

El Paso Public Television Foundation, Inc.

Financial Statements

For the Years Ended June 30, 2015 and 2014

El Paso Public Television Foundation, Inc.

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White + Samaniego + Campbell, LLC
A member of Accounting & Consulting Group, LLP

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of El Paso Public Television Foundation, Inc. (a nonprofit Foundation), which comprise the statements of financial position as of June 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Managements' 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 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 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 El Paso Public Television Foundation, Inc. as of June 30, 2015 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, 2014 were audited by other auditors whose report dated September 4, 2014, expressed an unmodified opinion on those statements.

White + Samaniego + Campbell, LLC

White + Samaniego + Campbell, LLC,
A member of Accounting & Consulting Group, LLP
El Paso, Texas
November 16, 2015

El Paso Public Television Foundation, Inc.
Statements of Financial Position
For the Years Ended June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 285,745	\$ 140,669
Accounts receivable	194,570	201,169
Underwriting receivable, net of allowance	47,634	36,176
Pledge receivable, net of allowance of \$0 and \$3,529 for 2015 and 2014	21,777	18,536
Investment	-	77,499
Auction inventory, net	34,400	71,076
Premium inventories, net	20,550	20,550
Prepaid expenses and other assets	31,809	37,592
Total current assets	636,485	603,267
Investments, permanently restricted	-	25,700
Cash, permanently restricted	25,700	-
	25,700	25,700
Property and equipment		
Furniture and equipment	5,209,135	5,209,135
Less: accumulated depreciation	(3,890,545)	(3,749,442)
Total property and equipment	1,318,590	1,459,693
Total assets	\$ 1,980,775	\$ 2,088,660
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 187,298	\$ 183,315
Accrued expenses	14,731	21,171
Deferred income	49,238	31,709
Total liabilities	251,267	236,195
Net Assets		
Unrestricted net assets	1,703,808	1,826,765
Permanently restricted	25,700	25,700
Total net assets	1,729,508	1,852,465
Total liabilities and net assets	\$ 1,980,775	\$ 2,088,660

The accompanying notes are an integral part of these financial statements.

El Paso Public Television Foundation, Inc.
Statements of Activities
For the Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted Revenues and Support		
Grants	\$ 853,376	\$ 722,448
Donations and pledges	235,571	245,286
Program underwriting	94,441	93,558
Instructional television	240,930	251,603
Special events	108,811	79,598
Other revenue	1,278	5,603
Interest	162	2,040
Non-cash contributions	-	171,294
	1,534,569	1,571,430
Unrestricted Expenses		
Program services:		
Programming	508,606	518,440
Community Engagement	47,974	5,929
Production	80,544	95,627
Engineering	236,272	277,047
Support services:		
General and administrative	466,985	455,211
Fundraising and development	176,044	190,884
	1,516,424	1,543,138
Change in unrestricted net assets before depreciation	18,145	28,292
Depreciation expense	141,102	267,651
	(122,957)	(239,359)
Unrestricted net assets, beginning of the year	1,826,765	2,066,124
Unrestricted net assets, end of the year	\$ 1,703,808	\$ 1,826,765

The accompanying notes are an integral part of these financial statements.

El Paso Public Television Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2015

