FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

AND SUPPLEMENTAL INFORMATION

VERMONT ETV, INC.

JUNE 30, 2018 AND 2017

VERMONT ETV, INC.

JUNE 30, 2018 AND 2017

CONTENTS

GALLAGHER, FLYNN & COMPANY, LLP
www.gfc.com

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTANTS

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Independent Auditor's Report

To the Board of Directors of
Vermont ETV, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Vermont ETV, Inc., (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditor's 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 auditor's 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 principles 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 Vermont ETV, Inc., as of June 30, 2018 and 2017, 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.

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Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - unrestricted 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 audits 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.

Gallagher, Flynn & Company, LLP

November 19, 2018

VERMONT ETV, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

A S S E T S

	2018	2017
CURRENT ASSETS		
Cash	$ 8,586	$ 165,033
Pledges receivable, less allowance for uncollectible pledges of $2,249 in 2018 and $0 in 2017	212,235	214,173
Accounts receivable, less allowance for uncollectible accounts of $875 in 2018 and 2017	129,965	132,883
Prepaid expenses and other	156,140	156,141
Short-term investments	3,022,489	2,077,204
Total current assets	3,529,415	2,745,434
PROPERTY AND EQUIPMENT, net	4,545,076	4,254,915
LONG-TERM INVESTMENTS	52,119,871	-
Total assets	$ 60,194,362	$ 7,000,349

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Note payable - line of credit	$ 162,586	$ 125,333
Accounts payable	385,511	350,436
Accrued expenses	177,398	228,318
Deferred revenues - current portion	55,384	181,069
Total current liabilities	780,879	885,156
SUPPLEMENTAL BENEFIT PLAN LIABILITY	302,711	331,155
ACCRUED EXPENSES, non-current portion	459,768	439,640
DEFERRED REVENUE, net of current portion	236,250	271,250
Total liabilities	1,779,608	1,927,201
NET ASSETS		
Unrestricted	58,025,715	4,677,594
Temporarily restricted	389,039	395,554
Total net assets	58,414,754	5,073,148
Total liabilities and net assets	$ 60,194,362	$ 7,000,349

The accompanying notes are an integral part of these statements.

VERMONT ETV, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,

	2018			2017*		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE						
Support:						
Contributions	$ 2,316,045	$ -	$ 2,316,045	$ 2,209,059	$ -	$ 2,209,059
Program and production underwriting	88,202	376,591	464,793	42,951	498,315	541,266
Revenue:					-	
Program grants	987,484	122,500	1,109,984	1,331,606	83,100	1,414,706
Media services and sales	61,530	-	61,530	74,854	-	74,854
License and lease revenue	1,198,991	-	1,198,991	1,159,900	-	1,159,900
Other	10,529	-	10,529	11,948	-	11,948
Reclassifications:						
Net assets released from restrictions	505,606	(505,606)	-	558,637	(558,637)	-
Total support, revenue and reclassifications	5,168,387	(6,515)	5,161,872	5,388,955	22,778	5,411,733
PROGRAM EXPENSES						
Programming	837,433	-	837,433	849,605	-	849,605
Production	1,489,340	-	1,489,340	1,023,266	-	1,023,266
Community engagement	82,052	-	82,052	121,135	-	121,135
Engineering	1,247,098	-	1,247,098	1,328,732	-	1,328,732
Communications	880,122	-	880,122	465,834	-	465,834
Total program expenses	4,536,045	-	4,536,045	3,788,572	-	3,788,572
EARNINGS (LOSS) FROM OPERATIONS BEFORE SUPPORTING EXPENSES AND DEPRECIATION AND AMORTIZATION EXPENSE	632,342	(6,515)	625,827	1,600,383	22,778	1,623,161
SUPPORTING EXPENSES						
Administration	866,607	-	866,607	775,294	-	775,294
Member services	502,665	-	502,665	321,852	-	321,852
Financial development	969,762	-	969,762	883,880	-	883,880
Total supporting expenses	2,339,034	-	2,339,034	1,981,026	-	1,981,026
LOSS FROM OPERATIONS BEFORE DEPRECIATION AND AMORTIZATION EXPENSE	(1,706,692)	(6,515)	(1,713,207)	(380,643)	22,778	(357,865)
DEPRECIATION AND AMORTIZATION EXPENSE	588,627	-	588,627	584,352	-	584,352
LOSS FROM OPERATIONS	(2,295,319)	(6,515)	(2,301,834)	(964,995)	22,778	(942,217)
OTHER INCOME (LOSS)						
FCC spectrum auction gain	55,445,576		55,445,576	-	-	-
Net return on investments	204,235	-	204,235	213,183	-	213,183
Loss on disposal of equpment	(14,201)		(14,201)	-	-	-
Nonoperating grant revenues	-	-	-	9,068	-	9,068
Total other income	55,635,610	-	55,635,610	222,251	-	222,251
CHANGE IN NET ASSETS BEFORE EFFECT OF SUPPLEMENTAL BENEFIT LIABILITY ADJUSTMENT	53,340,291	(6,515)	53,333,776	(742,744)	22,778	(719,966)
Supplemental benefit plan liability - related changes other than net periodic benefit cost	7,830	-	7,830	(31,515)	-	(31,515)
INCREASE (DECREASE) IN NET ASSETS	53,348,121	(6,515)	53,341,606	(774,259)	22,778	(751,481)
NET ASSETS, BEGINNING OF YEAR	4,677,594	395,554	5,073,148	5,451,853	372,776	5,824,629
NET ASSETS, END OF YEAR	$ 58,025,715	$ 389,039	$ 58,414,754	$ 4,677,594	$ 395,554	$ 5,073,148

