Independent Auditor's Report and
Financial Statements

KQED Inc.

September 30, 2018 and 2017

Contents

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
KQED Inc.

We have audited the accompanying financial statements of KQED Inc. (the "Corporation"), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and changes in net assets, and cash flows for the year 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KQED Inc. as of September 30, 2018 and the results of its activities and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

Report on 2017 summarized comparative information

We have previously audited the Corporation's 2017 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

GRANT THORNTON LLP

Grant Thornton LLP

San Francisco, California
December 14, 2018

KQED Inc.

Statement of Financial Position

September 30, 2018 and 2017	2018	2017
Assets		
Cash and cash equivalents	$ 23,917,659	$ 22,810,561
Restricted cash and cash equivalents	8,453,488	9,376,036
Receivables, net	9,563,085	10,057,580
Prepaid expense and other assets	1,806,581	1,549,998
Investments	164,385,498	155,878,941
Deferred compensation investments	2,371,333	2,037,290
Charitable gift annuities and trusts	8,181,671	7,914,602
Intangible assets, net	2,086,002	2,171,797
Property and equipment, net	25,683,992	37,265,477
Total assets	$ 246,449,309	$ 249,062,282
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 10,009,991	$ 8,540,812
Accrued broadcast rights	1,447,379	1,314,697
Deferred production and underwriting revenues	337,627	538,607
Deferred compensation obligations	2,371,333	2,037,290
Liabilities to beneficiaries of charitable gift annuities and trusts	4,222,690	4,174,937
Total liabilities	18,389,020	16,606,343
Net Assets:		
Unrestricted	181,125,199	185,089,343
Temporarily restricted	27,147,421	28,097,699
Permanently restricted	19,787,669	19,268,897
Total net assets	228,060,289	232,455,939
Total liabilities and net assets	$ 246,449,309	$ 249,062,282

See accompanying notes to financial statements.

KQED Inc.

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2018 and 2017

	2018						
	Unrestricted		Total	Temporarily	Permanently	2018	2017
	Operations	Building Transition	Unrestricted	Restricted	Restricted	Total	Total
Revenues, Support and Other Changes:							
Contributions and membership fees	$ 47,377,892	$ -	$ 47,377,892	$ -	$ -	$ 47,377,892	$ 44,168,445
Underwriting and general grants	16,516,501	-	16,516,501	-	-	16,516,501	16,954,640
Project grants	-	-	-	2,162,682	-	2,162,682	2,477,910
Community service grants	6,243,489	-	6,243,489	-	-	6,243,489	6,178,040
Spectrum auction revenue	-	-	-	-	-	-	95,459,109
Bequests and trusts	4,632,552	-	4,632,552	-	-	4,632,552	4,038,939
Investment income appropriated from endowments	1,741,312	-	1,741,312	1,290,581	-	3,031,893	2,863,119
Other revenue	1,671,217	-	1,671,217	-	-	1,671,217	951,416
Trade and in-kind donations	1,878,295	-	1,878,295	-	-	1,878,295	1,805,226
Net assets released from restrictions	3,776,986	-	3,776,986	(3,776,986)	-	-	-
Total revenues, support and other changes	83,838,244	-	83,838,244	(323,723)	-	83,514,521	174,896,844
Expenses:							
Program services:							
Television:							
Programming and production	11,368,022	4,674,597	16,042,619	-	-	16,042,619	12,119,185
Broadcast services	5,972,893	-	5,972,893	-	-	5,972,893	6,483,398
Radio:							
Programming and production	6,297,367	1,706,859	8,004,226	-	-	8,004,226	6,036,400
Broadcast services	3,001,131	-	3,001,131	-	-	3,001,131	2,654,606
Multiplatform content	13,915,474	1,433,139	15,348,613	-	-	15,348,613	12,651,697
Education network	1,959,036	131,546	2,090,582	-	-	2,090,582	1,099,680
Program promotion	3,867,347	266,309	4,133,656	-	-	4,133,656	3,983,579
Media technology	686,102	162,921	849,023	-	-	849,023	514,810
Digital	2,306,522	176,558	2,483,080	-	-	2,483,080	1,716,161
Total program services	49,373,894	8,551,929	57,925,823	-	-	57,925,823	47,259,516
Support services:							
Fundraising	18,533,518	1,311,476	19,844,994	-	-	19,844,994	18,301,173
General and administrative	11,300,159	1,617,533	12,917,692	-	-	12,917,692	10,389,498
Total support services	29,833,677	2,929,009	32,762,686	-	-	32,762,686	28,690,671
Total expenses	79,207,571	11,480,938	90,688,509	-	-	90,688,509	75,950,187
Change in Net Assets from Operations	4,630,673	(11,480,938)	(6,850,265)	(323,723)	-	(7,173,988)	98,946,657
Permanent Endowment, Charitable Gift Annuities and Trust Contributions	-	-	-	228,184	569,594	797,778	3,428,640
Change in Value - Charitable Gift Annuities and Trusts	-	-	-	104,671	(50,822)	53,849	(1,157,611)
Investment Income on Endowments, Net	3,011,386	-	3,011,386	477,775	-	3,489,161	4,976,780
Campaign 21:							
Revenue and support	-	-	-	4,429,187	-	4,429,187	4,407,459
Net assets released from restrictions	5,866,372	-	5,866,372	(5,866,372)	-	-	-
Program services	(3,922,141)	-	(3,922,141)	-	-	(3,922,141)	(5,328,406)
Support services:							
Fundraising	(1,539,391)	-	(1,539,391)	-	-	(1,539,391)	(713,653)
General and administrative	(530,105)	-	(530,105)	-	-	(530,105)	(556,300)
Change in Net Assets			(3,964,144)	(950,278)	518,772	(4,395,650)	104,003,566
Net Assets, beginning of year			185,089,343	28,097,699	19,268,897	232,455,939	128,452,373
Net Assets, end of year			$ 181,125,199	$ 27,147,421	$ 19,787,669	$ 228,060,289	$ 232,455,939

