

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
June 30, 2013 and 2012



CliftonLarsonAllen

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	5
Statements of Cash Flows	7
 Notes to Financial Statements	 8
 SUPPLEMENTARY INFORMATION	
Schedule of Functional Expenditures	18
Schedule of Functional Expenditures - Excluding In-kind Contributions and Donated Services	20

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, 2013 and 2012, 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, 2013 and 2012, 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 18 to 20 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.

The signature is written in a cursive, handwritten style. It reads "Clifton Larson Allen LLP". The letters are fluid and connected, with a prominent loop at the end of the "P".

Peoria, Illinois
November 4, 2013

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 311,780	\$ 396,263
Current portion of receivables:		
Pledges, net	74,032	119,325
Accounts	30,652	28,961
Grants	-	54,950
	<u>104,684</u>	<u>203,236</u>
Inventory, at cost or market value (for donations)	3,177	3,897
Prepaid expenses	243,903	389,392
Refundable income taxes	940	940
	<u>664,484</u>	<u>993,728</u>
PLEDGES RECEIVABLE , net of current portion	<u>156,086</u>	<u>154,710</u>
INVESTMENTS	<u>956,710</u>	<u>-</u>
PROPERTY AND EQUIPMENT		
Land	524,557	524,557
Transmitter building and improvements	1,124,648	965,988
Building and improvements	5,655,468	5,655,468
Furniture, fixtures, and equipment	5,960,113	6,024,097
	<u>13,264,786</u>	<u>13,170,110</u>
Less accumulated depreciation and amortization	<u>7,414,433</u>	<u>7,107,263</u>
Net property and equipment	<u>5,850,353</u>	<u>6,062,847</u>
TOTAL ASSETS	<u><u>\$ 7,627,633</u></u>	<u><u>\$ 7,211,285</u></u>

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable	\$ 36,270	\$ 64,039
Current maturities of long-term debt	140,309	198,638
Accrued expenses	14,827	15,472
Deferred revenue	<u>247,135</u>	<u>439,988</u>
Total current liabilities	438,541	718,137
 LONG-TERM LIABILITIES		
Long-term debt less current maturities	<u>1,373,957</u>	<u>1,561,519</u>
Total liabilities	<u>1,812,498</u>	<u>2,279,656</u>
 NET ASSETS		
Unrestricted:		
Undesignated	4,685,100	4,702,365
Board designated endowment	<u>1,070,013</u>	<u>113,246</u>
Total unrestricted	5,755,113	4,815,611
Temporarily restricted	<u>60,022</u>	<u>116,018</u>
Total net assets	<u>5,815,135</u>	<u>4,931,629</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,627,633</u>	 <u>\$ 7,211,285</u>

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2013 and 2012

	Unrestricted
REVENUE, GAINS, AND OTHER SUPPORT	
Contributions	\$ 1,862,578
Matching contributions	85,458
In-kind contributions and donated services	37,222
Grants from Corporation for Public Broadcasting	705,978
State grants	138,994
Other grants	332,662
Auction income	125,830
Underwriting income	177,248
Contract services	99,492
Satellite services	53,804
Interest income	17,346
Net realized and unrealized gains on investments	29,265
Lease income	224,232
Special events	23,543
WTVP Travels Tour	614,367
Miscellaneous	14,100
Net assets released from restrictions	65,026
Total revenue, gains, and other support	4,607,145
 EXPENDITURES	
Program services:	
Programming	701,102
Production	257,764
Engineering	902,382
Broadcast operations	117,935
Total program services	1,979,183
Supporting services:	
Fundraising and development	424,569
WTVP Travels Tour	569,659
Promotion	114,862
Management and general	470,333
Unrelated business services	109,037
Total supporting services	1,688,460
Total expenditures	3,667,643
 CHANGE IN NET ASSETS	 939,502
 NET ASSETS, BEGINNING OF YEAR	 4,815,611
 NET ASSETS, END OF YEAR	 \$ 5,755,113