* Reclassified for comparative purposes

The accompanying notes are an integral part of these statements.

VERMONT ETV, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	2018	2017
INCREASE (DECREASE) IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 53,341,606	$ (751,481)
Adjustments to reconcile increase (decrease) in net assets to cash used in operating activities:		
Net return on investments, including reinvested income	(294,597)	(229,107)
Depreciation and amortization	588,627	584,352
FCC spectrum auction gain	(55,445,576)	-
Loss on disposal of equipment	14,201	-
Supplemental benefit plan liability	5,615	45,072
Changes in assets and liabilities:		
Receivables	4,856	49,370
Other current assets	1	40,918
Accounts payable	35,075	(90,475)
Accrued expenses	(30,792)	57,281
Deferred revenues	(160,685)	82,686
Supplemental benefit plan liability	(34,059)	(34,770)
Grants received for long-term purposes	-	(9,068)
	(55,317,334)	496,259
Net cash used in operating activities	(1,975,728)	(255,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from FCC spectrum auction	55,445,576	-
Purchase of investments	(56,710,053)	(58,083)
Net proceeds from sale of investments	3,939,494	600,105
Capital acquisitions	(892,989)	(166,720)
Net cash provided by investing activities	1,782,028	375,302
Subtotal (forward)	$ (193,700)	$ 120,080

(CONTINUED)

VERMONT ETV, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	2018	2017
Subtotal (forwarded)	$ (193,700)	$ 120,080
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from note payable - line of credit	37,253	22,698
Grants received for long-term purposes	-	9,068
Net cash provided by financing activities	37,253	31,766
Net increase (decrease) in cash	(156,447)	151,846
CASH, beginning of year	165,033	13,187
CASH, end of year	$ 8,586	$ 165,033

Supplemental Disclosures of Cash Flows Information

	2018	2017
Cash paid during the year for:		
Interest expense	$ 3,293	$ 731
Income taxes	$ 3,016	$ 6,779

The accompanying notes are an integral part of these statements.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES

Nature of activities:

Vermont ETV, Inc., doing business as "Vermont PBS" (the Corporation), is a statewide not-for-profit public media organization, serving Vermont and the surrounding regions, with its headquarters in Colchester, Vermont. The Corporation distributes noncommercial content online through the world wide web and through direct community engagement, and broadcasts noncommercial content over a variety of spectrum under licenses issued by the Federal Communications Commission. The Corporation's content includes a variety of relevant issues, such as public affairs, educational, cultural and scientific topics, as well as artistic content. As a Public Broadcasting Service (PBS) member station, the primary source of content is PBS, with the Corporation providing localized context and content. The Corporation has transmission facilities on owned and leased land throughout the state of Vermont, and contracts for the use of these facilities with other commercial and noncommercial entities for broadcast and telecommunication purposes.

Accounting policies:

The following is a summary of the more significant accounting policies applied in the preparation of the accompanying financial statements:

1. Basis of presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

2. Cash and cash equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

3. Revenue recognition

License and lease revenue

The Corporation leases and licenses building and tower space, as well as capacity on a nonbroadcast spectrum to lessees and licensees. Payments received in advance are recorded as deferred revenues. Revenues associated with these agreements are recorded as license and lease revenue during the period covered.

