

**ILLINOIS VALLEY PUBLIC
TELECOMMUNICATIONS CORPORATION**
Peoria, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
June 30, 2014 and 2013



CliftonLarsonAllen

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION

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Independent Auditors' Report

Board of Trustees
Illinois Valley Public Telecommunications Corporation
Peoria, Illinois

We have audited the accompanying financial statements of Illinois Valley Public Telecommunications Corporation which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Valley Public Telecommunications Corporation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20 to 22 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 black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Peoria, Illinois
September 18, 2014

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 468,401	\$ 311,780
Current portion of receivables:		
Pledges, net	91,463	74,032
Accounts	94,433	30,652
Grants	54,850	-
Net receivables	<u>240,746</u>	<u>104,684</u>
Inventory, at cost or market value (for donations)	3,419	3,177
Prepaid expenses	65,172	243,903
Refundable income taxes	940	940
Total current assets	<u>778,678</u>	<u>664,484</u>
 PLEDGES RECEIVABLE , net of current portion	 <u>155,229</u>	 <u>156,086</u>
 INVESTMENTS	 <u>1,249,715</u>	 <u>956,710</u>
 PROPERTY AND EQUIPMENT		
Land	524,557	524,557
Transmitter building and improvements	1,126,915	1,124,648
Building and improvements	5,655,468	5,655,468
Furniture, fixtures, and equipment	6,134,935	5,960,113
	<u>13,441,875</u>	<u>13,264,786</u>
Less accumulated depreciation and amortization	<u>7,974,163</u>	<u>7,414,433</u>
Net property and equipment	<u>5,467,712</u>	<u>5,850,353</u>
 TOTAL ASSETS	 <u>\$ 7,651,334</u>	 <u>\$ 7,627,633</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts payable	\$ 180,599	\$ 36,270
Current maturities of long-term debt	143,565	140,309
Accrued expenses	20,464	14,827
Deferred revenue	<u>242,336</u>	<u>247,135</u>
Total current liabilities	586,964	438,541
 LONG-TERM LIABILITIES		
Long-term debt less current maturities	<u>1,231,061</u>	<u>1,373,957</u>
Total liabilities	<u>1,818,025</u>	<u>1,812,498</u>
 NET ASSETS		
Unrestricted:		
Undesignated	4,532,152	4,685,100
Board designated endowment	<u>1,268,038</u>	<u>1,070,013</u>
Total unrestricted	5,800,190	5,755,113
Temporarily restricted	<u>33,119</u>	<u>60,022</u>
Total net assets	<u>5,833,309</u>	<u>5,815,135</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,651,334</u>	 <u>\$ 7,627,633</u>

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	Unrestricted
REVENUE, GAINS, AND OTHER SUPPORT	
Contributions	\$ 1,189,221
Matching contributions	102,432
In-kind contributions and donated services	34,936
Grants from Corporation for Public Broadcasting	729,358
State grants	105,150
Other grants	9,954
Auction income	91,917
Underwriting income	174,486
Contract services	63,462
Satellite services	139,390
Interest income	481
Net investment income	111,853
Lease income	287,650
Special events	9,284
WTVP Travels Tour	528,115
Miscellaneous	59,654
Net assets released from restrictions	28,375
Total revenue, gains, and other support	3,665,718
 EXPENDITURES	
Program services:	
Programming	623,327
Production	265,126
Engineering	985,126
Broadcast operations	124,220
Total program services	1,997,799
Supporting services:	
Fundraising and development	446,209
WTVP Travels Tour	501,685
Promotion	72,252
Management and general	450,290
Unrelated business services	152,406
Total supporting services	1,622,842
Total expenditures	3,620,641
 CHANGE IN NET ASSETS	45,077
 NET ASSETS, BEGINNING OF YEAR	5,755,113
 NET ASSETS, END OF YEAR	\$ 5,800,190