See accompanying notes to financial statements.

KQED Inc.

Statement of Cash Flows

Year Ended September 30, 2018 and 2017	2018	2017
Operating Activities:		
Change in net assets	$ (4,395,650)	$ 104,003,566
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	4,959,813	5,101,784
Amortization of discount on long-term promises to give	(18,617)	(14,686)
Realized and unrealized net gain on investments	(3,760,296)	(6,120,398)
Bad debt expense and cancelled contracts	158,413	32,202
Loss on disposal of equipment	17,565	603,757
Write off for building transition	11,480,938	-
Permanent endowment contribution	(569,594)	(2,973,004)
Net effect of changes in:		
Receivables	834,699	1,128,766
Prepaid expense and other assets	(256,583)	63,531
Charitable gift annuities and trusts	202,585	1,300,266
Accounts payable, accrued expenses and other liabilities	425,025	554,479
Deferred production and underwriting revenues	(200,980)	(29,345)
Net cash provided by operating activities	8,877,318	103,650,918
Investing Activities:		
Purchases of investments	(13,775,632)	(93,287,462)
Proceeds from sales of investments	8,559,717	7,536,754
Purchases of equipment	(3,566,448)	(4,951,409)
Net cash used in investing activities	(8,782,363)	(90,702,117)
Financing Activities:		
Permanent endowment contribution	89,595	2,973,004
Net cash provided by financing activities	89,595	2,973,004
Change in Cash, Cash Equivalents and Restricted Cash	184,550	15,921,805
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	32,186,597	16,264,792
End of year	$ 32,371,147	$ 32,186,597
Supplemental Data:		
Interest paid	$ 3,716	$ 2,520
Non-Cash Transactions:		
Equipment purchases included in payables at year end	$ 2,188,768	$ 964,179
Permanent endowment receivable	480,000	-

See accompanying notes to financial statements.

KQED Inc.

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies:

a. Organization

KQED Inc. (the "Corporation") is a nonprofit corporation which operates three noncommercial public television stations ("KQED", "KQEH", "KQET") in San Francisco, San Jose and Monterey, and two noncommercial public radio stations ("KQED-FM") in San Francisco and ("KQEI-FM") in North Highlands. The Corporation also distributes its content and services via KQED.org, KQEDNews.org, and KQED Education as well as other digital and mobile media technology.

The Corporation serves the people of Northern California with a community-supported alternative to commercial media. The Corporation's television, radio, digital media and educational services seek to change lives for the better and help individuals and communities achieve their full potential. The Corporation provides citizens with the information they need to make informed decisions, convenes community dialogue, brings the arts to everyone, and engages audiences to share their stories. The Corporation's content and services help students and teachers thrive in 21^{st} century classrooms, and take people of all ages on journeys of exploration, exposing them to new people, places and ideas. The Corporation celebrates diversity, embraces innovation, values lifelong learning, and partners with those who share a commitment to public service.

b. Basis of Presentation

The Corporation's financial statements are presented on the accrual basis of accounting and have been presented showing unrestricted, temporarily restricted, and permanently restricted net assets and are prepared in accordance with accounting principles generally accepted in the United States of America.

c. Unrestricted Restricted Net Assets

Unrestricted net assets are available to support all activities of the Corporation and are not subject to donor imposed stipulations.

d. Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are limited in use by the Corporation in accordance with donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by activities conducted by the Corporation pursuant to those stipulations.

e. Permanently Restricted Net Assets

Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the original donor. The income from these funds is generally available for current use. As of September 30, 2018, permanently restricted net assets include invested endowment funds of $19,195,794, beneficiary interest in a charitable remainder annuity trust of $111,875, and a contribution receivable of $480,000.

f. Cash, Cash Equivalents and Restricted Cash

The Corporation's cash consists of cash on deposit with banks. The Corporation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Restricted cash includes funds restricted by various funders and donors for specific projects and operating periods, as well as deferred obligations for underwriting.

g. Receivables

The Corporation's accounts and contributions receivable consist primarily of amounts due from general members, individual donors and advertising trades. Grants and underwriting receivables consist of amounts due from foundations and corporate sponsors. Receivables are recorded at the present value of the estimated future cash flows. The discounts are computed using risk-adjusted rates applicable in the years in which the commitments are received.

The Corporation uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts is based on historical experience, present market conditions and an evaluation of the outstanding receivables at the end of the year.

