KOCE – TV FOUNDATION
dba PBS SoCal

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
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June 30, 2018 and 2017

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
KOCE – TV Foundation dba PBS SoCal
(A Nonprofit Organization)

Report on the Financial Statements

We have audited the accompanying financial statements of KOCE – TV Foundation dba PBS SoCal ("the Foundation"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 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.

2050 Main St. 7th Floor Irvine, CA 92614 T: 949.261.8600 F: 949.261.8610

877.754.4557

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Singer Lewak LLP

November 28, 2018

KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
June 30,

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	$ 9,096,640	$ 3,974,229
Investments	33,381,831	2,085,380
Grants receivable	10,712	11,985
Accounts receivable	551,874	981,726
Spectrum sale receivable	-	44,333,320
Prepaid expenses and other current assets	360,126	252,488
Total current assets	43,401,183	51,639,128
Investment in partnership	5,445	5,445
Investment in SoCal Facilities, LLC	238,855	4,000
Broadcast license, net of accumulated amortization	13,939,575	13,939,575
Property and equipment, net of accumulated depreciation	1,665,921	1,615,952
Deposits	59,369	133,182
Total assets	**$ 59,310,348**	**$ 67,337,282**

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable and accrued expenses	$ 1,982,093	$ 1,365,126
Notes payable – financial institutions, current portion	-	3,189,002
Note payable – Coast Community College District, current portion	750,000	750,000
Subordinated notes payable – Public Broadcasting Service, current portion	-	2,128,981
Advances	460,231	810,880
Total current liabilities	3,192,324	8,243,989
Note payable – Coast Community College District, net of current portion	7,682,915	8,014,853
Total liabilities	10,875,239	16,258,842
Commitments and contingencies (Note 13)		
Net assets		
Unrestricted	48,435,109	51,078,440
Total net assets	48,435,109	51,078,440
Total liabilities and net assets	**$ 59,310,348**	**$ 67,337,282**

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

KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions, grants and contracts	$ 17,443,405	$ 793,911	$ 18,237,316	$ 18,580,560	$ 975,152	$ 19,555,712
Royalty revenue	8,534	-	8,534	22,709	-	22,709
Interest and dividends	466,507	-	466,507	39,902	-	39,902
Special events, net of expenses of $159,156 and $0, respectively	317,589	-	317,589	10,508	-	10,508
Educational programs	512,248	-	512,248	604,724	-	604,724
Miscellaneous	108,036	-	108,036	500,186	-	500,186
Spectrum sale	-	-	-	44,334,570	-	44,334,570
Net assets released from restrictions	793,911	(793,911)	-	1,010,014	(1,010,014)	-
Total support and revenue	19,650,230	-	19,650,230	65,103,173	(34,862)	65,068,311
Functional expenses						
Program services						
Programming and production	7,424,463	-	7,424,463	7,817,849	-	7,817,849
Broadcasting	6,164,573	-	6,164,573	4,804,313	-	4,804,313
Underwriting and grant solicitation	1,565,781	-	1,565,781	1,511,441	-	1,511,441
Total program services	15,154,817	-	15,154,817	14,133,603	-	14,133,603
Supporting services						
Fundraising and development	3,152,834	-	3,152,834	2,802,452	-	2,802,452
General and administrative	3,985,910	-	3,985,910	2,900,513	-	2,900,513
Total supporting services	7,138,744	-	7,138,744	5,702,965	-	5,702,965
Total functional expenses	22,293,561	-	22,293,561	19,836,568	-	19,836,568
Change in net assets	(2,643,331)	-	(2,643,331)	45,266,605	(34,862)	45,231,743
Net assets, beginning of year	51,078,440	-	51,078,440	5,811,835	34,862	5,846,697
Net assets, end of year	**$ 48,435,109**	**$ -**	**$ 48,435,109**	**$ 51,078,440**	**$ -**	**$ 51,078,440**

