

**ILLINOIS VALLEY PUBLIC
TELECOMMUNICATIONS CORPORATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Illinois Valley Public Telecommunications Corporation
Peoria, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Illinois Valley Public Telecommunications Corporation, which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

CliftonLarsonAllen LLP

Peoria, Illinois
10/20/2017

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 396,557	\$ 688,206
Current Portion of Receivables:		
Pledges, Net	157,971	160,391
Accounts	126,138	131,791
Net Receivables	284,109	292,182
Inventory, at Cost or Market Value (for Donations)	4,872	3,021
Prepaid Expenses	166,679	30,860
Refundable Income Taxes	940	940
Total Current Assets	853,157	1,015,209
PLEDGES RECEIVABLE , Net of Current Portion	44,267	64,418
INVESTMENTS	1,542,519	1,348,336
PROPERTY AND EQUIPMENT		
Land	524,557	524,557
Transmitter Building and Improvements	1,126,915	1,126,915
Building and Improvements	5,691,168	5,688,188
Furniture, Fixtures, and Equipment	5,986,258	5,729,592
Total Property and Equipment	13,328,898	13,069,252
Less: Accumulated Depreciation and Amortization	8,699,209	8,395,595
Net Property and Equipment	4,629,689	4,673,657
 Total Assets	 \$ 7,069,632	 \$ 7,101,620

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 231,796	\$ 137,704
Current Maturities of Long-Term Debt	95,846	143,687
Accrued Expenses	6,443	10,170
Deferred Revenue	152,768	48,118
Total Current Liabilities	<u>486,853</u>	<u>339,679</u>
 LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	<u>948,398</u>	<u>1,043,665</u>
Total Liabilities	1,435,251	1,383,344
 NET ASSETS		
Unrestricted:		
Undesignated	4,070,814	4,255,354
Board Designated Endowment	1,542,519	1,441,714
Total Unrestricted	<u>5,613,333</u>	<u>5,697,068</u>
Temporarily Restricted	21,048	21,208
Total Net Assets	<u>5,634,381</u>	<u>5,718,276</u>
Total Liabilities and Net Assets	<u>\$ 7,069,632</u>	<u>\$ 7,101,620</u>

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 1,258,364	\$ -	\$ 1,258,364
Matching Contributions	114,903	-	114,903
In-Kind Contributions and Donated Services	63,063	-	63,063
Grants from Corporation for Public Broadcasting	774,406	-	774,406
Other Grants	45,959	-	45,959
Auction Income	75,514	-	75,514
Underwriting Income	155,875	-	155,875
Contract Services	53,037	-	53,037
Satellite Services	47,972	-	47,972
Interest Income	783	-	783
Net Investment Loss	(5,382)	-	(5,382)
Lease Income	495,237	-	495,237
Special Events	45,687	-	45,687
WTVP Travels Tour	381,309	-	381,309
Miscellaneous	12,901	-	12,901
Net Assets Released from Restrictions	2,578	(2,578)	-
Total Revenue, Gains, and Other Support	<u>3,522,206</u>	<u>(2,578)</u>	<u>3,519,628</u>
EXPENDITURES			
Program Services:			
Programming	683,025	-	683,025
Production	259,028	-	259,028
Broadcast Operations	829,296	-	829,296
Total Program Services	<u>1,771,349</u>	<u>-</u>	<u>1,771,349</u>
Supporting Services:			
Fundraising and Development	527,956	-	527,956
WTVP Travels Tour	349,346	-	349,346
Promotion	45,082	-	45,082
Management and General	620,810	-	620,810
Unrelated Business Services	119,209	-	119,209
Total Supporting Services	<u>1,662,403</u>	<u>-</u>	<u>1,662,403</u>
Total Expenditures	<u>3,433,752</u>	<u>-</u>	<u>3,433,752</u>
CHANGE IN NET ASSETS	88,454	(2,578)	85,876
Net Assets - Beginning of Year	<u>5,608,614</u>	<u>23,786</u>	<u>5,632,400</u>
NET ASSETS - END OF YEAR	<u>\$ 5,697,068</u>	<u>\$ 21,208</u>	<u>\$ 5,718,276</u>