Contributions and promises to give

Contribution revenues include program and production underwriting and membership revenue from individual members. The fair value of membership to the member is de minimis.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

3. Revenue recognition (continued)

Contributions and promises to give (continued)

The Corporation accounts for contributions and promises to give under ASC Topic 958 *Not-For-Profit Entities*. Contributions received (including corporate underwriting agreements) are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Non-operating grants

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Corporation's activities).

Cost reimbursement grants

The Corporation is awarded cost reimbursement grants by various federal and state agencies and private foundations. Payments received in advance of performance are recorded as deferred revenues. Revenues associated with these grants are recorded as program grant revenues as the associated expenses are incurred.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

4. Contributed materials and services

Materials contributed to the Corporation for resale or for use in operations are recorded at fair value as contribution revenue in the period received. Contributed services must either create or enhance nonfinancial assets of the Corporation, and require a specialized skill that the Corporation would otherwise need to purchase in order to be recognized and recorded in the financial statements. Qualified contributed services are recorded at their fair value during the period in which the service is received. The value of contributed materials, services, and equipment meeting the criteria for recognition in the financial statements was approximately $107,000 in 2018 and $39,000 in 2017.

5. Accounts and pledges receivable

Accounts receivable are stated at the amount the Corporation expects to collect. The Corporation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Corporation's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Corporation provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Corporation has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Pledges receivable are stated at the amount the Corporation expects to collect. The Corporation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its contributors to make required payments. Management considers the history of collections of operating pledges to estimate the expected cash to be collected. Based on management's assessment, the Corporation provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Corporation has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

6. Fair value measurements

Under the Financial Accounting Standards Board (FASB) authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income, and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

6. Fair value measurements (continued)

The Corporation has various processes and controls in place to ensure that fair value is reasonably estimated. The Corporation performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

During the years ended June 30, 2018 and 2017, there were no changes to the Corporation's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or change in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity and other securities

Valued at the daily closing price as reported by the fund. Equity and other securities held by the plan are open-end mutual funds and exchange-traded closed-end funds that are registered with the Securities and Exchange Commission. The mutual funds are required to publish their daily net asset value (NAV) and to transact at that price. The exchange-traded closed end funds transact at the price valued on the New York Stock Exchange or similar active market. The equity and other securities held by the plan are deemed to be actively traded.

Corporate and municipal bonds

Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

U.S. government securities and asset-backed securities

Valued using pricing models maximizing the use of observable inputs for similar securities. The U.S. government securities and asset backed securities held by the plan are deemed to be actively traded.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

6. Fair value measurements (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

7. Investments and investment income

Investments are recorded at fair value in the statement of financial position with changes in fair value during the period included in increases (decreases) in net assets. Amounts included in the statement of financial position as long-term investments are designated by the board for noncurrent purposes.

Gains and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the gains and investment income are recognized.

8. Property and equipment

Property and equipment are recorded at cost or, if acquired by a gift, at the fair market value at the date of the gift. The Corporation provides for depreciation on a straight-line basis over their estimated useful lives.

9. Impairment of long-lived assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that 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 estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

10. Income taxes – other accrued expenses

The Corporation qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Corporation is, however, subject to federal and state income tax on net unrelated business income from certain leasing activities as defined in the applicable provisions of the Internal Revenue Code. The Corporation has a provision for unrelated business income taxes of approximately $1,800 in 2018 and $3,000 in 2017.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act. Effects of tax law changes are accounted for in the period of enactment. The U.S. federal corporate tax rate was reduced to 21% effective as of January 1, 2018. The impact of applying the new tax rates is not expected to have a material impact on the Company.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation has recognized a liability for potential additional income taxes payable and associated penalties and interest included with other accrued expenses – non-current portion in the amounts of approximately $432,000 and $404,000 at June 30, 2018 and 2017, respectively. The Corporation has also included in the provision for unrelated business income taxes amounts, which includes interest and penalties associated with unrecognized tax benefits, totalling approximately $24,000 in 2018 and $29,000 in 2017 for this potential matter. Interest and penalties associated with unrecognized tax benefits totalling approximately $2,000 in 2018 and $8,000 in 2017, are classified as additional income taxes in administration expenses in the statements of activities.

With few exceptions, the Corporation is no longer subject to U.S. federal income tax examinations by tax authorities for years before the year ended June 30, 2015.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

11. Net assets

In accordance with Topic 958 *Not-For-Profit Entities*, the Corporation reports information regarding its financial position and activities, depending upon the existence or absence of donor restrictions on organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) and in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as adopted by the State of Vermont.