	Programming	Community Engagement	Production	Engineering	Total Program services	General and Administrative	Fundraising and Development	Total Support services	Total
Salaries and related expenses									
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
Other expenses									
Accounting	-	-	-	-	-	6,055	-	6,055	6,055
Additional gift letter and expired membership	-	-	-	-	-	-	2,609	2,609	2,609
Advertising	-	-	-	-	-	-	500	500	500
Art auction, auction, and wine tasting	-	-	-	-	-	-	41,664	41,664	41,664
Bank charges	-	-	-	-	-	524	5,484	6,008	6,008
Computer services 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 expenses	-	-	-	-	-	-	5,310	5,310	5,310
Program acquisitions	434,969	-	-	-	434,969	-	-	-	434,969
Office supplies	-	-	-	-	-	5,543	39	5,582	5,582
Postage	-	-	-	-	-	3,579	526	4,105	4,105
Premiums	-	-	-	-	-	-	33,995	33,995	33,995
Program and production cost	20,183	-	4,355	-	24,538	-	-	-	24,538
Program guide	3,871	-	-	-	3,871	-	-	-	3,871
Renewal expense	-	-	-	-	-	-	3,542	3,542	3,542
Rent expense	-	-	-	84,600	84,600	217,853	-	217,853	302,453
STS staffing	-	-	-	4,760	4,760	5,082	-	5,082	9,842
Telemarketing	-	-	-	-	-	-	11,995	11,995	11,995
Telephone	-	-	-	2,137	2,137	18,228	-	18,228	20,365
Tower and maintenance	-	-	-	38,500	38,500	-	-	-	38,500
Travel	135	-	35	-	170	6,763	2,822	9,585	9,755
Vehicle maintenance	-	-	-	1,614	1,614	-	-	-	1,614
Loss on write-down of inventory	-	-	-	-	-	36,676	-	36,676	36,676
Write-off uncollected pledges	-	-	-	-	-	2,101	-	2,101	2,101
Total expenses	\$ 508,606	\$ 47,974	\$ 80,544	\$ 236,272	\$ 873,395	\$ 466,985	\$ 176,044	\$ 643,029	\$ 1,516,424

The accompanying notes are an integral part of these financial statements.

El Paso Public Television Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Programming	Community Engagement	Production	Engineering	Total Program services	General and Administrative	Fundraising and Development	Total Support services	Total
Salaries and related expenses									
Personnel salaries	\$ 53,974	\$ -	\$ 72,062	\$ 121,252	\$ 247,288	\$ 136,904	\$ 45,200	\$ 182,104	\$ 429,392
Benefits	6,217	-	8,392	15,715	30,324	4,847	2,340	7,187	37,511
Payroll taxes	6,390	-	8,666	13,032	\$ 28,088	11,276	6,385	17,661	45,749
Total salaries and related expenses	66,581		89,120	149,999	305,700	153,027	53,925	206,952	512,652
Other expenses									
Accounting	-	-	-	-	-	8,000	-	8,000	8,000
Additional gift letter and expired members	-	-	-	-	-	-	2,928	2,928	2,928
Advertising	-	-	-	-	-	-	-	-	-
Art auction, auction, and wine tasting	-	-	-	-	-	-	26,390	26,390	26,390
Bank charges	-	-	-	-	-	933	4,835	5,768	5,768
Computer services agreement	711	-	-	-	711	-	-	-	711
Contract labor	8,400	-	-	-	8,400	-	-	-	8,400
Dues and subscription	452	-	-	700	1,152	1,769	-	1,769	2,921
Grant expense	-	5,929	-	-	5,929	-	-	-	5,929
Insurance	-	-	-	-	-	24,005	-	24,005	24,005
Legal fees	-	-	-	-	-	15,059	-	15,059	15,059
Miscellaneous	-	-	-	180	180	(2,875)	7,775	4,900	5,080
Pledge expenses	-	-	-	-	-	-	21,297	21,297	21,297
Program acquisitions	405,727	-	-	-	405,727	-	-	-	405,727
Office supplies	120	-	1,701	-	1,821	5,260	60	5,320	7,141
Postage	-	-	-	-	-	3,633	132	3,765	3,765
Premiums	-	-	-	-	-	-	49,745	49,745	49,745
Program and production cost	15,790	-	3,915	-	19,705	-	-	-	19,705
Program guide	17,583	-	-	-	17,583	-	-	-	17,583
Renewal expense	-	-	-	-	-	-	3,529	3,529	3,529
Rent expense	-	-	-	90,467	90,467	217,403	-	217,403	307,870
STS staffing	2,675	-	-	-	2,675	-	3,754	3,754	6,429
Studio maintenance	-	-	891	5,381	6,272	7,644	-	7,644	13,916
Telemarketing	-	-	-	-	-	-	16,296	16,296	16,296
Telephone	-	-	-	2,585	2,585	16,374	-	16,374	18,959
Tower and maintenance	-	-	-	27,174	27,174	-	-	-	27,174
Travel	401	-	-	-	401	4,978	219	5,197	5,598
Vehicle maintenance	-	-	-	561	561	-	-	-	561
Total expenses	\$ 518,440	\$ 5,929	\$ 95,627	\$ 277,047	\$ 897,043	\$ 455,211	\$ 190,884	\$ 646,095	\$ 1,543,138

