provide general telecommunications support to the EPCC population. EPCC has the option to terminate the lease with a two and one-half year notice. As of June 30, 2016 and at the issuance of these financial statements no such notice has been provided.

The following is a schedule of lease expenses incurred as of June 30:

	<u>2016</u>	<u>2015</u>
Antenna over transmitter site Facilities	<u>\$ 84,000</u> <u>218,209</u>	<u>\$ 84,600</u> <u>217,853</u>
Total	<u>\$ 302,209</u>	<u>\$ 302,453</u>

EL PASO PUBLIC TELEVISION FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

9. LEASE AGREEMENTS (Continued)

The schedule of future minimum lease payments is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Antenna Tower</u> <u>Amount</u>	<u>Facilities</u> <u>Amount</u>
2017	\$ 84,000	\$ 217,403
2018	84,000	-
2019	84,000	
2020	84,000	
2021	84,000	
2022-2024	<u>252,000</u>	<u>-</u>
Total	<u>\$ 672,000</u>	<u>\$ 217,403</u>

10. COMMITMENTS AND CONTINGENCIES

In prior years, the Foundation was awarded grants from the U.S. Department of Commerce (DOC) for the installation of new transmitter and production equipment. The DOC also awarded the Foundation a large grant for the year ended June 30, 2003 for equipment necessary for conversion to digital transmission. The Foundation must comply with the terms of the grant award contracts from the DOC. As such, the transmitter and all equipment purchased with these funds may not be encumbered, leased or sold for a period of 10 years without permission from the DOC.

In the normal course of operations, the Foundation receives grant funds from various state agencies. The grant programs are subject to audit of the granting authority, the purpose of which is to ensure for reimbursement by the grantor agency for expenditures not allowed under terms of the grant. The Foundation's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

11. CONCENTRATIONS

The Foundation is supported primarily through donor contributions, grants and the Corporation for Public Broadcasting. Approximately 43% and 45%, respectively, of the Foundation's support for the years ended June 30, 2016 and 2015, came from distributions from the Corporation for Public Broadcasting.

SUPPLEMENTARY INFORMATION

EL PASO PUBLIC TELEVISION FOUNDATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Programming	Community Engagement	Production	Engineering	Total Program Services	General Administrative	Fundraising and Development	Total Support Services	Total
Personnel Salaries	\$ 27,723	\$ -	\$ 66,782	\$ 92,538	\$ 187,043	\$ 109,947	\$ 54,463	\$ 164,410	\$ 351,453
Benefits	4,226	-	8,766	15,081	28,073	6,237	8,564	14,801	42,874
Payroll taxes	2,969	-	6,947	9,108	19,024	11,646	5,967	17,613	36,637
Total salaries and related expenses	34,918	-	82,495	116,727	234,140	127,830	68,994	196,824	430,964
Accounting	-	-	-	-	-	30,048	-	30,048	30,048
Additional gift letter and expired membership	-	-	-	-	-	-	3,764	3,764	3,764
Art, Auction, and wine tasting	-	-	-	-	-	-	31,082	31,082	31,082
Bank charges	-	-	-	-	-	546	8,275	8,821	8,821
Computer service agreement	4,149	-	873	-	5,022	3,826	9,376	13,202	18,224
Contract labor	14,400	-	-	-	14,400	-	-	-	14,400
Dues and subscriptions	452	-	-	-	452	775	-	775	1,227
Grant Expense	-	40,405	-	-	40,405	-	-	-	40,405
Insurance	-	-	-	-	-	25,787	-	25,787	25,787
Legal fees	-	-	-	-	-	2,515	-	2,515	2,515
Miscellaneous	-	-	-	152	152	3,050	-	15,280	15,432
Pledge Expense	-	-	-	-	-	-	12,230	15,280	15,432
Program Acquisitions	-	-	-	-	-	-	8,149	8,149	8,149
Office supplies	428,439	-	-	-	428,439	-	-	-	428,439
Postage	1,193	-	1,084	-	1,084	4,600	884	5,484	6,568
Premiums	-	-	-	-	1,193	2,658	1,289	3,947	5,140
Program and production cost	18,393	-	-	-	18,393	-	29,769	29,769	29,769
Program guide	13,582	-	4,028	-	22,421	-	-	-	22,421
Renewal Expense	-	-	-	-	13,582	-	-	-	13,582
Rent expense	-	-	-	84,000	84,000	218,209	2,159	2,159	2,159
Studio maintenance	-	-	-	8,567	8,567	-	-	-	8,567
Telemarketing	-	-	-	-	-	-	7,649	7,649	7,649
Telephone	-	-	-	2,625	2,625	16,383	-	16,383	19,008
Tower and Maintenance	-	-	-	31,689	31,689	-	-	-	31,689
Travel	-	-	-	901	901	6,631	2,624	9,255	9,255
Vehicle maintenance	-	-	-	-	-	-	-	-	901
Bad Debt	-	-	-	-	-	3,350	6,880	6,880	6,880
Loss on write-down of inventory	-	-	-	-	-	28,038	-	3,350	3,350
In-Kind	-	40,405	88,480	244,661	889,072	474,246	193,124	28,038	28,038
	\$ 515,526	\$ 40,405	\$ 88,480	\$ 244,661	\$ 889,072	\$ 474,246	\$ 193,124	\$ 667,370	\$ 1,556,442