The Board has established four endowment funds that are Board designated including the “Frank & Peggy Taplin Fund,” “Wyant Fund,” “Board Designated Fund,” and “Spectrum Fund.” The funds in these accounts are available first to satisfy obligations of the Corporation, then for purposes designated by the Board of Directors.

The following are the descriptions of the Corporation’s board designated endowment funds which are included in unrestricted net assets.

Return objective and risk parameters

The primary investment objectives of the “Frank & Peggy Taplin Fund,” “Wyant Fund,” and “Board Designated Fund,” funds are safety, return on investment, liquidity, diversification, and cost control. The amended investment policy for the “Frank & Peggy Taplin Fund,” “Wyant Fund,” and “Board Designated Fund,” requires that equity holdings are readily marketable securities traded on the major stock exchanges. Direct international equity investments of similar quality and marketability will be permitted, but will not exceed 10% of the portfolio. Fixed income investments include debt instruments of the U.S. Government and its agencies, corporations, or foreign denominated securities and 100% of the bond portfolio must be rated BBB investment grade or better. Short-term funds shall be issues of high-quality that are readily marketable. Venture capital funds, letter stocks, junk bonds and real estate properties are not permissible. Investments in real estate investment trusts are permissible. The use of mutual funds is highly encouraged.

The primary investment objectives of the “Spectrum Fund,” “is to maintain the purchasing power of the assets by generating a return, net of fees, that meets or exceeds the rate of inflation plus the rate of spending over five year-rolling periods. This objective is to be achieved in a manner consistent with prudent risk-taking and will be reviewed and may be revised as the investment environment changes with the understanding that total return during any single period may deviate from the long-term objective.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

11. Net assets (continued)

Strategies employed for achieving objectives

The investment policy for the "Spectrum Fund," requires that the Investment Committee of the Board review the asset allocation and recommend revisions on an on-going basis within the following ranges by asset category:

Cash	0% to 10%
Fixed income	20% to 50%
Equities	40% to 70%
Alternative investments	0% to 30%

The "Spectrum Fund" will also maintain at least 50% of the total portfolio in "liquid" assets that can be converted to cash within one week. Additionally, the total portfolio should not have more than 15% in illiquid assets, or securities that cannot be liquidated within one year.

Management of the investment portfolios is accomplished through an authorized financial dealer or institution approved by the Corporation's Board of Directors. Investment activities are subject to the approval of the Corporation's Corporate Treasurer acting through the Corporation's Board of Directors, and are reviewed regularly by the Investment Committee of the Board. Investments are diversified by investment category within ranges approved by the Board.

Spending policy

Withdrawals from all board designated funds are made upon the approval of the Corporation's Board of Directors. Withdrawals can be made from earnings, interest, dividends, or principal for any purpose approved by the Board of Directors. Withdrawals for the "Frank & Peggy Taplin Fund," "Wyant Fund," and "Board Designated Fund," may be up to 5% per fiscal year, not to exceed the total return of the portfolio for the prior fiscal year. Withdrawals for the "Spectrum Fund" may be up to 5% of the Fund's previous calendar year-end value.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

12. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services based on the degree to which the cost element was incurred for program or for other function purposes. Generally, indirect costs were allocated on a systematic basis, such as the percentage of total personnel costs for personnel related costs, and percentage of square feet occupied for occupancy costs.

13. Use of estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Evaluation of subsequent events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 19, 2018, the date the financial statements were available to be issued.

15. Recently issued accounting pronouncements

The Corporation is currently evaluating the impact of adopting the following accounting standards on its financial statements.

Not-for-profit reporting standards

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The most significant elements of the ASU will include reduction of net asset classes from three to two classes (unrestricted and donor restricted) and enhanced disclosures related to investments, financial liquidity, and expense allocation. The ASU is effective for years beginning after December 15, 2017.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

15. Recently issued accounting pronouncements (continued)

Revenue recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The revenue recognition policies of almost all entities will be affected by the new guidance in the ASU. The degree to which an entity's revenue recognition policies will change upon the adoption of the ASU, and the effects the changes will have on the entity's financial statements will vary depending on the nature and terms of the entity's revenue-generating transactions. In addition, entities in some industries likely will be affected by the new guidance in the ASU more than entities in other industries. Given the broad applicability and potentially significant ramifications of the guidance in the ASU, the FASB provided significantly delayed effective dates for its guidance. The ASU is effective for years beginning after December 15, 2018.

