

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
June 30, 2016 and 2015



CliftonLarsonAllen

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, 2016 and 2015, 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, 2016 and 2015, 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.



CliftonLarsonAllen LLP

Peoria, Illinois
October 18, 2016

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 688,206	\$ 523,204
Current portion of receivables:		
Pledges, net	160,391	106,332
Accounts	<u>131,791</u>	<u>45,062</u>
Net receivables	<u>292,182</u>	<u>151,394</u>
Inventory, at cost or market value (for donations)	3,021	2,069
Prepaid expenses	30,860	123,978
Refundable income taxes	<u>940</u>	<u>940</u>
Total current assets	<u>1,015,209</u>	<u>801,585</u>
 PLEDGES RECEIVABLE , net of current portion	 <u>64,418</u>	 <u>118,548</u>
 INVESTMENTS	 <u>1,348,336</u>	 <u>1,362,787</u>
 PROPERTY AND EQUIPMENT		
Land	524,557	524,557
Transmitter building and improvements	1,126,915	1,126,915
Building and improvements	5,688,188	5,686,238
Furniture, fixtures, and equipment	<u>5,729,592</u>	<u>5,745,587</u>
	13,069,252	13,083,297
Less accumulated depreciation and amortization	<u>8,395,595</u>	<u>8,115,681</u>
Net property and equipment	<u>4,673,657</u>	<u>4,967,616</u>
 TOTAL ASSETS	 <u><u>\$ 7,101,620</u></u>	 <u><u>\$ 7,250,536</u></u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable	\$ 137,704	\$ 133,188
Current maturities of long-term debt	143,687	160,362
Accrued expenses	10,170	12,165
Deferred revenue	<u>48,118</u>	<u>125,854</u>
Total current liabilities	339,679	431,569
 LONG-TERM LIABILITIES		
Long-term debt less current maturities	<u>1,043,665</u>	<u>1,186,567</u>
Total liabilities	<u>1,383,344</u>	<u>1,618,136</u>
 NET ASSETS		
Unrestricted:		
Undesignated	4,255,354	4,152,477
Board designated endowment	<u>1,441,714</u>	<u>1,456,137</u>
Total unrestricted	5,697,068	5,608,614
Temporarily restricted	<u>21,208</u>	<u>23,786</u>
Total net assets	<u>5,718,276</u>	<u>5,632,400</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,101,620</u>	 <u>\$ 7,250,536</u>

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015

	Unrestricted
REVENUE, GAINS, AND OTHER SUPPORT	
Contributions	\$ 1,258,364
Matching contributions	114,903
In-kind contributions and donated services	63,063
Grants from Corporation for Public Broadcasting	774,406
State grants	-
Other grants	45,959
Auction income	75,514
Underwriting income	155,875
Contract services	53,037
Satellite services	47,972
Interest income	783
Net investment income (loss)	(5,382)
Lease income	495,237
Special events	45,687
WTVP Travels Tour	381,309
Miscellaneous	12,901
Net assets released from restrictions	2,578
Total revenue, gains, and other support	3,522,206
 EXPENDITURES	
Program services:	
Programming	683,025
Production	259,028
Broadcast operations	829,296
Total program services	1,771,349
Supporting services:	
Fundraising and development	527,956
WTVP Travels Tour	349,346
Promotion	45,082
Management and general	620,810
Unrelated business services	119,209
Total supporting services	1,662,403
Total expenditures	3,433,752
 CHANGE IN NET ASSETS	 88,454
 NET ASSETS, BEGINNING OF YEAR	 5,608,614
 NET ASSETS, END OF YEAR	 \$ 5,697,068