The Corporation uses a fulfillment rate to record membership receivables. The fulfillment rate is based on historical experience and is evaluated periodically based on current market conditions.

h. Investments

The Corporation's investments consist of stocks, bonds, mutual funds, certificates of deposit, United States (U.S.) Treasury bills, cash and money market funds, and limited partnerships.

Investments, except for the investments in limited partnerships, are carried at estimated fair value based on quoted market prices. Investments received through gifts and endowments are recorded at estimated fair market value at the date of donation. Unrealized gains and losses resulting from changes in fair value are recognized in the period in which such fluctuations occur. Income is recorded within net asset categories in accordance with donor stipulations.

The Corporation holds significant ownership interests in two limited partnerships and accounts for these investments under the equity method. Under the equity method of accounting, the financial statements of the limited partnerships are not consolidated with the Corporation's financial statements; however, the Corporation's share of the earnings or losses of the limited partnerships are reflected in other revenues in the Statement of Activities and Changes in Net Assets. The Corporation's carrying value of the investments in the limited partnerships are included in investments as reflected in the Statement of Financial Position (see Note 3).

i. Charitable Gift Annuities and Trusts

Charitable gift annuities and trusts are established by gifts that require payments to be made to the donor or the donor's designee(s) from assets of the trust and which name the Corporation as the beneficiary of the assets remaining at the termination of the trust. Charitable gift annuities and trusts are recorded as contribution income at the fair value of the assets in the trust less an annuity reserve. For the years ended September 30, 2018 and 2017, contribution income for charitable gift annuities and trusts were $228,184 and $455,636, respectively. The present value of the estimated payouts under the agreement is computed using actuarial methods and the 2000CM mortality table, with a discount rate of 1.2% to 8.2%, representing the risk-adjusted rate applicable in the year the gift was made, and expected return based on current market conditions. The income is temporarily restricted during the life of the donor unless the donor has permanently restricted the use of the remainder interest. An annual adjustment is made for the actuarial gain or loss on annuity obligations representing differences between assumed and actual experience as to earnings, payouts, and life expectancies used in the computation of the liability for distribution.

As of September 30, 2018 and 2017, future annuity payments due to beneficiaries of charitable gift annuities and trusts totaled $4,222,690 and $4,174,937, respectively, on the accompanying Statement of Financial Position.

Charitable trust assets also include the fair value of the Corporation's remainder interest receivable in certain trusts where the Corporation is not the trustee. The fair value of these trusts is measured based upon the estimated net present value of amounts to be received using investment values reported from the trustees less liabilities to beneficiaries calculated using the valuation technique as described above.

California Insurance Code (the "Code") requires that organizations maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the law requires that 50% of the reserve fund be invested in specified governmental fixed income investments. As of September 30, 2018, the Corporation had sufficient funds in its reserve fund to meet the California Insurance Code requirements and those funds were invested in accordance with the Code.

j. Fair Value Measurements

Fair value is defined as 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.

The Corporation classifies its financial assets and liabilities measured at fair value on a recurring basis (annually) based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Corporation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

k. Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at the estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method based upon estimated useful lives of the assets ranging from 2 to 55 years. The carrying amount of long-lived assets is evaluated periodically to determine if adjustments to the useful life of the undepreciated balance are warranted.

As part of the announced reconstruction of the Corporation's headquarters at 2601 Mariposa Street, San Francisco, CA, assets were identified that would be impaired during the building's demolition and reconstruction. The impairment value of the assets to be disposed is $11,480,938, as noted under the heading of Building Transition within the unrestricted expense portion of the Statement of Activities and Changes in Net Assets.

l. Broadcast Rights

The Corporation purchases and capitalizes broadcast rights for certain programs from the Public Broadcasting Service and other sources. These costs are expensed over the period of expected telecasts or the term of the agreement, whichever is shorter.

m. Revenue Recognition

Contributions and charitable grants are recognized as revenue at fair value when they are received or unconditionally pledged. Membership fees are recognized as unrestricted revenue when committed as they relate to current year's operations. Premium costs offered to members as thank-you gifts or appreciation are recorded as fundraising expenses in the Statement of Activities and Changes in Net Assets and approximated $1,975,000 and $2,308,000 for the years ended September 30, 2018 and 2017, respectively, which includes the value of deminimus premium items.

Corporate underwriting support is recognized as unrestricted revenue when earned based on broadcasting of related acknowledgements. Government grants are recognized when allowable costs have been incurred. Funds received in advance are reported in deferred production and underwriting revenues in the Statement of Financial Position.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Contributions restricted for the purchase of long-lived assets are reported as increases in temporarily restricted net assets when received or unconditionally pledged. The Corporation's policy is to release the capital contributions into unrestricted net assets once the acquired long-lived assets are placed into service.

n. In-Kind Contributions

Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In-kind contributions consist of donated goods. The estimated fair value of these donations approximated \$462,000 and \$228,000 for the years ended September 30, 2018 and 2017, respectively, and is reflected in the accompanying Statement of Activities and Changes in Net Assets. Donated personal services of volunteers are not reflected in the accompanying financial statements because such services do not require the specialized skills stipulated under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, *Accounting for Contributions Received and Contributions Made.* The estimated fair value of such donated volunteer services is based upon standard valuation rates and job classifications and amounted to approximately \$139,000 and \$131,000 for the years ended September 30, 2018 and 2017, respectively.