Contributions received and contributions made

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-18, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU clarifies the guidance presented in Topic 958 for evaluating whether a transaction is a reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU is effective for resource recipients for years beginning after December 15, 2018 and for resource providers for years beginning after December 15, 2019.

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

15. Recently issued accounting pronouncements (continued)

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842).* This ASU was issued in three parts: (a) Section A, Leases: Amendments to the FASB *Accounting Standards Codification*, (b) Section B, Conforming Amendments Related to Leases: Amendments to the FASB *Accounting Standards Codification*, and (c) Section C, Background Information and Basis for Conclusions. While both lessees and lessors are affected by the new guidance which includes many changes, the effects on lessees are much more significant. The most significant change for lessees is the requirement to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, affecting leases which previously were accounted for as operating leases. This ASU is effective for years beginning after December 15, 2019, and must be implemented using a modified retrospective approach.

B) PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give (all unrestricted once fulfilled), all due in less than one year, at June 30:

	2018	2017
Gross pledges receivable	$ 214,664	$ 214,173
Less allowance for uncollectible pledges	(2,429)	-
	$ 212,235	$ 214,173

C) INVESTMENTS

A summary of the Organization's investments are as follows at June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,378,380	$ -	$ -	$ 3,378,380
Investments at fair value:				
Stock, ETF, mutual fund securities	29,757,552	-	-	29,757,552
Bond based securities	9,774,671	-	-	9,774,671
	39,532,223	-	-	39,532,223
Debt securities:				
Corporate bonds	5,845,592	-	-	5,845,592
U.S. government securities	3,499,341	-	-	3,499,341
Municipal bonds	-	1,990,525	-	1,990,525
Asset-backed securities	896,299	-	-	896,299
	10,241,232	1,990,525	-	12,231,757
	$ 53,151,835	$ 1,990,525	$ -	$ 55,142,360

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 45,914	$ -	$ -	$ 45,914
Investments at fair value:				
Stock, ETF, mutual fund securities	1,311,814	-	-	1,311,814
Bond based securities	719,476	-	-	719,476
	2,031,290	-	-	2,031,290
	$ 2,077,204	$ -	$ -	$ 2,077,204

C) INVESTMENTS (continued)

The following summarizes the total investment return, all unrestricted, in the statement of activities for the years ended June 30:

	2018	2017
Interest and dividend income	$ 718,704	$ 56,592
Net realized and unrealized gain (loss) on investments	(424,107)	172,515
	294,597	229,107
Commissions and fees	(90,362)	(15,924)
	$ 204,235	$ 213,183

D) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2018	2017
Building and improvements	$ 3,278,209	$ 3,270,000
Production and transmission equipment	10,336,479	10,211,951
Other equipment, furniture and fixtures	623,368	426,746
	14,238,056	13,908,697
Less accumulated depreciation and amortization	10,125,492	9,653,782
	4,112,564	4,254,915
Construction in process	432,512	-
	$ 4,545,076	$ 4,254,915

E) NOTE PAYABLE - LINE OF CREDIT AND SUBSEQUENT EVENT

The Corporation has available a $350,000 line of credit with Northfield Savings Bank, which was renewed in September 2018, expiring in September 2019. Interest is payable at the *Wall Street Journal* prime rate (5.00% at June 30, 2018) and is secured by substantially all business assets. Amounts outstanding were $162,586 at June 30, 2018.

At June 30, 2017, the Corporation had available a $350,000 line of credit with Community Bank, which expired in 2018. Amounts outstanding were $125,333 at June 30, 2017.

F) RETIREMENT AND SUPPLEMENTAL BENEFIT PLANS

Retirement plan

The Corporation participates in a contributory retirement plan, which is an Internal Revenue Code Section 403(b) plan, covering all full-time employees, including those under a contract with International Brotherhood of Electrical Workers (AFL-CIO). The Teachers Insurance and Annuity Association (TIAA), the College Retirement Equities Fund (CREF), and Fidelity Investments administer the investment options. All contributions are held in individual employee accounts, and the employee is immediately vested in all funds. Employees eligible for the Corporation's contribution must be at least 21 years of age, employed by the Corporation for one year and contribute a minimum of 2% of gross salary. The Corporation generally contributes an additional 5% of the employee's gross salary to the plan. Total retirement expenses charged to operations relating to the plan were approximately $75,000 in 2018 and $54,000 in 2017.