See accompanying Notes to Financial Statements.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (83,895)	\$ 85,876
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	303,614	307,414
Net Unrealized (Gains) Losses on Investments	(85,717)	37,430
Cash Receipts from Save Our Station Campaign Contributions		
Restricted for Purposes of Debt Service	(760)	(4,200)
Effects of Changes in Operating Assets and Liabilities:		
Net Receivables	28,224	(86,658)
Inventory	(1,851)	(952)
Prepaid Expenses	(135,819)	93,118
Accounts Payable	94,092	4,516
Accrued Expenses	(3,727)	(1,995)
Deferred Revenue	104,650	(77,736)
Net Cash Provided by Operating Activities	218,811	356,813
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(259,646)	(13,500)
Proceeds from Sale of Investments	9,449	9,054
Purchase of Investments, Including Reinvested Income	(117,915)	(31,988)
Net Cash Used by Investing Activities	(368,112)	(36,434)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(143,108)	(159,577)
Cash Receipts from Save Our Station Campaign Contributions		
Restricted for Purposes of Debt Service	760	4,200
Net Cash Used by Financing Activities	(142,348)	(155,377)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(291,649)	165,002
Cash and Cash Equivalents - Beginning of Year	688,206	523,204
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 396,557	\$ 688,206
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 47,509	\$ 49,507

See accompanying Notes to Financial Statements.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Use of Estimates

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

Net Assets

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

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

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

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

The Corporation had only unrestricted and temporarily restricted net assets as of June 30, 2017 and 2016.

Revenue Recognition

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Revenue Recognition (Continued)

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

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

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

Cash Equivalents

For purposes of the cash flows statements, the Corporation considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents of \$396,557 and \$688,206 at June 30, 2017 and 2016, respectively, consist of money market funds and interest-bearing checking accounts. At times, the Corporation may have cash balances in excess of insured limits by the Federal Deposit Insurance Corporation.

Receivables

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

Investments

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Property and Equipment

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

Impairment of Long-Lived Assets

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

Deferred Revenue

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

In-Kind Contributions and Donated Services

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

Income Taxes

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

Functional Allocation of Expenses

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

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$0 and \$4,459 for the years ended June 30, 2017 and 2016, respectively.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

WTVP Travels Tour

WTVP Travels Tour is a fundraising event generally consisting of two trips per year designed for the WTVP audience. Revenue and expenses are deferred and recognized for the period covered by the trip. At June 30, 2017 and 2016, prepaid expenses included \$132,728 and \$7,200, respectively, related to WTVP Travels Tour. At June 30, 2017 and 2016, deferred revenue included \$148,098 and \$38,898, respectively, related to WTVP Travels Tour.

NOTE 2 PLEDGES RECEIVABLE

Included in pledges receivable at June 30, 2017 and 2016 are the following promises to give:

	<u>2017</u>	<u>2016</u>
Program Underwriting	\$ 16,561	\$ 22,130
Membership	86,885	82,849
Matching	30,624	30,557
Unrestricted Campaigns	82,051	107,245
Save Our Stations	<u>1,850</u>	<u>2,610</u>
Gross Promises to Give	217,971	245,391
Less: Allowance for Uncollectible Pledges	10,881	12,321
Less: Discount to the Present Value of the Future Cash Flows	<u>4,852</u>	<u>8,261</u>
Net Promises to Give	<u><u>\$ 202,238</u></u>	<u><u>\$ 224,809</u></u>

Pledges for Save Our Station have been discounted at a 3.625% annual rate of interest. Membership and unrestricted campaign pledges have been discounted at a 3.77% annual rate of interest. Save Our Station pledges receivable represent temporarily restricted promises for specific debt service purposes. The following represents gross pledges receivable at June 30, 2017 that are expected to be collected in the following fiscal years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 157,971
2019	25,000
2020	25,000
2021	<u>10,000</u>
Total	<u><u>\$ 217,971</u></u>

Pledges receivable at June 30, 2017 and 2016 include amounts due from board members and management of approximately \$1,255 and \$4,498, respectively.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 INVESTMENTS

Investments as of June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Certificates of Deposit	\$ 488,831	\$ 460,483
Municipal Bonds	167,382	171,796
Mutual Funds	695,445	599,741
Money Market Funds	190,754	116,316
Equity Securities	107	-
Total Investments	<u>\$ 1,542,519</u>	<u>\$ 1,348,336</u>

Components of net investment income (loss) are as follows for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dividend and Interest Income	\$ 30,251	\$ 32,048
Unrealized Gains (Losses)	85,717	(37,430)
Net Investment Income (Loss)	<u>\$ 115,968</u>	<u>\$ (5,382)</u>

NOTE 4 DEBT

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

<u>Description</u>	<u>2017</u>	<u>2016</u>
Note payable to PNC Bank, bearing fixed interest at 4.50%. Monthly payments of principal and interest are \$7,732 with final balloon payment due November 1, 2022. Note is secured by a first mortgage and substantially all business assets.	\$ 829,888	\$ 883,467
Note payable to IFF, due February 2023. The note bears interest at 3.12% with monthly payments of principal and interest of \$3,374. Note is secured by a third mortgage and substantially all business assets. The note is subordinate to the lien of the PNC Bank senior mortgages originally totaling \$1,550,000 in principal.	209,590	242,967