2014		2013		
Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
\$ 1,472	\$ 1,190,693	\$ 1,862,578	\$ 9,030	\$ 1,871,608
-	102,432	85,458	-	85,458
-	34,936	37,222	-	37,222
-	729,358	705,978	-	705,978
-	105,150	138,994	-	138,994
-	9,954	332,662	-	332,662
-	91,917	125,830	-	125,830
-	174,486	177,248	-	177,248
-	63,462	99,492	-	99,492
-	139,390	53,804	-	53,804
-	481	1,049	-	1,049
-	111,853	45,562	-	45,562
-	287,650	224,232	-	224,232
-	9,284	23,543	-	23,543
-	528,115	614,367	-	614,367
-	59,654	14,100	-	14,100
(28,375)	-	65,026	(65,026)	-
(26,903)	3,638,815	4,607,145	(55,996)	4,551,149
-	623,327	701,102	-	701,102
-	265,126	257,764	-	257,764
-	985,126	902,382	-	902,382
-	124,220	117,935	-	117,935
-	1,997,799	1,979,183	-	1,979,183
-	446,209	424,569	-	424,569
-	501,685	569,659	-	569,659
-	72,252	114,862	-	114,862
-	450,290	470,333	-	470,333
-	152,406	109,037	-	109,037
-	1,622,842	1,688,460	-	1,688,460
-	3,620,641	3,667,643	-	3,667,643
(26,903)	18,174	939,502	(55,996)	883,506
60,022	5,815,135	4,815,611	116,018	4,931,629
\$ 33,119	\$ 5,833,309	\$ 5,755,113	\$ 60,022	\$ 5,815,135

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,174	\$ 883,506
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	565,229	596,407
Net realized and unrealized gains on investments	(80,962)	(31,702)
Loss on disposal of equipment	-	2,598
Reduction of long-term debt to Corporation for Public Broadcasting from Community Service Grant awards	-	(40,000)
Cash receipts from Save Our Station campaign contributions restricted for purposes of debt service	(4,622)	(39,625)
Effects of changes in operating assets and liabilities:		
Net receivables	(135,205)	97,176
Inventory	(242)	720
Prepaid expenses	178,731	145,489
Accounts payable	61,471	(27,769)
Accrued expenses	5,637	(645)
Deferred revenue	(4,799)	(192,853)
Net cash provided by operating activities	<u>603,412</u>	<u>1,393,302</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(99,730)	(386,511)
Proceeds from sale of investments	7,416	86,450
Purchase of investments, including reinvested income	(219,459)	(1,011,458)
Net cash used in investing activities	<u>(311,773)</u>	<u>(1,311,519)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(139,640)	(205,891)
Cash receipts from Save Our Station campaign contributions restricted for purposes of debt service	4,622	39,625
Net cash used in financing activities	<u>(135,018)</u>	<u>(166,266)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	156,621	(84,483)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>311,780</u>	<u>396,263</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 468,401</u>	<u>\$ 311,780</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 56,322</u>	<u>\$ 74,069</u>
 NONCASH ACTIVITIES		
Purchases of property and equipment included in accounts payable	<u>\$ 82,858</u>	<u>\$ -</u>

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Use of Estimates

The preparation of financial statements in conformity with 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 at the date of the financial statements and the reported amounts of revenue, gains, and other support, expenditures, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Net Assets

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

Unrestricted net assets are those currently available for the support of Corporation operations, and those resources invested in property and equipment.

Temporarily restricted net assets include donor restricted contributions for specific operating activities.

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

The Corporation had only unrestricted and temporarily restricted net assets as of June 30, 2014 and 2013.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Revenue Recognition

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

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

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

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

Cash Equivalents

For purposes of the cash flows statements, the Corporation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents of \$37,199 and \$153,797 at June 30, 2014 and 2013, respectively, consist of money market funds and interest-bearing checking accounts. At times, the Corporation may have cash balances in excess of insured limits by the Federal Deposit Insurance Corporation.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Receivables

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

Investments

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

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair market value at date of gift. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Impairment of Long-Lived Assets

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

Deferred Revenue

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

In-kind Contributions and Donated Services

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

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Corporation's Forms 990 Return of Organization Exempt from Income Tax, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

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

Advertising Costs

Advertising costs are expensed as incurred.

WTVP Travels Tour

WTVP Travels Tour is a fundraising event generally consisting of two trips per year designed for the WTVP audience. Revenue and expenses are deferred and recognized for the period covered by the trip. At June 30, 2014 and 2013, prepaid expenses included \$30,000 and \$199,207, respectively, related to WTVP Travels Tour. At June 30, 2014 and 2013, deferred revenue included \$209,988 and \$216,668, respectively, related to WTVP Travels Tour.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - PLEDGES RECEIVABLE

Included in pledges receivable at June 30, 2014 and 2013 are the following promises to give:

	<u>2014</u>	<u>2013</u>
Program underwriting	\$ 5,841	\$ 5,071
Membership	55,394	29,545
Matching	44,930	35,336
Unrestricted campaigns	157,635	182,830
Save Our Station	<u>19,030</u>	<u>24,475</u>
Gross promises to give	282,830	277,257
Less allowance for uncollectible pledges	22,000	26,000
Less discount to the present value of the future cash flows	<u>14,138</u>	<u>21,139</u>
Net promises to give	<u>\$ 246,692</u>	<u>\$ 230,118</u>

Pledges for Save Our Station have been discounted at a 3.625 percent annual rate of interest. Membership and unrestricted campaign pledges have been discounted at a 3.77 percent annual rate of interest. Save Our Station pledges receivable represent temporarily restricted promises for specific debt service purposes. The following represents gross pledges receivable at June 30, 2014 that are expected to be collected in the following fiscal years:

2015	\$ 144,113
2016	63,022
2017	25,695
2018	25,000
2019	<u>25,000</u>
	<u>\$ 282,830</u>

Pledges receivable at June 30, 2014 and 2013 include amounts due from Board members and management of approximately \$3,250 and \$3,200, respectively.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 3 - INVESTMENTS

Investments as of June 30, 2014 and 2013, are summarized as follows:

	<u>2014</u>	<u>2013</u>
Certificates of deposits	\$ 543,515	\$ 344,025
Municipal bonds	170,045	165,992
Mutual funds	500,980	432,654
Money market funds	<u>35,175</u>	<u>14,039</u>
	<u>\$ 1,249,715</u>	<u>\$ 956,710</u>

Components of net investment income are as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Dividend and interest income	\$ 30,891	\$ 13,860
Realized gains	8,689	2,728
Unrealized gains	<u>72,273</u>	<u>28,974</u>
Total	<u>\$ 111,853</u>	<u>\$ 45,562</u>

NOTE 4 - DEBT

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

	<u>2014</u>	<u>2013</u>
Note payable to PNC Bank, bearing fixed interest at 4.25 percent. Monthly payments of principal and interest are \$8,018 with final balloon payment due November 30, 2015. Note is secured by a first mortgage and substantially all business assets.	\$ 991,946	\$ 1,044,187

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 4 - DEBT (CONTINUED)

	<u>2014</u>	<u>2013</u>
<p>Note payable to IFF, due February 2023. The note bears interest at 3.12 percent effective March 1, 2013 with monthly payments of principal and interest of \$3,374. Prior to March 1, 2013, the interest rate was 5.75 percent and monthly payments of principal and interest were \$6,228. Note is secured by a third mortgage and substantially all business assets. The note is subordinate to the lien of the PNC Bank senior mortgages originally totaling \$1,550,000 in principal.</p>	\$ 306,680	\$ 337,079
<p>Mechanical system upgrade agreement with ENTEC Services, Inc., due October 2015. The agreement bears no interest. Monthly payment is \$4,750. Agreement is secured by upgrades made to the mechanical system. The agreement is subordinate to the liens of PNC Bank senior mortgage originally totaling \$1,550,000 in principal, PNC Bank revolving line of credit of \$300,000, and IFF note payable mortgage originally \$750,000.</p>	<u>76,000</u>	<u>133,000</u>
Total	1,374,626	1,514,266
Less current portion	<u>(143,565)</u>	<u>(140,309)</u>
Total	<u>\$ 1,231,061</u>	<u>\$ 1,373,957</u>

Future maturities of long-term debt are as follows:

2015		\$ 143,565
2016		988,095
2017		33,377
2018		34,434
2019		35,523
Later years		<u>139,632</u>
Total		<u>\$ 1,374,626</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 4 - DEBT (CONTINUED)

The Corporation also has a \$300,000 revolving secured line of credit from PNC Bank for operating activities. Interest is based on PNC Bank's prime interest rate with interest payable monthly and maturity on January 30, 2015. This line of credit is secured by a second mortgage and a blanket lien on substantially all assets. No amounts were drawn against this note during fiscal years 2014 and 2013.

NOTE 5 - LEASE INCOME

The Corporation is the lessor of a communications tower under an operating lease expiring November 5, 2017 with Verizon Wireless. The lease agreement provides monthly lease income of \$1,455 per month.

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

The Corporation is the lessor of a communications tower under a five year operating lease expiring August 15, 2017 with IPCS Wireless, Inc. The agreement provides monthly lease income of \$4,724 per month for antenna space.

The Corporation is the lessor of a communications tower under a five-year operating lease expiring September 2018 with U.S. Cellular. The agreement provides monthly lease income of \$2,396 per month.