The accompanying notes are an integral part of these financial statements.

El Paso Public Television Foundation, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Changes in net assets	\$ (122,957)	\$ (239,359)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	141,102	267,651
Non-cash contributions	-	(171,294)
Change in operating assets and liabilities		
Accounts receivable	6,599	(8,274)
Pledge receivable	(3,241)	15,808
Underwriting receivables	(11,457)	33,511
Prepays and other assets	5,783	(19,665)
Auction inventory	36,676	286
Premium inventories	-	7,009
Accounts payable	3,983	(22,624)
Accrued expenses	(6,440)	(2,657)
Deferred revenues	17,529	(25,787)
	67,577	(165,395)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Redemption of certificate of deposit, unrestricted	77,499	130,849
Redemption of certificate of deposit, restricted	25,700	-
Purchase of property and equipment	-	(2,497)
	103,199	128,352
Net cash provided by investing activities		
Cash flows from financing activities		
Borrowings on notes payable	-	67,596
	-	67,596
Net cash provided by financing activities		
Net increase in cash and cash equivalents	170,776	30,553
Cash and cash equivalents - beginning of the year	140,669	110,116
Cash and cash equivalents - end of the year	\$ 311,445	\$ 140,669
Non-cash activities		
Donation of property and equipment	\$ -	\$ 171,294

The accompanying notes are an integral part of these financial statements.

El Paso Public Television Foundation, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

1. Nature of Operations:

The El Paso Public Television Foundation, Inc., (the "Foundation") is a nonprofit corporation of Texas which operates KCOS Channel 13 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).

The following summary of significant accounting policies is presented to assist in the understanding of the Foundation's financial statements. The financial statements and notes are the representation of the Foundation's management who is responsible for their integrity and objectivity. The financial statements of the Foundation have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Foundation's accounting policies are described below.

2. Summary of Significant Accounting Policies:

Basis of Accounting Presentation- The accompanying financial statements are presented on the accrual basis of accounting. The financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Codification of Financial Accounting Standards FASB ASC 958 Not-for-Profit Entities. Under FASB ASC 958 net assets, revenue, 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 are classified and reported as follows:

Unrestricted Net Assets- Represent net assets that are not subject to donor-imposed restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets represent revenues and expenses related to the operations and management of the Foundation's primary programs and supporting services.

Temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. There were no temporarily restricted net assets at June 30, 2015 or 2014.

Permanently Restricted Net Assets- Permanently restricted net assets represent resources that are subject to donor-imposed stipulations that they be permanently maintained by the Foundation. Generally, the donors of these assets allow for all of part of the income earned on these assets to be used for general or specific purposes.

Cash and Cash Equivalents- For the purpose 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.

El Paso Public Television Foundation, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued):

Federal Income Taxes- El Paso Public Television Foundation, Inc. is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As of June 30, 2015, the Foundation did not receive any unrelated business income. Accordingly, no liability or provision for federal income taxes is included in the accompanying financial statements. In general, federal income tax returns are subject to a 3 year statute of limitation from the filing date. El Paso Public Television Foundation, Inc. files forms 990-PF in the U.S. federal jurisdiction. El Paso Public Television Foundation, Inc. is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

Uncertain Tax Positions- The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, an organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax exempt status of an organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year ended June 30, 2015.