2016		2015		
Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
\$ -	\$ 1,258,364	\$ 1,008,266	\$ 217	\$ 1,008,483
-	114,903	97,759	-	97,759
-	63,063	27,879	-	27,879
-	774,406	930,589	-	930,589
-	-	68,520	-	68,520
-	45,959	18,712	-	18,712
-	75,514	86,367	-	86,367
-	155,875	217,499	-	217,499
-	53,037	73,081	-	73,081
-	47,972	70,836	-	70,836
-	783	623	-	623
-	(5,382)	11,827	-	11,827
-	495,237	445,631	-	445,631
-	45,687	140	-	140
-	381,309	311,185	-	311,185
-	12,901	43,298	-	43,298
(2,578)	-	9,550	(9,550)	-
(2,578)	3,519,628	3,421,762	(9,333)	3,412,429
-	683,025	747,108	-	747,108
-	259,028	259,830	-	259,830
-	829,296	1,164,792	-	1,164,792
-	1,771,349	2,171,730	-	2,171,730
-	527,956	460,440	-	460,440
-	349,346	296,543	-	296,543
-	45,082	69,544	-	69,544
-	620,810	503,935	-	503,935
-	119,209	111,146	-	111,146
-	1,662,403	1,441,608	-	1,441,608
-	3,433,752	3,613,338	-	3,613,338
(2,578)	85,876	(191,576)	(9,333)	(200,909)
23,786	5,632,400	5,800,190	33,119	5,833,309
\$ 21,208	\$ 5,718,276	\$ 5,608,614	\$ 23,786	\$ 5,632,400

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 85,876	\$ (200,909)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	307,414	540,000
Net realized and unrealized losses on investments	37,430	19,313
Cash receipts from Save Our Station campaign contributions restricted for purposes of debt service	(4,200)	(1,612)
Effects of changes in operating assets and liabilities:		
Net receivables	(86,658)	126,033
Inventory	(952)	1,350
Prepaid expenses	93,118	(58,806)
Accounts payable	4,516	(47,411)
Accrued expenses	(1,995)	(8,299)
Deferred revenue	<u>(77,736)</u>	<u>(116,482)</u>
Net cash provided by operating activities	<u>356,813</u>	<u>253,177</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(13,500)	(39,904)
Proceeds from sale of investments	9,054	8,788
Purchase of investments, including reinvested income	<u>(31,988)</u>	<u>(141,173)</u>
Net cash used in investing activities	<u>(36,434)</u>	<u>(172,289)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(159,577)	(191,068)
Proceeds from issuance of long-term debt	-	163,371
Cash receipts from Save Our Station campaign contributions restricted for purposes of debt service	<u>4,200</u>	<u>1,612</u>
Net cash used in financing activities	<u>(155,377)</u>	<u>(26,085)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	165,002	54,803
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>523,204</u>	<u>468,401</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 688,206</u>	<u>\$ 523,204</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 49,507</u>	<u>\$ 50,800</u>

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Illinois Valley Public Telecommunications Corporation (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 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 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, 2016 and 2015.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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 \$145,487 and \$115,685 at June 30, 2016 and 2015, 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, 2016 and 2015

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. 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.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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.

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 \$4,459 and \$3,540 for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015, prepaid expenses included \$7,200 and \$89,856, respectively, related to WTVP Travels Tour. At June 30, 2016 and 2015, deferred revenue included \$38,898 and \$101,605, respectively, related to WTVP Travels Tour.

Reclassifications

Certain reclassifications have been made with prior year amounts in order to conform to the current year presentation, with no effect on previously reported change in net assets.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 2 - PLEDGES RECEIVABLE

Included in pledges receivable at June 30, 2016 and 2015 are the following promises to give:

	<u>2016</u>	<u>2015</u>
Program underwriting	\$ 22,130	\$ 9,052
Membership	82,849	76,678
Matching	30,557	30,271
Unrestricted campaigns	107,245	132,441
Save Our Station	<u>2,610</u>	<u>6,810</u>
Gross promises to give	245,391	255,252
Less allowance for uncollectible pledges	12,321	25,000
Less discount to the present value of the future cash flows	<u>8,261</u>	<u>5,372</u>
Net promises to give	<u>\$ 224,809</u>	<u>\$ 224,880</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, 2016 that are expected to be collected in the following fiscal years:

2017	\$ 160,391
2018	25,000
2019	25,000
2020	25,000
2018	<u>10,000</u>
	<u>\$ 245,391</u>

Pledges receivable at June 30, 2016 and 2015 include amounts due from Board members and management of approximately \$4,498 and \$4,660, respectively.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 - INVESTMENTS

Investments as of June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Certificates of deposits	\$ 460,483	\$ 492,581
Municipal bonds	171,796	169,805
Mutual funds	599,741	507,407
Money market funds	<u>116,316</u>	<u>192,994</u>
	<u>\$ 1,348,336</u>	<u>\$ 1,362,787</u>