Supplemental benefit plan

The Corporation sponsors an unfunded noncontributory defined supplemental benefit Insurance plan that is subject to modification or elimination at the exclusive discretion of the Corporation's Board of Director's, and is not a "vested" benefit. The plan covers employees who were qualified as of June 30, 1999, at which date the plan was closed, which covers six retired employees and their spouses as of June 30, 2018 and 2017.

The plan provides a fixed quarterly stipend to participants for post-Medicare benefit coverage rather than paying post-Medicare claims. The plan also provides dental care benefits and life insurance coverage for participants.

The recording of benefits in these financial statements in accordance with ASC Topic 715, *Compensation - Retirement Benefits*, reflects the Corporation's historical practice of maintaining the plan, but is not an acknowledgement of any legal obligation on the part of the Corporation. The liability is based on an actuarial valuation as of the beginning of the year.

F) RETIREMENT AND SUPPLEMENTAL BENEFIT PLANS (continued)

Supplemental benefit plan (continued)

A summary of the supplemental benefit plan for the Corporation is as follows as of and for the years ended June 30:

	2018	2017
Accumulated benefit obligation	$ 302,711	$ 331,155
Funded status:		
Benefit obligation	$ 302,711	$ 331,155
Fair value of plan assets	-	-
Accrued benefit cost	$ 302,711	$ 331,155
Net periodic benefit costs charged to operations consists of:		
Interest cost	$ 11,308	$ 11,399
Amortization of transition obligation	10,400	10,400
Amortization of net actuarial loss	13,837	13,857
Amortization of prior year service benefit	(22,100)	(22,100)
Net periodic benefit cost	$ 13,445	$ 13,556
Significant activities during the year:		
Employer contributions to the Plan	$ 34,059	$ 34,770
Benefits paid	$ 34,059	$ 34,770
Expected contributions from employer to be made in the next fiscal year	$ 33,900	$ 33,800

F) RETIREMENT AND SUPPLEMENTAL BENEFIT PLANS (continued)

Supplemental benefit plan (continued)

	2018	2017
Amounts included in "supplemental benefit plan liability-related changes other than net periodic benefit cost" expected to be recognized in the following year:		
Transition obligation	$ (10,400)	$ (10,400)
Amortization of net actuarial loss	$ (13,020)	$ (13,837)
Prior service benefit	$ 22,100	$ 22,100
Amounts included in unrestricted net assets, but not yet reclassified as components of net periodic benefit cost:		
Unrecognized transition obligation	$ (41,600)	$ (52,000)
Unrecognized net actuarial loss	(185,901)	(205,431)
Unrecognized prior service benefit	132,100	154,200
	$ (95,401)	$ (103,231)

The change in amounts included in unrestricted net assets, but not yet reclassified as components of net periodic benefit costs is as follows:

Balance, July 1, 2016	$ (71,716)
Net actuarial loss due to change in discount rate	(33,672)
Reclassification from amortization of transition obligation	10,400
Reclassification from amortization of net actuarial loss recognized this year	13,857
Recognition of periodic service benefit due to amendment	(22,100)
	(31,515)
Balance, June 30, 2017	(103,231)
Net actuarial gain	5,693
Reclassification from amortization of transition obligation	10,400
Reclassification from amortization of net actuarial loss recognized this year	13,837
Recognition of periodic service benefit due to amendment	(22,100)
	7,830
Balance, June 30, 2018	$ (95,401)

F) RETIREMENT AND SUPPLEMENTAL BENEFIT PLANS (continued)

Supplemental benefit plan (continued)

Weighted-average assumptions used to determine the net periodic benefit cost included a discount rate of 4.00% at June 30, 2018 and 3.60% at June 30, 2017.

Benefits expected to be paid by the plan during the ensuing five years are approximately as follows for the years ending June 30:

2019	$ 33,900
2020	$ 33,900
2021	$ 34,000
2022	$ 34,000
2023	$ 34,100
Thereafter	$ 120,100

G) OPERATING LEASES AND LICENSING AGREEMENTS (AS LESSOR/LICENSOR)

The Corporation leases and licenses building and tower space on leased land (see Note H) and owned property, as well as capacity on non-broadcast spectrum to a lessee under an unsecured agreement, expiring at various dates, ranging from 2017 to 2026. Some lease and license amounts are prepaid, and unearned portions are included within deferred revenue. With the exception of the spectrum lease, the majority of these agreements are cancellable by either party with one year's notice. Some agreements allow for original terms of up to fifteen years with automatic renewal for up to an additional fifteen-year period. Additionally, some agreements call for the return of prepaid amounts in the event the Corporation cancels the agreement, as specifically defined in the agreements. As of June 30, 2018, noncancellable minimum lease/license payments to be received and gross revenue to be recognized are estimated to be $200,000 in 2019.