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

Donated Products and Services- Donated facilities, services, and products are reflected as donated 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.

Accounts Receivable- Accounts receivables are carried at their estimated collectible amounts. It consists of \$194,570 as of June 30, 2015, of which \$181,569 is due from the El Paso Community College (EPCC) for instructional television and 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.

Pledges Receivables- Pledges receivable consist of donor pledges for the capital campaign, which are designated for a specific purpose. The net present value of the pledges is recognized as revenue in the period the pledge is received. As of June 30, 2015, \$2,101 were written off, and in 2014 uncollectible pledge receivables had an allowance of \$3,529.

Concentrations- The Foundation is supported primarily through donor contributions, grants and the Corporation for Public Broadcasting. Approximately 56% and 49% of the Foundation's support for the years ending June 30, 2015 and 2014 respectively came from distributions from the Corporation for Public Broadcasting.

Inventories- Inventories consist of premium inventory which are promotional materials which are carried at the lower of cost or market using a first-in-first-out method. This includes books, DVDs and other gifts from past PBS pledge programs. Meanwhile, donated auction items include artwork at the value stated by the donor.

El Paso Public Television Foundation, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued):

Property and Equipment - Property and equipment is stated at cost if purchased and at estimated fair market value at the date of the gift, if donated, less accumulated depreciation. The Foundation capitalizes items with a unit cost greater than \$1,000 and useful life greater than one year. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operation. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are charged to operations as incurred.

Depreciation expense is computed using the straight-line method over the following estimated useful lives:

	<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.

Fair Value of Financial Instruments- Management believes the carrying amount of its financial instruments approximates fair value at June 30, 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 compensated absences are recorded.

Employees accrue sick leave each year on the anniversary of their employment date. Unused sick leave not taken during the calendar year is paid out on the employees' anniversary date, however; the Foundation does not accrue unused sick leave beyond the calendar year.

Concentration of Credit Risk- The Foundation maintains cash balances at financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Management assesses the financial condition of these banks and believes that the possibility of any loss is minimal.

Management Estimates and Assumptions- 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 effect reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Analysis for Impairment- Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such assets at June 30, 2015 or 2014.

El Paso Public Television Foundation, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

3. Premium Inventory:

Premium inventory is comprised of the following at June 30, 2015 and 2014.

	2015	2014
Premium inventory, at cost	\$ 43,880	\$ 43,880
Less allowance for obsolete inventory	(23,330)	(23,330)
Net premium inventory	\$ 20,550	\$ 20,550

An allowance for \$23,330 has been established to adjust the estimated value of anticipated collections based on historical sales.

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, 2015 and 2014:

	2015	2014
Auction inventory	\$ 80,341	\$ 193,369
Less allowance valuation	(45,941)	(122,293)
Net auction inventory	\$ 34,400	\$ 71,076

An allowance of \$45,941 has been established to adjust the estimated value of anticipated collections based on historical sales.

5. Property and Equipment:

Property and equipment consisted of the following at June 30, 2015 and 2014:

	2015	2014
Equipment	\$ 5,089,131	\$ 5,089,131
Vehicles	14,300	14,300
Office furniture	105,704	105,704
Property and equipment	5,209,135	5,209,135
Less accumulated depreciation	(3,890,545)	(3,749,442)
Property and equipment, net	\$ 1,318,590	\$ 1,459,693

Depreciation expense was \$141,102 and \$267,651 for the years ended June 30, 2015 and 2014, respectively.

El Paso Public Television Foundation, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

6. Investments and Fair Value Measurement:

Investments consisted of certificates of deposit with original maturities less than a year. The investments are recorded at cost which approximates fair value due to the short maturity. The investments were fully covered by FDIC insurance.