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 DEBT (CONTINUED)

Description	2017	2016
Note payable to PNC Bank, bearing fixed interest at 3.39%. Monthly payments of principal and interest are \$4,779 with final payment due July 29, 2017. Note is secured by equipment purchased for Western Illinois University - Quad Cities campus' public television station WQPT.	4,766	60,918
Total	1,044,244	1,187,352
Less: Current Portion	(95,846)	(143,687)
Total	<u>\$ 948,398</u>	<u>\$ 1,043,665</u>

Future maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2018	\$ 95,846
2019	94,771
2020	98,618
2021	102,625
2022	626,211
Later Years	26,173
Total	<u>\$ 1,044,244</u>

The Corporation also had a \$300,000 revolving secured line of credit from PNC Bank for operating activities. Interest was based on PNC Bank's prime interest rate with interest payable monthly and maturity on December 31, 2017. This line of credit was secured by a second mortgage and a blanket lien on substantially all assets. No amounts were drawn against this note during fiscal year 2017 and 2016.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 \$1,879 per month.

The Corporation is the lessor of a communications tower under a five-year operating lease expiring October 31, 2022 with New Cingular Wireless PCS, LLC. The lease agreement provides monthly lease income of \$1,800 per month.

The Corporation is the lessor of commercial space at the main WTVP facility under a five-year lease expiring December 31, 2017 with Peoria Symphony Orchestra. The lease agreement provides monthly lease income of \$2,004, plus the tenant will also reimburse the Corporation monthly for 15.6% of utilities (water, sewer, gas, and electricity).

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

The Corporation is contracted under a one-year professional services agreement that expires June 30, 2018 to provide master control services for Western Illinois University – Quad Cities campus' public television station WQPT. The agreement provides monthly income of \$21,318 per month.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 LEASE INCOME (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 349,119
2019	59,706
2020	52,516
2021	52,516
2022	38,117
Thereafter	15,064
Total	<u><u>\$ 567,038</u></u>

NOTE 6 FAIR VALUE MEASUREMENTS

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

For the fiscal years ended June 30, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

Investment Securities

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

Fair Value on a Recurring Basis

The table below presents the balances of investments measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	2017			Total
	Level 1	Level 2	Level 3	
Investments:				
Municipal Bonds	\$ -	\$ 167,382	\$ -	\$ 167,382
Mutual Funds	695,445	-	-	695,445
Equity Securities	107	-	-	107
Money Market Funds	190,754	-	-	190,754
Total Investments	<u>\$ 886,306</u>	<u>\$ 167,382</u>	<u>\$ -</u>	<u>\$ 1,053,688</u>
	2016			Total
	Level 1	Level 2	Level 3	
Investments:				
Municipal Bonds	\$ -	\$ 171,796	\$ -	\$ 171,796
Mutual Funds	599,741	-	-	599,741
Money Market Funds	116,316	-	-	116,316
Total Investments	<u>\$ 716,057</u>	<u>\$ 171,796</u>	<u>\$ -</u>	<u>\$ 887,853</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, 2017 AND 2016

NOTE 8 COMMITMENTS

The Corporation leases office equipment under various operating lease agreements. The total minimum lease payments as of June 30, 2017 are due as follows:

Year Ending June 30,	Amount
2018	\$ 4,111

The total rental expense was \$7,215 and \$7,302 for the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016, the designated endowment funds totaled \$1,542,519 and \$1,441,714, respectively. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

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

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

Composition of and changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Board-Designated Endowment Net Assets,		
Beginning of Year	\$ 1,441,714	\$ 1,456,137
Contributions	95,229	-
Investment Income, Net of Fees	20,779	23,007
Net Appreciation (Depreciation)	85,717	(37,430)
Amounts Appropriated for Expenditure	(100,920)	-
Board-Designated Endowment Net Assets,		
End of Year	\$ 1,542,519	\$ 1,441,714

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 SUBSEQUENT EVENTS

Management evaluated subsequent events through 10/20/2017, the date the financial statements were available to be issued.

The Federal Communications Commission (FCC) is undergoing a process to repurpose a portion of the television broadcast spectrum for use by mobile broadband providers. This process will require relocating the corporation's channel location to a lower assignment. The new channel assignment will require assorted new equipment for signal transmission. The corporation has made an initial filing with the FCC estimating the costs associated with this move at \$1,625,694. The FCC has set aside a portion of the proceeds from auctioning spectrum to mobile broadband providers for the purpose of reimbursing stations for these costs. Noncommercial educational stations are eligible for initial allocations up to 90% of their estimated eligible costs, with final allocations based upon their actual documented costs planned prior to the end of the three year reimbursement period.