KOCE – TV FOUNDATION
dba PBS SoCal
(A NONPROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (2,643,331)	$ 45,231,743
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation and amortization of property and equipment	502,651	504,882
Amortization of discount on note payable – CCCD	418,062	433,870
Unrealized loss (gain) on investments	75,702	(52,004)
Loss on the disposal of equipment	-	367,240
Loss on the disposal of asset not in use	-	467,500
Contributions received in the form of investments	(150,567)	(1,579,222)
(Increase) decrease in:		
Grants receivable	1,273	141,085
Accounts receivable	429,852	(527,493)
Spectrum sale receivable	44,333,320	(44,333,320)
Prepaid expenses and other current assets	(107,638)	(17,018)
Deposits	73,813	(46,793)
Increase (decrease) in:		
Accounts payable and accrued expenses	616,967	122,752
Advances	(350,649)	(322,759)
Net cash flows provided by operating activities	43,199,455	390,463
Cash flows from investing activities		
Purchase of property and equipment	(552,620)	(770,153)
Investment in SoCal Facilities, LLC	(234,855)	(4,000)
Purchase of investment instruments	(51,722,735)	-
Sales of investment instruments	20,501,149	-
Decrease in restricted cash	-	416
Net cash flows used in investing activities	(32,009,061)	(773,737)
Cash flows from financing activities		
Principal payments on notes payable – financial institutions	(3,189,002)	(252,004)
Principal payments on note payable – CCCD	(750,000)	(750,000)
Principal payments on notes payable – Public Broadcasting Service	(2,128,981)	(2,500,000)
Net cash flows used in financing activities	(6,067,983)	(3,502,004)
Net change in cash and cash equivalents	5,122,411	(3,885,278)
Cash and cash equivalents, beginning of year	3,974,229	7,859,507
Cash and cash equivalents, end of year	**$ 9,096,640**	**$ 3,974,229**
Supplemental disclosure for cash flows information		
Interest paid	**$ 23,230**	**$ 231,394**

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

NOTE 1 – GENERAL

The KOCE-TV Foundation dba PBS SoCal (the "Foundation") is an independent nonprofit organization that holds the broadcast license for KOCE (Channel 50) and serves as the flagship PBS station for Greater Los Angeles and Southern California.

Founded in Huntington Beach, California in 1972, KOCE in 2011 became PBS SoCal, and stepped into the flagship role following KCET's departure from PBS. PBS SoCal now serves 18 million people across six diverse counties – Los Angeles, Orange, Riverside, San Bernardino, Ventura and Santa Barbara – from locations in Century City, Costa Mesa, downtown Los Angeles and L.A.'s Sawtelle district.

More than just a television station, PBS SoCal is an important cultural and educational institution for the community, whose mission is to foster a love of learning, culture and community using the power of public media. PBS SoCal delivers its mission through content and experiences that inform, inspire and entertain. These include distinctive PBS programming, person-to-person experiences in the classroom and the community, diverse cultural and community partnerships, and content that is for, about and by Southern Californians.

PBS SoCal is a locally operated organization committed specifically to serving the Southern California community, and its primary sources of revenue are contributions from local individuals, as well as grants and contributions from foundations, corporations, and the Corporation for Public Broadcasting (CPB).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements include statements of financial position that present amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and statements of activities that reflect the changes in those categories of net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)
Unrestricted net assets are either not restricted by donors or the donor-imposed restrictions have expired. Temporarily restricted net assets include those assets whose use by the Foundation has been limited by donors to later periods of time or for specified purposes. Permanently restricted net assets include those net assets that must be maintained in perpetuity; the investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, for purposes approved by the board of trustees. The Foundation had no permanently restricted net assets as of June 30, 2018 and 2017.

If, subsequent to the period, a restricted gift is made or a donor withdraws previously imposed restrictions, the related net assets are reclassified into the appropriate net asset category. Such reclassifications are reflected in net assets released from restrictions in the accompanying statements of activities when the restrictions are withdrawn.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts included in the prior year have been reclassified to conform to current-year presentation.