The Corporation is the lessor of a communications tower under a month-to-month operating lease with WCBU-FM. The lease agreement provides monthly lease income of \$2,500 per month, plus an additional charge for estimated electrical usage of approximately \$1,849 per month.

The Corporation is the lessor of a communications tower under a five-year operating lease expiring October 31, 2017 with New Cingular Wireless PCS, LLC. The lease agreement provides monthly lease income of \$1,800 per month.

The Corporation is the lessor of commercial space at the main WTVP facility under a five-year lease expiring December 31, 2016 with Peoria Symphony Orchestra. The lease agreement provides monthly lease income of \$2,004, plus the tenant will also reimburse the Corporation monthly for 15.6 percent of utilities (water, sewer, gas, and electricity).

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 5 - LEASE INCOME (CONTINUED)

The Corporation is contracted under a four year professional services agreement expiring June 30, 2017 to provide master control services for Western Illinois University – Quad Cities campus’ public television station WQPT. The agreement provides monthly income of \$18,167 per month.

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

Year ending June 30:		
2015	\$	431,098
2016		378,972
2017		309,525
2018		26,805
2019		12,415
Thereafter		<u>51,813</u>
Total	\$	<u>1,210,628</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP) 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 GAAP are described as follows:

Basis of Fair Value Measurement:

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

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

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued):

For the fiscal years ended June 30, 2014 and 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

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

Fair Value on a Recurring Basis

The table below presents the balances of investments measured at fair value on a recurring basis as of June 30, 2014 and 2013:

	2014		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Municipal bonds	\$ -	\$ 170,045	\$ -
Mutual funds	500,980	-	-
Money market funds	<u>35,175</u>	<u>-</u>	<u>-</u>
	<u>\$ 536,155</u>	<u>\$ 170,045</u>	<u>\$ -</u>
	2013		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Municipal bonds	\$ -	\$ 165,992	\$ -
Mutual funds	432,654	-	-
Money market funds	<u>14,039</u>	<u>-</u>	<u>-</u>
	<u>\$ 446,693</u>	<u>\$ 165,992</u>	<u>\$ -</u>

NOTE 7 - CONCENTRATION OF CREDIT RISK

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 8 - COMMITMENTS

The Corporation leases office equipment under various operating lease agreements. The total minimum lease payments as of June 30, 2014 are due as follows:

Year ending June 30:	
2015	\$ 6,585
2016	6,585
2017	6,585
2018	<u>3,744</u>
Total minimum lease payments	<u>\$ 23,499</u>

The total rental expense was \$7,542 and \$7,697 for the years ended June 30, 2014 and 2013, respectively.

The mechanical system upgrade agreement with ENTEC Services, Inc. as described in Note 4 includes a support program of \$1,520 per month, originally for sixty months, through October 2015.

NOTE 9 - BOARD-DESIGNATED ENDOWMENT

The Corporation's Board of Trustees established an endowment fund whereby certain contributions and their earnings would remain intact. There is no legal restriction on the endowment since the donors did not specify contributions to be treated as such. At June 30, 2014 and 2013, the designated endowment funds totaled \$1,268,038 and \$1,070,013, respectively. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

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

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 9 - BOARD-DESIGNATED ENDOWMENT (CONTINUED)

Composition of and changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Board-designated endowment net assets, beginning of year	\$ 1,070,013	\$ 113,246
Contributions	188,567	1,000,020
Investment income, net of fees	23,496	6,445
Net appreciation	80,962	31,702
Amounts appropriated for expenditure	<u>(95,000)</u>	<u>(81,400)</u>
Board-designated endowment net assets, end of year	<u>\$ 1,268,038</u>	<u>\$ 1,070,013</u>

NOTE 10 - SUBSEQUENT EVENTS

Management evaluated subsequent events through September 18, 2014, the date the financial statements were available to be issued.

In July 2014 the Corporation entered into a term note with PNC Bank for \$163,371 to finance the purchase of equipment needed to fulfill the professional services agreement with Western Illinois University – Quad Cities campus’ public television station WQPT, as further described in Note 5. The note bears interest at 3.39 percent and requires monthly payments of \$4,779 including interest beginning August 2014 with final payment due July 2017. The note is secured by the equipment purchased.

NOTE 11 - RECLASSIFICATIONS

Certain reclassifications of prior year’s amounts have been made to conform to the presentation adopted for 2014. These reclassifications had no effect on previously reported net assets or changes in net assets.