On April 13, 2017, the FCC informed the corporation that it would be relocating from channel 46 to channel 35. It also assigned the corporation's transition to the seventh of ten transition phases. In this transition phase, new broadcast equipment can be tested no earlier than October 19, 2019 and must be completed by January 17, 2020.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES
YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services			Total Program Services
	Programming	Production	Broadcast Operations	
Salaries and Payroll Taxes	\$ 106,337	\$ 173,935	\$ 176,595	\$ 456,867
Employee Benefits	6,886	27,230	18,960	53,076
Professional Services - Excluding In-Kind Contributions	-	36,484	89,623	126,107
Professional Services - In-Kind Contributions	-	-	-	-
Office Support Communications	-	16,363	12,029	28,392
Postage and Shipping	-	-	-	-
Advertising	-	-	-	-
Occupancy	-	-	143,640	143,640
Rental and Maintenance of Equipment	10,167	-	86,624	96,791
Printing and Publications	-	-	-	-
Conferences, Meetings, and Travel	-	7,006	-	7,006
WTVP Travels Tour	-	-	-	-
Marketing	-	-	-	-
Dues and Program Rights	-	-	-	-
Program Acquisition	544,824	-	-	544,824
Interest	-	-	-	-
Provision for Uncollectible Pledges/Accounts	-	-	-	-
Miscellaneous	-	11	-	11
Total Expenditures Before Depreciation	<u>668,214</u>	<u>261,029</u>	<u>527,471</u>	<u>1,456,714</u>
Depreciation	-	1,791	294,809	296,600
TOTAL EXPENDITURES	<u><u>\$ 668,214</u></u>	<u><u>\$ 262,820</u></u>	<u><u>\$ 822,280</u></u>	<u><u>\$ 1,753,314</u></u>

Supporting Services

Fundraising and Development	WTVP Travels Tour	Promotion	Management and General	Unrelated Business Services	Total Supporting Services	2017 Total	2016 Total
\$ 248,832	\$ -	\$ 34,440	\$ 107,794	\$ 34,360	\$ 425,426	\$ 882,293	\$ 800,668
19,370	-	-	2,266	7,645	29,281	82,357	65,880
28,421	-	10,050	210,067	-	248,538	374,645	433,816
45,978	-	-	17,895	-	63,873	63,873	63,063
30,052	-	3,280	9,949	9,015	52,296	80,688	85,923
48,439	-	-	-	-	48,439	48,439	66,136
29,131	-	8,773	225	-	38,129	38,129	32,479
-	-	-	-	-	-	-	4,459
-	-	-	48,829	-	48,829	192,469	217,021
24,803	-	-	47,503	-	72,306	169,097	175,775
24,773	-	-	-	-	24,773	24,773	26,214
4,292	-	-	4,462	10,947	19,701	26,707	42,580
-	152,094	-	-	-	152,094	152,094	349,346
45,084	-	1,600	-	-	46,684	46,684	63,043
1,445	-	-	20,544	-	21,989	21,989	22,240
-	-	-	-	-	-	544,824	580,800
-	-	-	47,226	-	47,226	47,226	53,326
-	-	-	-	44,428	44,428	44,428	27,806
9,449	-	250	20,001	-	29,700	29,711	15,763
<u>560,069</u>	<u>152,094</u>	<u>58,393</u>	<u>536,761</u>	<u>106,395</u>	<u>1,413,712</u>	<u>2,870,426</u>	<u>3,126,338</u>
-	-	-	486	6,528	7,014	303,614	307,414
<u>\$ 560,069</u>	<u>\$ 152,094</u>	<u>\$ 58,393</u>	<u>\$ 537,247</u>	<u>\$ 112,923</u>	<u>\$ 1,420,726</u>	<u>\$ 3,174,040</u>	<u>\$ 3,433,752</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES EXCLUDING
IN-KIND CONTRIBUTIONS AND DONATED SERVICES
YEAR ENDED JUNE 30, 2017

	Functional Expenses Excluding In-Kind Contributions and Donated Services	In-Kind Contributions and Donated Services	Total
PROGRAM SERVICES			
Programming	\$ 668,214	\$ -	\$ 668,214
Production	262,820	-	262,820
Broadcast Operations	822,280	-	822,280
Total Program Services	<u>1,753,314</u>	<u>-</u>	<u>1,753,314</u>
SUPPORTING SERVICES			
Fundraising and Development	514,091	45,978	560,069
WTVP Travels Tour	152,094	-	152,094
Promotion	58,393	-	58,393
Management and General	519,352	17,895	537,247
Unrelated Business Services	112,923	-	112,923
Total Supporting Services	<u>1,356,853</u>	<u>63,873</u>	<u>1,420,726</u>
 Total	 <u>\$ 3,110,167</u>	 <u>\$ 63,873</u>	 <u>\$ 3,174,040</u>