Cash and Cash Equivalents
For the purpose of the statements of cash flows, the Foundation considers cash deposited with banks and all short-term, highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Contributions, Pledges Receivable and Revenue Recognition
Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. Such contributions are required to be reported as temporarily restricted support and are reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent. Pledges for future contributions are recognized and recorded as receivables at their estimated realizable value in the year for which they are promised to the Foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, Pledges Receivable and Revenue Recognition (Continued)
The Foundation recognizes unconditional promises to give in the period received at net present value.

Conditional promises to give that are conditional upon future events or future matching are not recorded until the condition has been satisfied. If funds are received from such gifts, they are recorded as refundable advances until the condition is satisfied. When the condition has been satisfied, the gift is recognized as either unrestricted or temporarily restricted revenue depending on the intent of the donor.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statements of activities.

Dividend and interest income are accrued when earned. Interest and investment income and dividends are presented net of related investment expenses.

Investments are reflected on the statement of financial position at fair value. Realized and unrealized gains and losses have been reflected in the statement of activities as increases or decreases in unrestricted net assets. The Foundation's investments consist of equity, fixed-income and money market funds that have active and liquid markets. Management establishes fair value of publicly traded securities based on quoted market prices. Investments received through gifts are recorded at estimated fair value at the date of donation. Purchases and sales of securities are reflected on the trade dates.

Income earned from investments in all net asset classifications is recorded as unrestricted.

Intangible Asset – Broadcast License
The Foundation's intangible assets consist of a public broadcasting license which was acquired on November 1, 2004 and stated at fair market value at the date of acquisition. Management has determined that the public broadcasting license has an indefinite life. As of June 30, 2018 and 2017, the broadcast license, net of purchase price allocation discounts of $10,261,660, amounted to $16,238,339, respectively. As of June 30, 2018 and 2017, the accumulated amortization of the broadcast license amounted to $2,298,764, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Asset – Broadcast License (Continued)
Effective for reporting periods beginning after December 31, 2009, intangible assets with indefinite lives should be evaluated annually for indicators of impairment and no longer amortized, in accordance with revised accounting standards. Management has evaluated all intangible assets and notes no indicators of impairment existed during the years ended June 30, 2018 and 2017.

Property and Equipment
Property and equipment are stated at cost or, if donated, at fair market value at the date of the donation, less accumulated depreciation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the various classes of assets as follows:

Office furniture, fixtures, studio equipment and automobiles	5 to 10 years
Broadcasting equipment	5 to 20 years
Leasehold improvements	Lesser of useful life or term of lease

Contributions received that are temporarily restricted for capital projects are classified as temporarily restricted net assets; those restrictions expire when the capital projects are placed in service by the Foundation.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the change in net assets.

Impairment of Long-lived Assets
Impairment losses are recorded on long-lived assets and intangible assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. 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. Management has determined that no indicators of impairment have occurred during the years ended June 30, 2018 and 2017.

Advances
Amounts collected in advance of services to be provided by the Foundation are reflected as advances in the accompanying statements of financial position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Production Costs and Grants
Production costs are expensed as incurred. Direct production costs are funded by grants from individuals, corporations and federal, state and other governmental agencies. Amounts received under governmental grants related to production are recorded as advances and recognized as revenue as the related costs are incurred. Grants from individuals and corporations are recorded as contributions and are accounted for as described above.

Amounts received under these arrangements are reported in the accompanying statements of activities as contributions, grants and contracts, along with other contributions received by the Foundation.

Contributed Goods and Services
Contributed goods, services and other noncash contributions are reflected in the accompanying statements at their estimated fair market value in the period received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by individuals possessing those skills. Other volunteer services that do not meet the criteria are not recognized in the financial statements, as there is no objective basis of deriving their value. For the year ended June 30, 2018 and 2017, the amount of contributed goods and services reported in the accompanying statements of activities amounted to $179,598 and $106,780, respectively.

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 the programs and supporting services benefited based on management’s estimates.