Components of net investment income (loss) are as follows for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Dividend and interest income	\$ 32,048	\$ 31,140
Realized gains	-	23
Unrealized gains (losses)	<u>(37,430)</u>	<u>(19,336)</u>
Net investment income (loss)	<u>\$ (5,382)</u>	<u>\$ 11,827</u>

NOTE 4 - DEBT

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

	<u>2016</u>	<u>2015</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.	\$ 883,467	\$ 937,408

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 - DEBT (CONTINUED)

	<u>2016</u>	<u>2015</u>
Note payable to IFF, due February 2023. The note bears interest at 3.12% 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% 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.	\$ 242,967	\$ 275,320
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.	-	19,000
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.	<u>60,918</u>	<u>115,201</u>
Total	1,187,352	1,346,929
Less current portion	<u>(143,687)</u>	<u>(160,362)</u>
Total	<u>\$ 1,043,665</u>	<u>\$ 1,186,567</u>
Future maturities of long-term debt are as follows:		
2017		\$ 143,687
2018		95,846
2019		94,771
2020		98,618
2021		102,625
Later years		<u>651,805</u>
Total		<u>\$ 1,187,352</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 - DEBT (CONTINUED)

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 September 30, 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 2016 and 2015.

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% 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, 2016 and 2015

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 \$22,209 per month.

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

Year ending June 30:		
2017	\$	387,247
2018		19,605
2019		12,415
2020		12,415
2021		12,415
Thereafter		<u>27,478</u>
Total	\$	<u>471,575</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, 2016 and 2015

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued):

For the fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015:

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Municipal bonds	\$ -	\$ 171,796	\$ -	\$ 171,796
Mutual funds	599,741	-	-	599,741
Money market funds	<u>116,316</u>	<u>-</u>	<u>-</u>	<u>116,316</u>
	<u>\$ 716,057</u>	<u>\$ 171,796</u>	<u>\$ -</u>	<u>\$ 887,853</u>
	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Municipal bonds	\$ -	\$ 169,805	\$ -	\$ 169,805
Mutual funds	507,407	-	-	507,407
Money market funds	<u>192,994</u>	<u>-</u>	<u>-</u>	<u>192,994</u>
	<u>\$ 700,401</u>	<u>\$ 169,805</u>	<u>\$ -</u>	<u>\$ 870,206</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, 2016 and 2015

NOTE 8 - COMMITMENTS

The Corporation leases office equipment under various operating lease agreements. The total minimum lease payments as of June 30, 2016 are due as follows:

Year ending June 30:

2017	\$ 6,897
2018	<u>4,111</u>
	<u>\$ 11,008</u>

Total minimum lease payments

The total rental expense was \$7,302 and \$7,377 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, the designated endowment funds totaled \$1,441,714 and \$1,456,137, 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.

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 9 - BOARD-DESIGNATED ENDOWMENT (CONTINUED)

Composition of and changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Board-designated endowment net assets, beginning of year	\$ 1,456,137	\$ 1,268,038
Contributions	-	185,733
Investment income, net of fees	23,007	21,679
Net depreciation	(37,430)	(19,313)
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>
Board-designated endowment net assets, end of year	<u>\$ 1,441,714</u>	<u>\$ 1,456,137</u>

NOTE 10 - SUBSEQUENT EVENTS

Management evaluated subsequent events through October 18, 2016, 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 position. This may be accomplished by the corporation's participation in an auction process or alternatively by reassignment by the FCC. During the auction process, broadcast television licensees are subject to the Commission's rules prohibiting certain communications, including whether or not licensees are participating in the auction.

The new channel assignment will require assorted new equipment for signal transmission. Auction participants with winning bids will have auction proceeds expected to cover these capital costs. The FCC will take a portion of auction proceeds to help offset capital costs of non-participating stations. It is unclear what portion of actual costs may be covered by these funds.