This information is an integral part of the accompanying financial statements.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES
Year Ended June 30, 2014
With Comparative Totals for 2013

	Program Services				Total Program Services
	Programming	Production	Engineering	Broadcast Operations	
Salaries and payroll taxes	\$ 86,406	\$ 172,993	\$ 60,838	\$ 104,146	\$ 424,383
Employee benefits	8,397	28,711	11,422	4,317	52,847
Professional services, excluding in-kind contributions	832	32,658	135,827	-	169,317
Professional services - in-kind contributions	-	-	-	-	-
Office support	465	3,920	2,699	762	7,846
Communications	983	-	39,720	716	41,419
Postage and shipping	434	446	287	782	1,949
Advertising	430	-	-	-	430
Occupancy	-	-	130,556	-	130,556
Rental and maintenance of equipment	7,500	13,823	50,196	11,388	82,907
Printing and publications	-	-	-	-	-
Conferences, meetings, and travel	5,941	8,534	1,750	81	16,306
WTVP Travels Tour	-	-	-	-	-
Marketing	161	468	56	2,028	2,713
Dues and program rights	270	425	-	-	695
Program acquisition	509,988	-	-	-	509,988
Interest	1,343	7	980	-	2,330
Provision for uncollectible pledges/accounts	-	-	-	-	-
Miscellaneous	177	250	40	-	467
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	623,327	262,235	434,371	124,220	1,444,153
Depreciation	-	2,891	550,755	-	553,646
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 623,327	\$ 265,126	\$ 985,126	\$ 124,220	\$ 1,997,799

Supporting Services							
Fundraising and Development	WTVP Travels Tour	Promotion	Management and General	Unrelated Business Services	Total Supporting Services	2014 Total	2013 Total
\$ 213,790	\$ -	\$ 29,685	\$ 126,250	\$ 34,285	\$ 404,010	\$ 828,393	\$ 861,494
7,764	-	4,028	11,401	14,304	37,497	90,344	80,086
-	-	9,750	115,699	3,082	128,531	297,848	253,582
23,081	-	-	11,855	-	34,936	34,936	37,222
27,364	30	1,276	14,961	42,260	85,891	93,737	41,495
1,351	-	-	2,812	3,643	7,806	49,225	42,149
27,596	-	220	1,143	11	28,970	30,919	30,324
-	-	2,220	660	-	2,880	3,310	3,294
-	-	-	69,003	-	69,003	199,559	176,423
24,077	-	135	15,484	8,168	47,864	130,771	102,408
11,589	-	24,593	-	-	36,182	36,182	29,358
2,148	-	-	5,792	23,430	31,370	47,676	50,928
-	501,655	-	-	-	501,655	501,655	569,659
88,082	-	300	634	-	89,016	91,729	102,416
1,820	-	45	20,356	-	22,221	22,916	15,879
-	-	-	-	-	-	509,988	561,564
88	-	-	53,904	-	53,992	56,322	74,069
9,970	-	-	-	11,490	21,460	21,460	29,196
7,489	-	-	336	150	7,975	8,442	9,689
446,209	501,685	72,252	450,290	140,823	1,611,259	3,055,412	3,071,236
-	-	-	-	11,583	11,583	565,229	596,407
<u>\$ 446,209</u>	<u>\$ 501,685</u>	<u>\$ 72,252</u>	<u>\$ 450,290</u>	<u>\$ 152,406</u>	<u>\$ 1,622,842</u>	<u>\$ 3,620,641</u>	<u>\$ 3,667,643</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES - EXCLUDING
IN-KIND CONTRIBUTIONS AND DONATED SERVICES
Year Ended June 30, 2014

	Functional Expenses Excluding In-kind Contributions and Donated Services	In-kind Contributions and Donated Services	Total
Programming	\$ 623,327	\$ -	\$ 623,327
Production	265,126	-	265,126
Engineering	985,126	-	985,126
Broadcast operations	<u>124,220</u>	<u>-</u>	<u>124,220</u>
Total program services	<u>1,997,799</u>	<u>-</u>	<u>1,997,799</u>
Fundraising and development	423,128	23,081	446,209
WTVP Travels Tour	501,685	-	501,685
Promotion	72,252	-	72,252
Management and general	438,435	11,855	450,290
Unrelated business services	<u>152,406</u>	<u>-</u>	<u>152,406</u>
Total supporting services	<u>1,587,906</u>	<u>34,936</u>	<u>1,622,842</u>
TOTAL	<u>\$ 3,585,705</u>	<u>\$ 34,936</u>	<u>\$ 3,620,641</u>