Advertising Costs
The Foundation expenses advertising and promotional costs as incurred. Advertising expenses for the years ended June 30, 2018 and 2017 totaled approximately $52,904 and $71,426, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

U.S. GAAP clarifies the accounting for uncertainty in income taxes. U.S. GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. U.S. GAAP requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. U.S. GAAP also provides guidance related to derecognition, classification, interest and penalties, accounting in interim periods and disclosure. As of and for the year ended June 30, 2018, the Foundation had no material unrecognized/derecognized tax benefits or tax penalties or interest.

The following table summarizes the open tax years for each major jurisdiction:

Jurisdiction	Open Tax Years
Federal	2014 – 2017
State	2013 – 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements
In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*, and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires that entities disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers—Principal versus Agent Considerations (Reporting Revenue Gross Versus Net)*, which clarifies gross versus net revenue reporting when another party is involved in the transaction. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers—Identifying Performance Obligations and Licensing*, which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers—Narrow-Scope Improvements and Practical Expedients*, which provides narrow-scope improvements to the guidance on collectability, noncash consideration, and completed contracts at transition. In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which amends the guidance on performance obligation disclosures and makes technical corrections and improvements to the new revenue standard. The standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and permits early adoption on a limited basis. The Update permits the use of either the retrospective or cumulative effect transition method. The Foundation has not yet selected a transition method and management is assessing the impact of this new guidance on the Foundation's financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 provides guidance for the recognition, measurement, presentation and disclosure of financial instruments. The new pronouncement revises an entity's accounting related to equity investments and the presentation of certain fair value changes for financial liabilities measured at fair value. Among other things, it amends the presentation and disclosure requirements of equity securities that do not result in consolidation and are not accounted for under the equity method. Changes in the fair value of these equity securities will be recognized directly in net income. ASU No. 2016-01 is effective for fiscal years and interim periods within those years beginning after December 15, 2018. The Foundation's management is in the process of evaluating the impact of this accounting pronouncement on the Foundation's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use ("ROU") asset for all leases. For finance leases, the lessee would recognize interest expense and amortization of the ROU asset and for operating leases, the lessee would recognize a straight-line total lease expense. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU No. 2016-02 is effective for annual and interim reporting periods within those years beginning after December 15, 2019 and early adoption is permitted. This Update should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which focuses on improving the current net asset classification requirements and information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017 and early application is permitted. ASU No. 2016-14 should be applied on a retrospective basis in the year that it is first applied. Management is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments,* which provided clarification for how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Foundation's management is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification and improvement on the scope and the accounting guidance for contributions received and contributions made. ASU No. 2018-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Management is currently evaluating the effect that the updated standards will have on the financial statements.

NOTE 3 – FAIR VALUE MEASUREMENTS

As defined in FASB Accounting Standards Codification ("ASC") Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses the market or income approach. Based on this approach, the Foundation utilizes certain 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 Foundation 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 Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace

Level 3 – Unobservable inputs which are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal years ended June 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Following are descriptions of the valuation methodologies used for assets measured at fair value:

Equity securities: Valued at the last reported sales price as of the measurement date. Equity securities are traded on a national securities exchange. Equity securities held by the Foundation are deemed actively traded.

Corporate bonds: Valued at the daily closing price as reported by the fund. The Corporate bonds held by the Foundation are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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.

The following tables set forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of June 30, 2018:

	Investments at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 5,103,106	$ -	$ -	$ 5,103,106
Corporate bonds [a]	-	-	-	7,559,465
Mutual funds	20,715,951	-	-	20,719,260
Total	**$ 25,819,057**	**$ -**	**$ -**	**$ 33,381,831**

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of June 30, 2017:

	Investments at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 945,684	$ -	$ -	$ 945,684
Corporate bonds [(a)]	-	-	-	1,028,415
Mutual funds	111,281	-	-	111,281
Total	**$ 1,056,965**	**$ -**	**$ -**	**$ 2,085,380**

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

NOTE 4 – CONCENTRATIONS OF RISK

Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalent balances in several financial institutions that, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category and the combined total insured up to at least $250,000. As of June 30, 2018 and 2017, the Foundation had $3,190,126 and $3,630,042 in excess of the federally insured amounts, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 – CONCENTRATIONS OF RISK (Continued)