Following is a summary of property held for lease and license at June 30:

	2018	2017
Buildings and towers	$ 2,203,056	$ 2,203,056
Less accumulated depreciation	1,287,040	1,249,036
	$ 916,016	$ 954,020

Lease and license revenue earned was approximately $1,199,000 in 2018 and $1,159,900 in 2017.

H) OPERATING LEASE COMMITMENTS (AS LESSEE)/ASSET RETIREMENT OBLIGATION

The Corporation leases land for mountaintop transmitters and the land upon which the studio and administrative facilities are located ("ground lease") under various operating leases with varying expiration dates. Expiration dates range from September 2020 through December 2025, and the ground lease expires December 2060. Annual payments range from $2,000 to $52,700. Certain agreements are cancelable by the lessee according to the terms of the agreement. As of June 30, 2018, noncancellable minimum lease payments are approximately $151,100 in 2019, $152,500 in 2020, $140,900 in 2021, $137,100 in 2022, $136,500 in 2023, and $236,200 thereafter.

Rental expense for all leases charged to operations approximated $180,000 in 2018 and $153,000 in 2017.

The Corporation is required to return the properties "to a natural state" in the event that the Corporation terminates the leases. No amounts have been included in the financial statements for these costs due to the uncertainty of timing and the cost is not estimable at June 30, 2018 and 2017.

I) NET ASSETS

Unrestricted - Board Designated

The Board has established four board designated funds for certain purposes, the assets of which are available to satisfy the general obligations of the Corporation, but are for purposes designated by the Board. These board designated funds include two funds established for certain purposes by the donors over which the donors granted the Corporation's Board of Directors variance power, which grants the Board the discretion to utilize the net assets included in the funds for other purposes at its discretion. Board designated funds include the following:

- Frank & Peggy Taplin Fund: The Frank & Peggy Taplin fund was established for the purpose of supporting productions for Local Cultural and Natural Programming.
- Wyant Fund: The Wyant fund was established for the purpose of supporting cross-border programs that address issues within Vermont and Canada.
- Board Designated Fund: The Board Designated Fund was established to meet the needs of the Corporation for purposes at the discretion of the Board.
- Spectrum Fund: The Board Designated Fund was established to meet the needs of the Corporation for purposes at the discretion of the Board.

I) NET ASSETS (continued)

Unrestricted - Board Designated (continued)

The Corporation had the following board designated endowment-related activities:

	Taplin Fund	Wyant Fund	Board Designated Fund	Spectrum Fund	Total
Balance as of July 1, 2016	$ 694,013	$ 343,497	$ 1,311,248	$ -	$ 2,348,758
Additions	100	-	71,248	-	71,348
Investment gain	76,001	37,494	116,272	-	229,767
Appropriations	(35,700)	(17,600)	(540,900)	-	(594,200)
Investment fees	(4,954)	(2,451)	(7,421)	-	(14,826)
Balance as of June 30, 2017	729,460	360,940	950,447	-	2,040,847
Additions	-	-	63,555	50,124,096	50,187,651
Investment gain	55,399	27,471	76,515	(105,164)	54,221
Appropriations	(39,000)	(19,000)	(51,000)	-	(109,000)
Investment fees	(5,284)	(2,615)	(6,935)	(39,014)	(53,848)
Balance as of June 30, 2018	$ 740,575	$ 366,796	$ 1,032,582	$ 49,979,918	$ 52,119,871

Temporarily Restricted

Temporarily restricted net assets at June 30, 2018 and 2017 consist of amounts pledged and received under corporate underwriting agreements restricted for use in the following fiscal year and production grants restricted for use according to the terms of the agreements:

	2018	2017
Corporate underwriting agreements	$ 218,125	$ 215,016
Production grants	136,124	118,538
Pledges receivable	34,790	62,000
	$ 389,039	$ 395,554

J) SIGNIFICANT FUNDING

The Corporation has received a significant portion of its operating revenue from the Corporation for Public Broadcasting (CPB) totaling $981,725 in 2018 and $1,032,016 in 2017.