<u>2013</u>		<u>2012</u>		
<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 9,030	\$ 1,871,608	\$ 779,107	\$ 17,719	\$ 796,826
-	85,458	72,719	450	73,169
-	37,222	18,224	-	18,224
-	705,978	712,135	-	712,135
-	138,994	108,625	-	108,625
-	332,662	18,575	-	18,575
-	125,830	128,448	-	128,448
-	177,248	177,599	-	177,599
-	99,492	114,058	-	114,058
-	53,804	105,335	-	105,335
-	17,346	1,683	-	1,683
-	29,265	-	-	-
-	224,232	196,835	-	196,835
-	23,543	3,102	-	3,102
-	614,367	300,309	-	300,309
-	14,100	80,372	-	80,372
(65,026)	-	61,177	(61,177)	-
<u>(55,996)</u>	<u>4,551,149</u>	<u>2,878,303</u>	<u>(43,008)</u>	<u>2,835,295</u>
-	701,102	701,901	-	701,901
-	257,764	308,257	-	308,257
-	902,382	853,936	-	853,936
-	117,935	107,343	-	107,343
-	<u>1,979,183</u>	<u>1,971,437</u>	-	<u>1,971,437</u>
-	424,569	476,107	-	476,107
-	569,659	279,542	-	279,542
-	114,862	121,685	-	121,685
-	470,333	549,507	-	549,507
-	109,037	144,916	-	144,916
-	<u>1,688,460</u>	<u>1,571,757</u>	-	<u>1,571,757</u>
-	<u>3,667,643</u>	<u>3,543,194</u>	-	<u>3,543,194</u>
(55,996)	883,506	(664,891)	(43,008)	(707,899)
<u>116,018</u>	<u>4,931,629</u>	<u>5,480,502</u>	<u>159,026</u>	<u>5,639,528</u>
<u>\$ 60,022</u>	<u>\$ 5,815,135</u>	<u>\$ 4,815,611</u>	<u>\$ 116,018</u>	<u>\$ 4,931,629</u>

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 883,506	\$ (707,899)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	596,407	586,297
Net realized and unrealized gains on investments	(29,265)	-
Loss on disposal of equipment	2,598	-
Reduction of long-term debt to Corporation for Public Broadcasting from Community Service Grant awards	(40,000)	(40,000)
Cash receipts from Save Our Station campaign contributions restricted for purposes of debt service	(39,625)	(24,730)
Effects of changes in operating assets and liabilities:		
Net receivables	97,176	242,510
Inventory	720	2,035
Prepaid expenses	145,489	(361,557)
Refundable income taxes	-	7,901
Accounts payable	(27,769)	13,286
Accrued expenses	(645)	4,061
Deferred revenue	(192,853)	329,391
	<u>1,395,739</u>	<u>51,295</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(386,511)	(6,899)
Proceeds from sale of investments	86,450	-
Purchase of investments, including reinvested income	(1,013,895)	-
	<u>(1,313,956)</u>	<u>(6,899)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(205,891)	(152,892)
Cash receipts from Save Our Station campaign contributions restricted for purposes of debt service	39,625	24,730
	<u>(166,266)</u>	<u>(128,162)</u>
Net cash used in financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,483)	(83,766)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>396,263</u>	<u>480,029</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 311,780</u>	<u>\$ 396,263</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 74,069</u>	<u>\$ 88,324</u>

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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.

Display of Net Assets

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.

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, 2013 and 2012

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 \$153,797 and \$173,404 at June 30, 2013 and 2012, respectively, consist of money market funds and interest-bearing checking accounts. As of June 30, 2013, the Corporation had no 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.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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

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, 2013 and 2012

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 2010, 2011, and 2012 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, 2013 and 2012, prepaid expenses included \$199,207 and \$347,392, respectively, related to WTVP Travels Tour. At June 30, 2013 and 2012, deferred revenue included \$216,668 and \$395,355, respectively, related to WTVP Travels Tour.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - PLEDGES RECEIVABLE

Included in pledges receivable at June 30, 2013 and 2012 are the following promises to give:

	<u>2013</u>	<u>2012</u>
Program underwriting	\$ 5,071	\$ 5,205
Membership	29,545	26,325
Matching	35,336	34,305
Unrestricted campaigns	182,830	210,858
Save Our Station	<u>24,475</u>	<u>69,385</u>
Gross promises to give	277,257	346,078
Less allowance for uncollectible pledges	26,000	35,000
Less discount to the present value of the future cash flows	<u>21,139</u>	<u>37,043</u>
Net promises to give	<u>\$ 230,118</u>	<u>\$ 274,035</u>