o. Nonmonetary Transactions

The Corporation has transactions involving the exchange of sponsorship rights for goods and services, including capital assets. These transactions are recorded based on the fair value of the goods and services received. For the years ended September 30, 2018 and 2017, sponsorship barter transactions resulted in the recognition of approximately \$1,416,000 and \$1,567,000, respectively, in revenues and approximately \$1,440,000 and \$1,558,000, respectively, in expenses in the accompanying Statement of Activities and Changes in Net Assets.

p. Campaign 21

There is a transformation in the media industry due to the digital revolution. To compete in this new age, the Corporation has embarked on a multi-year fundraising campaign to generate contributions to create a new infrastructure and reinvent the way the Corporation creates content and convenes community dialogue. As part of this transformation, the Corporation is also embarking upon the renovation of its headquarters. A portion of funds raised through Campaign 21 will be used to assist in this project.

For the years ended September 30, 2018 and 2017, the Corporation received support of approximately $4,429,000 and $4,363,000, respectively.

q. Advertising Expenses

The costs of advertising are expensed as incurred. Advertising expense was $561,823 and $606,541 for the years ended September 30, 2018 and 2017, respectively.

r. Income Taxes

The Corporation is a tax exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California tax code. The Corporation's current accounting policy is to evaluate uncertain tax positions. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Management evaluated the Corporation's tax position and concluded that the Corporation had maintained its tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

s. Functional Expense Allocations

Certain expenses, such as depreciation, contract services and utilities are allocated among program services and supporting services based primarily on equipment usage, space occupied, headcount and on estimates made by the Corporation's management.

t. Concentrations of Credit Risk

Financial instruments which potentially subject the Corporation to credit risk include cash, cash equivalents, restricted cash, investments, and receivables. The Corporation attempts to limit its credit risk associated with cash equivalents and marketable securities by utilizing outside investment managers to place the Corporation's investments with highly rated corporate and financial institutions. The Corporation's receivables result primarily from donor pledges, membership drives and underwriting sponsorships. These receivables are from donors, members and sponsors located primarily in the San Francisco Bay Area. The Corporation routinely assesses the financial strength of these various parties.

One donor comprised 29% of the receivables balance as of September 30, 2018 and 2017.

As of September 30, 2018, the Corporation's cash, cash equivalents and investments were in excess of the federal depository and securities investor protection corporation insurance limits.

u. Collective Bargaining Agreements

The Corporation has two union collective bargaining agreements which cover approximately 31% of its Full-Time, Part-Time and Temporary staff. NABET's (National Association of Broadcast Employees and Technicians) contract expires in October 2021. The contract between SAG-AFTRA (Screen Actors Guild-American Federation of Television and Radio Artists) and KQED-FM expires in September 2022.

The Corporation also has a basic minimum agreement with SAG-AFTRA covering performers appearing on KQED-TV, which expires in December 2019. Additionally, the Corporation is a signatory to the SAG-AFTRA Public Television Agreement which covers performers who appear on television programs distributed nationally. That agreement has expired, and the Public Broadcasting Service (PBS) and producing stations, including the Corporation, are currently in discussions with SAG-AFTRA on a renewal.

v. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

w. Comparative Financial Information

The financial statements include certain summarized comparative information as of and for the year ended September 30, 2017 presented in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended September 30, 2017, from which the summarized financial information was derived.

x. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

y. Recent Accounting Pronouncements

Pronouncements Effective in the Future

In May 2014, the FASB issued ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of 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. The original standard was effective for fiscal years beginning after December 15, 2017; however, in August 2015, the FASB approved a one year deferral of this standard, with a new effective date for fiscal year beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842*). The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The amendments in the update are effective for fiscal years beginning after December 15, 2019 with early application permitted.

In August 2016, the FASB issued ASU 2016-14 – *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 with early application permitted. Amendments should be applied on a retrospective basis in the year the update is first applied.

In November 2016, the FASB issued ASU 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in the update are effective for fiscal years beginning after December 15, 2018 with early application permitted.

In June 2018, the FASB issued ASU 2018-08 – *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The amendments in the update are effective for fiscal years beginning after December 15, 2018 with early application permitted.

In August 2018, the FASB issued ASU 2018-15 – *Intangibles-Goodwill and Other-Internal-Use Software (Topic 350)*. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments in the update are effective for fiscal years beginning after December 15, 2020 with early application permitted.

The Corporation is currently evaluating the impact of these pronouncements on its financial statements.

z. Subsequent Events

The Corporation evaluated subsequent events from September 30, 2018 through December 14, 2018, the date these financial statements were available to be issued. The Corporation concluded that no material subsequent events have occurred since September 30, 2018 that requires recognition or disclosure in such financial statements.