Investments

The Foundation maintains its cash equivalents and investments in several financial institutions that, from time to time, exceed amounts covered by the Securities Investor Protection Corporation ("SIPC"). The limit of SIPC protection is $500,000, which includes a $250,000 limit in cash. As of June 30, 2018 and 2017, the Foundation had $38,109,700 and $1,650,628 in excess of the amount covered by SIPC, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

Concentration of Credit Risk

Certain financial instruments held by the Foundation potentially subject the Foundation to concentrations of credit risk. Financial instruments which potentially subject the Foundation to concentrations of credit and market risk consist primarily of cash and cash equivalents, investments, grants receivable, accounts receivable and contribution revenues. Cash and cash equivalents and investments are placed with high-credit, quality financial institutions.

Contribution Revenue

The Foundation receives grants from individuals, corporations and federal, state and local governmental agencies. The Foundation has developed long-term relationships with many of its grantors and continually evaluates their financial position to determine the risk of uncollectible grants. In recent history, uncollectible grants have not been significant to the financial position of the Foundation.

For the year ended June 30, 2018, there was one donor that accounted for more than 10% of total support and revenues. For the year ended June 30, 2017, there were no donors that accounted for 10% of total support and revenues.

NOTE 5 – INVESTMENTS

Investments consisted of the following at June 30, 2018:

	Cost	Fair Value
Corporate bonds	$ 7,688,480	$ 7,559,465
Equity securities	4,864,675	5,103,106
Mutual funds	20,610,548	20,719,260
Total	**$ 33,163,703**	**$ 33,381,831**

Investments consisted of the following at June 30, 2017:

	Cost	Fair Value
Corporate bonds	$ 1,045,279	$ 1,028,415
Equity securities	857,981	945,684
Mutual funds	105,638	111,281
Total	**$ 2,008,898**	**$ 2,085,380**

Net unrealized losses on investments during the year ended June 30, 2018 amounted to $75,702. Net unrealized gains on investments during the year ended June 30, 2017 amounted to $51,559. Dividend income from investments during the year ended June 30, 2018 and 2017 amounted to $466,507 and $40,324, respectively. This dividend income is either received or reinvested.

NOTE 6 – PROPERTY AND EQUIPMENT

As of June 30, property and equipment consisted of the following:

	2018	2017
Office furniture, fixtures, studio equipment and automobiles	$ 4,264,330	$ 3,994,240
Leasehold improvements	1,606,435	1,323,904
Broadcasting equipment	277,735	277,735
	6,148,500	5,595,879
Less accumulated depreciation and amortization	4,482,579	3,979,927
Total	**$ 1,665,921**	**$ 1,615,952**

For the years ended June 30, 2018 and 2017, depreciation and amortization expenses amounted to $502,651 and $504,882, respectively.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, accounts payable and accrued expenses consisted of the following:

	2018	2017
Accounts payable	$ 1,088,647	$ 804,405
Accrued payroll	382,745	152,265
Deferred rent	250,156	182,284
Accrued vacation	240,395	189,772
Other accrued expenses	20,150	26,481
Accrued interest	-	9,919
Total	**$ 1,982,093**	**$ 1,365,126**

NOTE 8 – NOTES PAYABLE – FINANCIAL INSTITUTIONS

On December 15, 2010, the Foundation entered into two term loans with two financial institutions. The first term loan in the amount of $2,027,305 bore interest at prime (4.75% as of June 30, 2018) plus 3% and required interest-only payments until January 1, 2013 and principal installments of $8,000 plus interest payments for the remaining six years. In July 2017, this loan was paid off in full. As of June 30, 2018 and 2017, the first term loan had an outstanding balance of $0 and $1,594,873, respectively.