Save Our Station pledges receivable represent temporarily restricted promises for specific debt service purposes. The following represents gross pledges receivable at June 30, 2013 that are expected to be collected in the following fiscal years:

2014	\$ 125,147
2015	25,770
2016	25,670
2017	25,670
2018	25,000
2019 and thereafter	<u>50,000</u>
	<u>\$ 277,257</u>

Pledges receivable at June 30, 2013 and 2012 include amounts due from Board members and management of approximately \$3,200 and \$1,600, respectively.

NOTE 3 - INVESTMENTS

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

Certificates of deposits	\$ 344,025
Municipal bonds	165,992
Mutual funds	432,654
Money market funds	<u>14,039</u>
	<u>\$ 956,710</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 - DEBT

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

	<u>2013</u>	<u>2012</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.	\$ 1,044,187	\$ 1,094,229
Note payable to Corporation for Public Broadcasting (CPB), due September 2013. The note bears no interest. Repayments made by CPB deducting funds from future Community Service Grant awards during a five year period from grant fiscal year 2009 through grant fiscal year 2013. If Corporation is not eligible for the grant in any future period, the outstanding principal amount shall become due and payable immediately.	-	40,000
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.	337,079	435,928
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.	<u>133,000</u>	<u>190,000</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 - DEBT (CONTINUED)

	<u>2013</u>	<u>2012</u>
Total	\$ 1,514,266	\$ 1,760,157
Less current portion	<u>(140,309)</u>	<u>(198,638)</u>
Total	<u>\$ 1,373,957</u>	<u>\$ 1,561,519</u>

Future maturities of long-term debt are as follows:

2014	\$ 140,309
2015	143,565
2016	987,425
2017	33,377
2018	34,434
Later years	<u>175,156</u>
Total	<u>\$ 1,514,266</u>

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, 2014. 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 2013 and 2012.

NOTE 5 - LEASE INCOME

The Corporation is the lessor of a communications tower under an operating lease expiring November 5, 2014 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, 2014 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 2013 with U.S. Cellular. The agreement provides monthly lease income of \$2,257 per month.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 - LEASE INCOME (CONTINUED)

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.

Future minimum lease payments to be received under the operating leases are as follows:

Year ending June 30:	
2014	\$ 189,226
2015	75,525
2016	75,525
2017	51,860
2018	19,615
Thereafter	<u>64,229</u>
Total	<u>\$ 475,980</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:

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 year ended June 30, 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:

Investments:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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.

NOTE 8 - COMMITMENTS

The Corporation leases office equipment under various operating lease agreements. The total minimum lease payments as of June 30, 2013 are due as follows:

Year ending June 30:	
2014	\$ 6,585
2015	6,585
2016	6,585
2017	6,585
2018	<u>3,744</u>
Total minimum lease payments	<u>\$ 30,084</u>

The total rental expense was \$7,697 and \$7,023 for the years ended June 30, 2013 and 2012, respectively.

The mechanical system upgrade agreement with ENTEC Services, Inc. as described in Note 3 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, 2013 and 2012, the designated endowment funds totaled \$1,070,013 and \$113,246, respectively.

NOTE 10 - SUBSEQUENT EVENTS

Management evaluated subsequent events through November 4, 2013, the date the financial statements were available to be issued.

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES
Year Ended June 30, 2013
With Comparative Totals for 2012