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

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES
Year Ended June 30, 2016
With Comparative Totals for 2015

	<u>Program Services</u>			<u>Total Program Services</u>
	<u>Programming</u>	<u>Production</u>	<u>Broadcast Operations</u>	
Salaries and payroll taxes	\$ 83,923	\$ 176,457	\$ 174,072	\$ 434,452
Employee benefits	10,065	23,512	16,337	49,914
Professional services, excluding in-kind contributions	-	33,714	94,756	128,470
Professional services - in-kind contributions	-	-	-	-
Office support	477	10,769	6,543	17,789
Communications	-	-	-	-
Postage and shipping	-	-	-	-
Advertising	-	-	-	-
Occupancy	-	-	147,497	147,497
Rental and maintenance of equipment	7,216	2,767	91,497	101,480
Printing and publications	-	-	-	-
Conferences, meetings, and travel	544	9,785	-	10,329
WTVP Travels Tour	-	-	-	-
Marketing	-	-	-	-
Dues and program rights	-	-	-	-
Program acquisition	580,800	-	-	580,800
Interest	-	-	-	-
Provision for uncollectible pledges/accounts	-	-	-	-
Miscellaneous	-	210	95	305
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	683,025	257,214	530,797	1,471,036
Depreciation	-	1,814	298,499	300,313
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	<u>\$ 683,025</u>	<u>\$ 259,028</u>	<u>\$ 829,296</u>	<u>\$ 1,771,349</u>

Supporting Services							
Fundraising and Development	WTVP Travels Tour	Promotion	Management and General	Unrelated Business Services	Total Supporting Services	2016 Total	2015 Total
\$ 198,370 5,908	\$ - -	\$ 30,820 112	\$ 103,225 2,509	\$ 33,801 7,437	\$ 366,216 15,966	\$ 800,668 65,880	\$ 787,647 85,040
22,540	-	6,000	276,806	-	305,346	433,816	379,431
53,997	-	-	9,066	-	63,063	63,063	27,879
27,016	-	1,763	23,260	16,095	68,134	85,923	60,565
66,136	-	-	-	-	66,136	66,136	48,668
28,942	-	2,195	1,342	-	32,479	32,479	32,456
1,000	-	-	3,459	-	4,459	4,459	3,540
-	-	-	69,524	-	69,524	217,021	182,881
26,567	-	-	46,543	1,185	74,295	175,775	221,855
26,214	-	-	-	-	26,214	26,214	41,972
1,890	-	-	4,085	26,276	32,251	42,580	41,435
-	349,346	-	-	-	349,346	349,346	296,543
59,101	-	3,942	-	-	63,043	63,043	71,208
1,111	-	-	21,129	-	22,240	22,240	22,781
-	-	-	-	-	-	580,800	664,053
-	-	-	53,326	-	53,326	53,326	50,800
-	-	-	-	27,806	27,806	27,806	44,651
9,164	-	250	6,044	-	15,458	15,763	9,933
527,956	349,346	45,082	620,318	112,600	1,655,302	3,126,338	3,073,338
-	-	-	492	6,609	7,101	307,414	540,000
<u>\$ 527,956</u>	<u>\$ 349,346</u>	<u>\$ 45,082</u>	<u>\$ 620,810</u>	<u>\$ 119,209</u>	<u>\$ 1,662,403</u>	<u>\$ 3,433,752</u>	<u>\$ 3,613,338</u>

ILLINOIS VALLEY PUBLIC TELECOMMUNICATIONS CORPORATION
SCHEDULE OF FUNCTIONAL EXPENDITURES - EXCLUDING
IN-KIND CONTRIBUTIONS AND DONATED SERVICES
Year Ended June 30, 2016

	Functional Expenses Excluding In-kind Contributions and Donated Services	In-kind Contributions and Donated Services	<u>Total</u>
Programming	\$ 683,025	\$ -	\$ 683,025
Production	259,028	-	259,028
Broadcast operations	<u>829,296</u>	<u>-</u>	<u>829,296</u>
Total program services	<u>1,771,349</u>	<u>-</u>	<u>1,771,349</u>
Fundraising and development	473,959	53,997	527,956
WTVP Travels Tour	349,346	-	349,346
Promotion	45,082	-	45,082
Management and general	611,744	9,066	620,810
Unrelated business services	<u>119,209</u>	<u>-</u>	<u>119,209</u>
Total supporting services	<u>1,599,340</u>	<u>63,063</u>	<u>1,662,403</u>
TOTAL	<u><u>\$ 3,370,689</u></u>	<u><u>\$ 63,063</u></u>	<u><u>\$ 3,433,752</u></u>