Note 2 - Receivables:

At September 30, 2018, receivables consist of the following:

	Accounts and Contributions Receivable	Grants and Underwriting Receivable	Campaign 21 Receivable	Total
Amounts due in:				
One year or less	$ 3,752,259	$ 2,803,574	$ 1,537,451	$ 8,093,284
Two to three years (net of discount of $17,978)	91,675	-	1,580,356	1,672,031
Less: allowance for doubtful accounts	783	201,447	-	202,230
Total	$ 3,843,151	$ 2,602,127	$ 3,117,807	$ 9,563,085

At September 30, 2017, receivables consist of the following:

	Accounts and Contributions Receivable	Grants and Underwriting Receivable	Campaign 21 Receivable	Total
Amounts due in:				
One year or less	$ 3,169,925	$ 3,265,326	$ 1,601,200	$ 8,036,451
Two to three years (net of discount of $19,302)	-	-	2,218,198	2,218,198
Less: allowance for doubtful accounts	15,004	182,065	-	197,069
Total	$ 3,154,921	$ 3,083,261	$ 3,819,398	$ 10,057,580

Note 3 - Investments:

The Corporation's investments were composed of the following at September 30, 2018:

	Operating	Endowment	Board Designated Endowment	Total
Cash and cash equivalents	$ -	$ 75,407	$ 169,213	$ 244,620
Certificates of deposit	6,239,538	-	-	6,239,538
Mutual funds - equity	-	21,861,307	83,576,459	105,437,766
Mutual funds - bonds	9,146,279	8,839,413	34,074,644	52,060,336
Limited partnership interest	403,238	-	-	403,238
Total	$ 15,789,055	$ 30,776,127	$ 117,820,316	$ 164,385,498

The Corporation's investments were composed of the following at September 30, 2017:

	Operating	Endowment	Board Designated Endowment	Total
Cash and cash equivalents	$ -	$ 124,680	$ 683,342	$ 808,022
Certificates of deposit	6,247,777	-	-	6,247,777
U.S. Treasury bills	-	-	56,213,999	56,213,999
Mutual funds - equity	-	21,483,523	38,011,665	59,495,188
Mutual funds - bonds	9,006,739	8,600,554	15,306,662	32,913,955
Limited partnership interest	200,000	-	-	200,000
Total	$ 15,454,516	$ 30,208,757	$ 110,215,668	$ 155,878,941

Spectrum Auction

As part of the Federal Communications Commission (FCC) spectrum auction conducted during the 2017 fiscal year, the Corporation received a one-time non-recurring cash infusion of $95,459,109. Participation in the auction allowed the Corporation to repurpose underutilized broadcast spectrum, which is much in demand by wireless service providers. This action did not have a material impact upon services or coverage for Bay Area residents as most households receive their television via cable or satellite services and not over airwaves. Digital (as opposed to analog) broadcast technology also supports the ability to relinquish six megahertz of broadcast spectrum without significant impacts to service.

The Corporation's Board of Directors approved the transaction and, acknowledging the historic long-term nature of the assets that generated these proceeds, designated the funds to be invested as follows:

Spectrum Endowment Fund	$ 67,459,109
Building Fund	20,000,000
Reserve Fund	8,000,000
	$ 95,459,109

Investment in Limited Partnership

The Corporation's investments in the limited partnerships are accounted for under the equity method and are adjusted annually for impairment and management fees.

In December 2012, the Corporation entered into a limited partnership agreement with Matter Ventures, LLC to form Matter Ventures SF I, LP. Matter Ventures, LLC is the general partner while the Corporation and the Knight Foundation are founding limited partners, each making a capital commitment to invest $1,250,000 for a 50% ownership interest in the partnership. The purpose of the partnership is to support and invest in media entrepreneurs to build ventures that make society more informed, connected and empowered. As of September 30, 2014, the entire commitment from the Corporation was paid in full. For the year ended September 30, 2017, the Corporation received a distribution from the investment of $66,250. The balance in Matter Ventures SF, I LLP at September 30, 2018 is $0.

In November 2014, the Corporation made a capital commitment to invest $750,000 to Matter Ventures Fund II, LP for a 13.66% ownership interest in the partnership. In December 2017, the Corporation entered into an agreement to increase its capital commitment by $500,000 for and additional 0.24% ownership interest. As of September 30, 2018, the entire $1,250,000 commitment from the Corporation was paid in full. For the year ended September 30, 2018, the Corporation recognized its share of loss from the interest in Matter Ventures Fund, II LP in the amount of $250,000. For the year ended September 30, 2018, the Corporation received a distribution from the investment of $46,762. The balance in Matter Ventures SF, II LLP at September 30, 2018 is $403,238.

The Corporation's endowment and Board designated contributions and net income on investments consist of the following components:

October 1, 2017 – September 30, 2018	**Endowment**	**Board Designated Endowment**	**Total**
Contributions invested	$ 89,595	$ 4,593,262	$ 4,682,857
Interest and dividends	$ 714,976	$ 2,048,774	$ 2,763,750
Realized and unrealized net gain	1,125,082	$ 2,943,139	4,068,221
Service fees	(71,702)	$ (239,215)	(310,917)
Total investment gain	1,768,356	4,752,698	6,521,054
Income appropriated to operations	(1,290,581)	$ (1,741,312)	(3,031,893)
Total investment gain, net	$ 477,775	$ 3,011,386	$ 3,489,161

October 1, 2016 – September 30, 2017	**Endowment**	**Board Designated Endowment**	**Total**
Contributions invested	$ 2,973,004	$ 71,247,042	$ 74,220,046
Interest and dividends	$ 642,474	$ 922,415	$ 1,564,889
Realized and unrealized net gain	2,733,003	3,830,206	6,563,209
Service fees	(120,228)	(167,971)	(288,199)
Total investment gain	3,255,249	4,584,650	7,839,899
Income appropriated to operations	(1,259,336)	(1,603,783)	(2,863,119)
Total investment gain, net	$ 1,995,913	$ 2,980,867	$ 4,976,780

Note 4 - Fair Value of Financial Instruments:

The table below presents the Corporation's assets measured at fair value, by category of risks, at September 30, 2018 on a recurring basis.