	<u>Program Services</u>				<u>Total Program Services</u>
	<u>Programming</u>	<u>Production</u>	<u>Engineering</u>	<u>Broadcast Operations</u>	
Salaries and payroll taxes	\$ 90,592	\$ 167,323	\$ 68,312	\$ 101,596	\$ 427,823
Employee benefits	7,544	25,487	9,634	2,019	44,684
Professional services, excluding in-kind contributions	-	32,475	116,488	-	148,963
Professional services - in-kind contributions	-	-	-	-	-
Office support	12	5,223	13,747	464	19,446
Communications	1,136	123	31,900	607	33,766
Postage and shipping	391	74	415	591	1,471
Advertising	1,292	-	-	-	1,292
Occupancy	-	-	117,412	-	117,412
Rental and maintenance of equipment	6,054	8,060	37,549	10,747	62,410
Printing and publications	-	30	-	-	30
Conferences, meetings, and travel	3,499	7,924	2,962	-	14,385
WTVP Travels Tour	-	-	-	-	-
Marketing	166	(911)	-	1,911	1,166
Dues and program rights	-	85	-	-	85
Program acquisition	561,564	-	-	-	561,564
Interest	-	-	2,195	-	2,195
Provision for uncollectible pledges/accounts	-	-	-	-	-
Miscellaneous	112	375	2,598	-	3,085
	<u>672,362</u>	<u>246,268</u>	<u>403,212</u>	<u>117,935</u>	<u>1,439,777</u>
Total expenses before depreciation					
Depreciation	<u>28,740</u>	<u>11,496</u>	<u>499,170</u>	<u>-</u>	<u>539,406</u>
TOTAL EXPENDITURES	<u>\$ 701,102</u>	<u>\$ 257,764</u>	<u>\$ 902,382</u>	<u>\$ 117,935</u>	<u>\$ 1,979,183</u>

Supporting Services

Fund Raising and Development	WTVP Travels Tour	Promotion	Management and General	Unrelated Business Services	Total Supporting Services	2013 Total	2012 Total
\$ 210,795	\$ -	\$ 38,568	\$ 150,658	\$ 33,650	\$ 433,671	\$ 861,494	\$ 843,029
6,833	-	5,828	10,827	11,914	35,402	80,086	96,023
4,858	-	7,750	70,787	21,224	104,619	253,582	227,540
29,969	-	-	7,253	-	37,222	37,222	18,224
7,709	-	557	12,538	1,245	22,049	41,495	124,113
1,743	-	-	2,368	4,272	8,383	42,149	43,685
27,212	-	70	1,397	174	28,853	30,324	33,209
818	-	1,184	-	-	2,002	3,294	16,371
-	-	-	59,011	-	59,011	176,423	183,579
21,463	-	-	12,080	6,455	39,998	102,408	143,249
6,808	-	20,310	2,210	-	29,328	29,358	20,410
5,302	-	-	6,987	24,254	36,543	50,928	28,225
-	569,659	-	-	-	569,659	569,659	279,542
95,530	-	359	5,362	-	101,251	102,416	100,163
260	-	-	15,433	101	15,794	15,879	50,317
-	-	-	-	-	-	561,564	551,295
-	-	-	71,874	-	71,874	74,069	88,324
-	-	-	29,196	-	29,196	29,196	84,838
-	-	-	6,604	-	6,604	9,689	24,761
419,300	569,659	74,626	464,585	103,289	1,631,459	3,071,236	2,956,897
5,269	-	40,236	5,748	5,748	57,001	596,407	586,297
<u>\$ 424,569</u>	<u>\$ 569,659</u>	<u>\$ 114,862</u>	<u>\$ 470,333</u>	<u>\$ 109,037</u>	<u>\$ 1,688,460</u>	<u>\$ 3,667,643</u>	<u>\$ 3,543,194</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES - EXCLUDING
IN-KIND CONTRIBUTIONS AND DONATED SERVICES
Year Ended June 30, 2013

	Functional Expenses Excluding In-kind Contributions and Donated Services	In-kind Contributions and Donated Services	Total
Programming	\$ 701,102	\$ -	\$ 701,102
Production	257,764	-	257,764
Engineering	902,382	-	902,382
Broadcast operations	<u>117,935</u>	<u>-</u>	<u>117,935</u>
Total program services	<u>1,979,183</u>	<u>-</u>	<u>1,979,183</u>
Fundraising and development	394,600	29,969	424,569
WTVP Travels Tour	569,659	-	569,659
Promotion	114,862	-	114,862
Management and general	463,080	7,253	470,333
Unrelated business services	<u>109,037</u>	<u>-</u>	<u>109,037</u>
Total supporting services	<u>1,651,238</u>	<u>37,222</u>	<u>1,688,460</u>
TOTAL	<u>\$ 3,630,421</u>	<u>\$ 37,222</u>	<u>\$ 3,667,643</u>