The second term loan in the amount of $2,000,000 bore interest at 6.50% through June 30, 2018, at which time the rate re-set to the greater of prime plus 3%, or 6.50% for the remaining two and a half years based on a fifteen-year amortization schedule. This note payable required monthly principal and interest payments of $17,460. In July 2017, this loan was paid off in full. As of June 30, 2018 and 2017, the second term loan had a balance of $0 and $1,594,129, respectively.

These term loans required Excess Pledge Proceeds, as defined in the agreement, to be deposited and held in a reserve account with the financial institutions. The term loans were secured by UCC filings on substantially all assets of the Foundation.

Interest expense for these notes for the years ended June 30, 2018 and 2017 was $13,311 and $222,770, respectively.

As of June 30, 2017, the Foundation was in compliance with their covenants. Due to the payoff of debt in July 2017, the Foundation no longer has any debt covenants related to these notes payable as of June 30, 2018.

NOTE 9 – NOTE PAYABLE – COAST COMMUNITY COLLEGE DISTRICT

In connection with the purchase of the KOCE Station's broadcasting license and related equipment in November 2004, the Foundation paid $1,300,000 in cash and acquired financing from a financial institution for $6,700,000. The remaining balance was financed by CCCD through a secured, noninterest-bearing note payable in the amount of $20,000,000. Imputed interest on the note payable amounts to $10,261,660 based on the equivalent financing rate available to the Foundation at the time of acquisition of LIBOR (2.02% on November 1, 2004) plus 2.75%. For the years ended June 30, 2018 and 2017, the Foundation had amortized $418,062 and $433,870 of the discount to interest expense, respectively.

The note is payable in quarterly cash payments of $187,500 until the note is paid off on August 1, 2034. In addition, during the first seven years of the note payable term, the Foundation made principal payments of $357,143 annually starting on November 1, 2005 or provided programming airtime at a specified rate in lieu of the cash payment.

Future minimum annual payments under this note payable are as follows:

Year Ending June 30,	
2019	$ 750,000
2020	750,000
2021	750,000
2022	750,000
2023	750,000
Thereafter	8,438,500
Total future payments	12,188,500
Less total discount on note payable	3,755,585
Total	8,432,915
Less current portion	750,000
Long-term portion	**$ 7,682,915**

NOTE 10 – SUBORDINATED NOTES PAYABLE — PUBLIC BROADCASTING SERVICE

On January 30, 2014, the Foundation entered into a note payable agreement with the Public Broadcasting Service for $4,628,981. $500,000 was required to be paid in August 2016. The note payable required monthly principal and interest payments of $185,803 beginning on July 1, 2017. Interest was calculated at prime (4.75% as of June 30, 2018) plus 4%. This note payable agreement was secured by UCC filings on substantially all assets of the Foundation. This note payable agreement was subordinated to the line of credit and notes payable. In July 2017, this loan was paid off in full.

NOTE 11 – SPECTRUM SALE

The FCC Incentive Spectrum Auction gave broadcasters the opportunity to sell all or part of its broadcast spectrum and, in turn, the FCC would sell that spectrum to telecommunications companies who need it to expand mobile coverage. The Foundation’s Board of Trustees and management decided to participate in the spectrum auction following an extensive evaluation process. The Foundation’s goals were to preserve the spectrum necessary to provide robust broadcast and broadband services to serve the 18 million people in Southern California, while earning funds the Foundation could invest in expanding their mission as a financially strong and vibrant community organization.

On April 4, 2017, the Foundation sold part of its broadcast spectrum for $44,334,570. As the Foundation did not receive the proceeds until July 21, 2017, the Foundation recorded a Spectrum sale receivable of $44,333,320 as of June 30, 2017, which is the spectrum proceeds of $44,334,570 less escrow fees of $1,250. The Foundation accomplished that through a channel sharing agreement with a local Los Angeles full power television station. The Foundation retained most of the stations’ collective UHF spectrum and will purposely invest the earnings of the auction to ensure PBS programming for Southern California for the long term. The investment plan includes increasing investments in PBS and other programming, making strategic investments in content production and broadband services that reach more audiences via mobile and web, and building a strong financial foundation for PBS SoCal’s future by restructuring debt and creating an investment fund that generates annual revenues.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 were available for the following:

	Available June 30, 2017	New Revenues	Released from Restriction	Available June 30, 2018
CPB Ready to Learn	$ -	$ 65,807	$ (65,807)	$ -
Hilton – Foster Youth Initiative	-	728,104	(728,104)	-
Total	**$ -**	**$ 793,911**	**$ (793,911)**	**$ -**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Lease Commitments
The Foundation leases certain transmitters, equipment and facilities under noncancelable lease agreements. The leases expire on various dates through December 2023 and require minimum monthly payments of $88,477.