K) FCC SPECTRUM AUCTION

The Corporation participated in a “spectrum auction” (auction) conducted by the Federal Communications Commission (“FCC”) culminating in April 2017 as part of the FCC’s larger scope program to repackage certain spectrum. The FCC offered voluntary participant sellers to submit for auction certain licenses to use spectrum, which the FCC would then arrange to be purchased by participating buyers. In conjunction with the auction, the FCC also imposed involuntary channel reassignments of licenses to use spectrum in its overall nationwide repackaging plan.

As a result of the auction, the Corporation irrevocably agreed to relinquish control of one license to use spectrum in exchange for gross proceeds (received in July 2017) of approximately $56.6 million, from which the Corporation paid selling costs of approximately $1.2 million. Therefore, the Corporation recognized a net gain of $55,445,576 as other income in the 2018 statement of activities. The terms of the auction agreements allow the Corporation the use of the relinquished spectrum until 180 days after the receipt of proceeds from the FCC, extended subsequently by the FCC through 2019.

The FCC has also issued an order requiring channel reassignment of two spectrum licenses held by Vermont ETV, Inc. New equipment or construction of new facilities is required to implement the channel reassignments. The investment to comply with these requirements will be incurred in fiscal year 2019. The FCC has established a fund to reimburse licensees up to 90% of the qualified costs of equipment and construction.

SUPPLEMENTAL INFORMATION

VERMONT ETV, INC.

SCHEDULE OF FUNCTIONAL EXPENSES - UNRESTRICTED

YEAR ENDED JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	YEAR ENDED JUNE 30, 2018											SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2017*
	Program Services						Support Services					
	Programming	Production	Community Engagement	Engineering	Communications	Total Program Services	Administration	Member Services	Financial Development	Total Support Services	Total Program and Support Services	
Salaries	$ 63,110	$ 707,722	$ 48,290	$ 384,150	$ 419,104	$ 1,622,376	$ 319,252	$ 173,715	$ 392,441	$ 885,408	$ 2,507,784	$ 2,071,950
Employee benefits	12,591	188,861	6,295	75,545	62,954	346,246	34,509	50,363	75,545	160,417	506,663	457,950
Payroll taxes	4,737	53,126	3,625	28,837	31,460	121,785	23,965	13,040	29,459	66,464	188,249	154,643
Total salaries and related expenses	80,438	949,709	58,210	488,532	513,518	2,090,407	377,726	237,118	497,445	1,112,289	3,202,696	2,684,543
Professional services	4,000	269,227	4,437	56,092	71,610	405,366	306,010	31,404	202,303	539,717	945,083	793,372
Supplies	475	18,219	172	16,960	3,299	39,125	5,052	2,074	3,450	10,576	49,701	29,963
Travel	-	29,451	729	13,253	11,750	55,183	27,347	769	13,823	41,939	97,122	84,174
Utilities	3,431	42,889	2,573	250,887	10,293	310,073	3,431	2,573	3,431	9,435	319,508	343,044
Communications	1,280	24,957	9,033	135,320	119,271	289,861	38,200	203,835	151,754	393,789	683,650	414,315
Maintenance	1,324	33,456	993	226,799	4,072	266,644	3,104	993	1,324	5,421	272,065	227,897
Subscriptions/dues	76,745	22,395	1,166	3,503	128,870	232,679	33,281	9,125	61,435	103,841	336,520	232,920
Acquisitions	650,433	29,822	-	-	-	680,255	-	-	-	-	680,255	685,834
Insurance	9,364	48,259	3,345	24,233	11,372	96,573	14,428	10,385	22,451	47,264	143,837	157,787
Bank charges	8,019	18,519	1,141	14,208	5,002	46,889	29,370	3,593	10,349	43,312	90,201	56,000
Miscellaneous	1,924	2,437	253	17,311	1,065	22,990	390	796	1,997	3,183	26,173	20,294
Provision for unrelated business income tax and related interest	-	-	-	-	-	-	28,268	-	-	28,268	28,268	39,455
Total expenses before depreciation	837,433	1,489,340	82,052	1,247,098	880,122	4,536,045	866,607	502,665	969,762	2,339,034	6,875,079	5,769,598
Depreciation and amortization	-	100,767	-	465,334	4,804	570,905	2,335	6,310	9,077	17,722	588,627	584,352
Total expenses	$ 837,433	$ 1,590,107	$ 82,052	$ 1,712,432	$ 884,926	$ 5,106,950	$ 868,942	$ 508,975	$ 978,839	$ 2,356,756	$ 7,463,706	$ 6,353,950

* Reclassified for comparative purposes