	2018		
	Level 1	Level 3	Total
Investments:			
Certificates of deposit	$ 6,239,538	$ -	$ 6,239,538
Mutual funds – equity:			
Domestic large company	38,700,805	-	38,700,805
International large company	21,122,868	-	21,122,868
Domestic small company	11,688,058	-	11,688,058
International small company	3,704,546	-	3,704,546
Emerging markets	8,256,684	-	8,256,684
Real estate investment trusts:			
Domestic	14,616,866	-	14,616,866
International	7,347,939	-	7,347,939
Mutual funds – bonds:			
Domestic	44,388,787	-	44,388,787
International	7,671,549	-	7,671,549
Subtotal investments	$ 163,737,640	$ -	163,737,640
Cash and cash equivalents			244,620
Total			$ 163,982,260
Deferred Compensation Investments:			
Certificates of deposit	$ 279,071	$ -	$ 279,071
Mutual funds – equity:			
Domestic large company	1,068,452	-	1,068,452
Domestic medium company	65,001	-	65,001
Domestic small company	85,319	-	85,319
International large company	108,334	-	108,334
Real estate	19,737	-	19,737
Mutual funds – bonds:			
Domestic	310,153	-	310,153
Exchange traded funds:			
Domestic large company	43,250	-	43,250
Domestic small company	74,006	-	74,006
International large company	46,728	-	46,728
International real estate	23,906	-	23,906
Emerging markets	17,671	-	17,671
Stocks – domestic	15,694	-	15,694
Subtotal deferred compensation investments	$ 2,157,322	$ -	2,157,322
Cash and cash equivalents			214,011
Total			$ 2,371,333

	2018		
	Level 1	Level 3	Total
Charitable gift annuities and trusts:			
U.S. Treasury notes	$ 1,272,022	$ -	$ 1,272,022
Mutual funds – equity:			
Domestic large company	1,809,462	-	1,809,462
International large company	951,207	-	951,207
Domestic small company	402,439	-	402,439
International small company	142,780	-	142,780
Emerging markets	352,934	-	352,934
Real estate investment trusts:			
Domestic	753,038	-	753,038
International	382,007	-	382,007
Mutual funds – bonds:			
Domestic	913,386	-	913,386
International	524,106	-	524,106
Split interest investment (non-trustee)	-	488,131	488,131
Subtotal charitable gift annuities and trusts investments	$ 7,503,381	$ 488,131	7,991,512
Cash and cash equivalents			190,159
Total			$ 8,181,671

The table below presents Corporation's assets measured at fair value, by category of risks, at September 30, 2017 on a recurring basis.

	2017		
	Level 1	Level 3	Total
Investments:			
Certificates of deposit	$ 6,247,777	$ -	$ 6,247,777
U.S. Treasury bills	56,213,999	-	56,213,999
Mutual funds – equity:			
Domestic large company	23,540,221	-	23,540,221
International large company	11,704,848	-	11,704,848
Domestic small company	6,871,326	-	6,871,326
International small company	2,098,154	-	2,098,154
Emerging markets	4,544,884	-	4,544,884
Real estate investment trusts:			
Domestic	6,602,882	-	6,602,882
International	4,132,873	-	4,132,873
Mutual funds – bonds:			
Domestic	28,621,501	-	28,621,501
International	4,292,454	-	4,292,454
Subtotal investments	$ 154,870,919	$ -	154,870,919
Cash and cash equivalents			808,022
Total			$ 155,678,941

	2017		
	Level 1	Level 3	Total
Deferred Compensation Investments:			
Certificates of deposit	$ 199,945	$ -	$ 199,945
Mutual funds – equity:			
Domestic large company	866,283	-	866,283
Domestic medium company	47,277	-	47,277
Domestic small company	56,289	-	56,289
International large company	95,083	-	95,083
Real estate	19,125	-	19,125
Mutual funds – bonds:			
Domestic	290,833	-	290,833
Exchange traded funds:			
Domestic large company	36,622	-	36,622
Domestic small company	64,000	-	64,000
International large company	49,140	-	49,140
International real estate	23,988	-	23,988
Emerging markets	28,538	-	28,538
Stocks – domestic	11,012	-	11,012
Subtotal deferred compensation investments	$ 1,788,135	$ -	1,788,135
Cash and cash equivalents			249,155
Total			$ 2,037,290
Charitable gift annuities and trusts:			
U.S. Treasury notes	$ 1,139,178	$ -	$ 1,139,178
Mutual funds – equity:			
Domestic large company	1,916,538	-	1,916,538
International large company	913,996	-	913,996
Domestic small company	410,313	-	410,313
International small company	144,117	-	144,117
Emerging markets	333,401	-	333,401
Real estate investment trusts:			
Domestic	581,548	-	581,548
International	369,064	-	369,064
Mutual funds – bonds:			
Domestic	942,152	-	942,152
International	493,901	-	493,901
Split interest investment (non-trustee)	-	481,297	481,297
Subtotal charitable gift annuities and trusts investments	$ 7,244,208	$ 481,297	7,725,505
Cash and cash equivalents			189,097
Total			$ 7,914,602