Future minimum payments under noncancelable leases with initial terms of one year or more at June 30, 2018 were as follows:

Year Ending June 30,	Transmitter Leases	Equipment Leases	Facilities Leases	Total
2019	$ 72,000	$ 42,771	$ 929,672	$ 1,044,443
2020	-	19,408	891,602	911,010
2021	-	-	915,267	915,267
2022	-	-	941,771	941,771
2023	-	-	954,896	954,896
Thereafter	-	-	484,528	484,528
Total	**$ 72,000**	**$ 62,179**	**$ 5,117,736**	**$ 5,251,915**

For the years ended June 30, 2018 and 2017, total transmitter, equipment and facilities and equipment rent expense amounted to $1,162,918 and $1,316,358, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Reimbursement of Shared Costs

The Foundation subleases bandwidth from their broadcasting license to an unrelated third party. The Foundation is reimbursed by the third party for all direct and certain indirect costs incurred for the use of the bandwidth. During the years ended June 30, 2018 and 2017, the Foundation received $163,082 and $154,886, respectively, in reimbursed costs, which are recorded as an offset to broadcasting expenses in the accompanying statements of activities.

Litigation

The Foundation, from time to time, is involved in certain legal matters which arise in the normal course of operations. Management believes that the resolution of such matters will not have a material adverse effect on the financial position of the Foundation.

NOTE 14 – RETIREMENT PLAN

The Foundation has a 401(k) plan (the "Plan") that covers all eligible employees, as defined in the Plan agreement. The Foundation's contribution to the Plan is based on a certain percentage of the active participants' compensation and is paid biweekly through payroll. For the years ended June 30, 2018 and 2017, the Foundation's contribution expenses amounted to $132,311 and $124,319, respectively. For the years ended June 30, 2018 and 2017, the Foundation's administrative expenses amounted to $5,186 and $4,696, respectively.

NOTE 15 – SUBSEQUENT EVENTS

PBS SoCal and KCETLink Media Group entered into a memorandum of understanding in December 2017 to merge the flagship PBS station and the largest independent media organization in Southern California. An application was filed with the FCC in May of 2018 to transfer ownership of the KOCE license into the surviving entity KCETLink Media Group, which would be renamed Public Media Group of Southern California. The FCC approved the license transfer on June 22, 2018.

On October 1, 2018 PBS SoCal and a KCETLink Media Group finalized the merger of the two independent organizations to form one new local, community-supported public media organization and flagship PBS station. The new community institution is Public Media Group of Southern California, which owns two broadcast licenses-KCET and KOCE, and maintains three content services-PBS SoCal, KCET and LINK TV.

Public Media Group of Southern California maintains locations in Burbank, Costa Mesa and Los Angeles, along with broadcast transmission sites at Mt. Wilson and Mt. Harvard.

NOTE 15 – SUBSEQUENT EVENTS (Continued)

On October 1, 2018, PBS SoCal had $42.5M of current assets, $15.8M of long-term assets, $2.7M of current liabilities, $7.6M of long-term liabilities and $48M of unrestricted net assets.

On October 1, 2018, KCETLink Media Group had $54.6M of current assets, $8M of long-term assets, $5.3M of current liabilities, $1.4M of long-term liabilities, $51.6M of unrestricted net assets and $4.3M of permanently restricted net assets.

Management has evaluated all activity through November 28, 2018 (the issuance date of the financial statements) and concluded that other than described above, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.