EL PASO PUBLIC TELEVISION FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Programming	Community Engagement	Production	Engineering	Total Program Services	General Administrative	Fundraising and Development	Total Support Services	Total
Personnel Salaries	\$ 25,216	-	\$ 62,117	\$ 82,038	\$ 169,371	\$ 108,204	\$ 45,075	\$ 153,279	\$ 322,650
Benefits	3,449	-	7,212	14,348	25,009	34,382	2,668	37,050	62,059
Payroll taxes	2,552	-	6,615	8,263	17,430	11,204	5,192	16,396	33,826
Total Salaries and related expenses	31,217	-	75,944	104,649	211,810	153,790	52,935	206,725	418,535
Accounting	-	-	-	-	-	6,055	-	6,055	6,055
Additional Gift Letter and Expired Membershi	-	-	-	-	-	-	2,609	2,609	2,609
Advertising	-	-	-	-	-	-	500	500	500
Art auction, auction, and wine testing	-	-	-	-	-	-	41,664	41,664	41,664
Bank charges	-	-	-	-	-	524	6,008	6,008	6,008
Computer service agreement	4,336	-	-	-	4,336	-	7,590	7,590	11,926
Contract labor	13,443	-	-	-	13,443	-	-	-	13,443
Dues and subscriptions	452	-	-	-	452	1,909	65	1,974	2,426
Grant expense	-	47,974	-	-	47,974	-	-	-	47,974
Legal fees	-	-	-	-	-	6,593	-	6,593	6,593
Miscellaneous	-	-	210	12	222	2,289	6,968	9,257	9,479
Pledge expense	-	-	-	-	-	-	5,310	5,310	5,310
Program acquisitions	434,969	-	-	-	434,969	-	-	-	434,969
Office supplies	-	-	-	-	-	-	-	-	-
Postage	-	-	-	-	-	5,543	39	5,582	5,582
Premiums	-	-	-	-	-	3,579	526	4,105	4,105
Program and production cost	20,183	-	4,355	-	24,538	-	33,995	33,995	33,995
Program guide	3,871	-	-	-	3,871	-	-	-	24,538
Renewal expense	-	-	-	-	-	-	-	-	3,871
Rent expense	-	-	-	84,600	84,600	217,853	3,542	3,542	3,542
STS Staffing	-	-	-	4,760	4,760	5,082	-	217,853	302,453
Telemarketing	-	-	-	-	-	-	11,995	5,082	9,842
Telephone	-	-	-	2,137	2,137	18,228	-	11,995	11,995
Tower and Maintenance	-	-	-	38,500	38,500	-	-	18,228	20,365
Travel	135	-	35	-	170	-	-	-	38,500
Vehicle maintenance	-	-	-	1,614	1,614	6,763	2,822	9,585	9,585
Bad Debt	-	-	-	-	-	-	-	-	1,614
Loss on write-down inventory	-	-	-	-	-	36,676	2,101	2,101	2,101
	\$ 508,606	\$ 47,974	\$ 80,544	\$ 236,272	\$ 873,395	\$ 464,884	\$ 178,145	\$ 643,029	\$ 1,516,424