The following is a rollforward of the Level 3 assets:

	Split-interest investment (non-trustee)
Fair value at September 30, 2016	$ 1,943,691
Change in value	(1,462,394)
Fair value at September 30, 2017	$ 481,297
Change in value	6,834
Fair value at September 30, 2018	$ 488,131

Other financial instruments

Financial instruments, which are included in the Corporation's Statement of Financial Position as of September 30, 2018 but not required to be measured at fair value, consist of cash and cash equivalents, receivables, accounts payable, and liabilities to beneficiaries of charitable gift annuities and trusts. Their carrying amounts, including the present value of future cash flows, represent a reasonable estimate of the corresponding fair values.

Note 5 - Intangible Assets:

In May 2003, the Corporation acquired the assets of KQEI-FM Radio in North Highlands California for $3,196,568 which included $64,770 of radio station equipment. The acquisition was accounted for under the purchase method. The purchase price was allocated $2,966,362 to the broadcast license and $165,436 to acquisition costs. The broadcast license and acquisition costs are reflected as intangible assets on the accompanying Statement of Financial Position and are being amortized over the estimated useful life of 40 years. The accumulated amortization at September 30, 2018 and 2017 was $1,207,046 and $1,128,751, respectively. The radio station equipment is included in property and equipment on the accompanying Statement of Financial Position.

In October 2006, the Corporation acquired the assets of KTEH Foundation in San Jose which included a license fee for $300,000 which is being amortized over the estimated useful life of 40 years. The accumulated amortization at September 30, 2018 and 2017 was $138,750 and $131,250, respectively.

The Corporation reviewed intangible assets and determined that the estimated useful lives of 40 years used are appropriate as of September 30, 2018.

The following is a schedule of expected amortization expense for the succeeding five years and thereafter:

September 30,	
2019	$ 85,795
2020	85,795
2021	85,795
2022	85,795
2023	85,795
Thereafter	1,657,027
Total	$ 2,086,002

Note 6 - Property and Equipment:

Property and equipment at September 30, consisted of the following:

	2018	2017
Land	$ 1,269,691	$ 1,269,691
Building and improvements	36,232,773	35,851,128
Furniture, fixtures, office equipment and vehicles	10,625,176	9,708,066
TV station equipment	32,589,978	31,166,817
Radio station equipment	7,267,181	7,208,614
Multiplatform equipment	1,944,396	1,944,396
Less accumulated depreciation	(65,677,909)	(49,883,235)
Total	24,251,286	37,265,477
Construction in progress	1,432,706	-
Property and equipment, net	$ 25,683,992	$ 37,265,477

The Corporation reduced the useful lives of several assets from 55 to 27 years due to the announced reconstruction of the Corporation's headquarters. This resulted in a write off for building transition as follows:

Building and improvements	$	19,584,339
Furniture, fixtures, office equipment and vehicles		139,153
TV station equipment		4,062,080
Radio station equipment		336,937
Total		24,122,509
Accumulated depreciation		(12,641,571)
Total write off for building transition	$	11,480,938

Depreciation expense was $16,354,957 (which includes the write off for building transition of $11,480,938) and $5,015,990 for the years ended September 30, 2018 and 2017, respectively.

Note 7 - Irrevocable Standby Letter of Credit:

The Corporation has signed a sublease for temporary office space. Under the terms of this lease, the Corporation provided the sublessor an irrevocable standby letter of credit in the amount of $241,140 as a security deposit.

Note 8 - Board Designated Net Assets:

Board designated net asset balances were available for the following as of September 30:

		2018		2017
Board designated endowment	$	47,989,873	$	42,223,924
Spectrum endowment		69,830,443		67,991,744
Spectrum reserve fund		7,807,568		8,114,342
Building fund		19,612,285		20,017,645
Total	$	145,240,169	$	138,347,655

Note 9 - Temporarily Restricted Net Assets and Releases:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended September 30:

	2018	2017
Campaign 21	$ 5,866,372	$ 6,640,921
Underwrite specific productions or areas of programming	2,423,688	1,795,961
Endowment earnings appropriated	1,290,581	1,259,336
Planned gifts	62,717	120,705
Total	$ 9,643,358	$ 9,816,923

Temporarily restricted net asset balances were available for the following as of September 30:

	2018	2017
Campaign 21 (restricted for purpose and time)	$ 10,357,621	$ 11,794,806
Endowment earnings not yet spent (restricted for purpose and time)	11,580,333	11,102,557
Planned gifts (restricted for time)	3,847,105	3,576,967
Underwrite specific productions or areas of programming (restricted for purpose and time)	1,362,362	1,623,369
Total	$ 27,147,421	$ 28,097,699

Note 10 - Endowments:

The Corporation's endowments consist of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Donor-restricted endowment funds are restricted to investment in perpetuity, the income from which is expendable in accordance with donor stipulations, to support programmatic or general activities of the Corporation. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Corporation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, (7) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Corporation to retain as a fund of perpetual duration. No such deficiencies existed as of September 30, 2018 and 2017.