The Financial Accounting Standards Board Codification (the "Codification") establishes 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 the Codification are described below:

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

As of June 30, 2015, the Foundation did not hold any investments at fair value.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2014:

Certificate of deposit				
Unrestricted	\$ 77,499	\$ -	\$ -	\$ 77,499
Permanently restricted	<u>25,700</u>	<u>-</u>	<u>-</u>	<u>25,700</u>
Total investments at fair value	<u>\$ 103,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,199</u>

7. Annuity Plan:

All Foundation employees are eligible to participate in a contributory annuity plan administered by NY Life Securities, Inc. The Foundation does not contribute to the Plan.

El Paso Public Television Foundation, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

8. Lease Agreements:

During the year ended June 30, 2012, the Foundation entered into a three year lease agreement (to end in 2015) for antenna tower space. The agreement calls for monthly rental payments of \$2,500 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 donates 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 telecommunication 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, 2015, and the issuance of these financial statements, no such notice has been provided.

The schedule of future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Antenna Tower</u>	<u>Facilities</u>
2016	\$ 84,600	\$ 217,403
2017	84,600	-
2018	84,600	-
2019	84,600	-
2020	84,600	-
Thereafter	<u>356,400</u>	<u>-</u>
Total	<u>\$ 779,400</u>	<u>\$ 217,403</u>

9. Permanently Restricted Net Assets:

Permanently restricted cash consists of the Neil and Sue O'Hara grant and the Roderick Foundation grant in the amount of \$25,700 at June 30, 2015 and 2014. The principal of these donations is to be maintained in perpetuity. The income is unrestricted and may be used as determined by management.

10. Endowment:

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 or 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.

El Paso Public Television Foundation, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

10. Endowment (continued):

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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net asset is classified in 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 appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Permanently restricted net assets- The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by UPMIFA for the years ended June 30, 2015 and 2014.

Spending policy and how the investment objectives relate to spending policy- The Foundation has a policy of appropriating, at a minimum, the *distributable amount*, as defined by the Internal Revenue Code applicable to private foundations. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to achieve returns in excess of the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

Return Objectives and risk parameters- The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity, or for a donor-specified period(s), and reinvested investment income. The Foundation's policy, as approved by the Board of Directors, states that endowment assets are invested in a manner that is intended to meet or exceed market indexes selected and agreed upon annually by the Board, and documented in the Foundation's *Statement of Investment Policy*. The level of overall risk for funds in the Endowment portfolio is consistent with the risk associated with each fund's appropriate benchmark. Over rolling three-to-five year periods, each fund is expected to outperform the appropriate benchmark.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with deficiencies- From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are reported in temporarily restricted net assets. There were no such deficiencies as of June 30, 2015 and 2014.

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10. Endowment (continued):

Changes in endowment net assets as of June 30, 2015 and 2014 are as follows:

	2015		
	Unrestricted	Permanently Restricted	Total
Endowments net assets, June 30, 2014	\$ -	\$ 25,700	\$ 25,700
Investment Income	12	-	12
Amounts appropriated for expenditures	(12)	-	(12)
Endowment net assets, June 30, 2015	\$ -	\$ 25,700	\$ 25,700
	2014		
	Unrestricted	Permanently Restricted	Total
Endowments net assets, June 30, 2013	\$ -	\$ 25,700	\$ 25,700
Investment Income	12	-	12
Amounts appropriated for expenditures	(12)	-	(12)
Endowment net assets, June 30, 2014	\$ -	\$ 25,700	\$ 25,700

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11. Reclassifications:

Certain amounts in the Statement of Functional Expenses for the year ended June 30, 2014 have been reclassified to conform to the current year grouping presentation. Most notably, group benefits have been reported as part of total salaries and related expenses; grant expenses have been reported within Community Engagement as part of Program Services instead of General and Administrative services; production salaries and costs related to a local show have been reported within Production instead of General and Administrative services and expenses reported in advertising under Fundraising and Development have been reported as pledge expense.

12. Subsequent Events:

The Foundation has evaluated events subsequent to June 30, 2015 that would possibly require adjustment or disclosure in these financial statements, through November 16, 2015, the date that these statements were available to be issued.