Return Objectives and Risk Parameters

The Corporation's primary long-term management objective is to preserve the inflation adjusted purchasing power of Endowment funds, while providing an available, stable, and constant stream of earnings to help meet the Corporation's spending needs.

Strategies Employed for Achieving Objectives

The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Spending Rule Amount is defined as the annual amount appropriated by the Board of Directors for inclusion in the subsequent year's budget. The withdrawals may not exceed 5% of the Endowment's market value averaged over the prior 12 quarters calculated as of June 30 each year. If this amount would cause the Corporation Permanent Endowment's value to fall below its original gift value level, then the annual Spending Rule Amount to be included in the subsequent fiscal year's budget is limited to the amount in excess of the original gift value.

If the annual Spending Rule Amount becomes limited as so described, this may be considered a "financial emergency" for purposes of making supplemental payouts from the Board-Designated Endowment. If such a financial emergency is determined by the Board of Directors, the Corporation may spend additional amounts from the Board-Designated Endowment up to the entire principal balance in the Board-Designated Endowment.

Endowment funds as of September 30, 2018 are as follows:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 11,580,333	$ 19,195,794	$ 30,776,127
Board-designated fund	47,989,873	-	-	47,989,873
Spectrum Auction endowment fund	69,830,443	-	-	69,830,443
Total endowment funds	$ 117,820,316	$ 11,580,333	$ 19,195,794	$ 148,596,443

The Spectrum Auction endowment fund was established with the intent that the spectrum auction proceeds be maintained to benefit the community and the Corporation over the long term.

The permanently restricted endowments funds exclude receivables of $591,875 and $162,698 as of September 30, 2018 and 2017, respectively.

Endowment activity by net asset classification as of September 30, 2018:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 110,215,668	$ 11,102,558	$ 19,106,199	$ 140,424,425
Investment return:				
Interest and dividends	2,048,774	714,976	-	2,763,750
Realized and unrealized net gain	2,703,924	1,053,380	-	3,757,304
Total investment gain (see Note 3)	4,752,698	1,768,356	-	6,521,054
Contributions	4,593,262	-	89,595	4,682,857
Appropriation of endowment assets for expenditure	(1,741,312)	(1,290,581)	-	(3,031,893)
Endowment net assets, end of year	$ 117,820,316	$ 11,580,333	$ 19,195,794	$ 148,596,443

Endowment activity by net asset classification as of September 30, 2017:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 35,987,759	$ 9,106,645	$ 16,133,195	$ 61,227,599
Investment return:				
Interest and dividends	922,415	642,474	-	1,564,889
Realized and unrealized net gain	3,662,235	2,612,775	-	6,275,010
Total investment gain (see Note 3)	4,584,650	3,255,249	-	7,839,899
Contributions	71,247,042	-	2,973,004	74,220,046
Appropriation of endowment assets for expenditure	(1,603,783)	(1,259,336)	-	(2,863,119)
Endowment net assets, end of year	$ 110,215,668	$ 11,102,558	$ 19,106,199	$ 140,424,425

Note 11 - Campaign 21:

Campaign 21 assets included in the Statement of Financial Position consist of the following:

	2018	2017
Restricted cash	$ 7,239,814	$ 7,975,408
Receivables, net	3,117,807	3,819,398
Total Campaign 21 assets	$ 10,357,621	$ 11,794,806

Campaign 21 program services comprised of expenses for the following programs for the years ended September 30:

	2018	2017
Multiplatform content	$ 2,082,431	$ 2,166,887
Education	1,110,250	1,875,698
Innovation lab	190,756	410,767
Media technology	538,704	875,054
Total Campaign 21 program services expense	$ 3,922,141	$ 5,328,406

Note 12 - Commitments and Contingencies:

Leases

The Corporation leases real estate property in connection with their operation of noncommercial public television and radio stations. The following is a schedule of future minimum lease payments required under non-cancelable operating leases as of September 30, 2018:

September 30,	
2019	$ 2,196,690
2020	3,834,738
2021	3,759,065
2022	1,127,465
2023	664,607
Thereafter	801,145
Total minimum rental payments	$ 12,383,710

The minimum lease payments do not include future cost of living escalations and pro rata property tax allocations, which are required for certain of the leases. Total rent expense, including month-to-month leases, was $1,299,842 and $1,321,634 for the years ended September 30, 2018 and 2017, respectively.

Other Commitments and Contingencies

As of September 30, 2018, the Corporation has contractual commitments of approximately $6,600,000 related to construction contracts for the renovation of its headquarters.

The Corporation is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's financial position or its change in net assets.

Note 13 - Retirement Plans:

The 403(b) tax sheltered annuity plan is funded by employee contributions and the employer's matching share amount. The employer matching share amount is 5.5%. Contribution costs, funded currently, were approximately $1,527,715 and $1,427,744 for the years ended September 30, 2018 and 2017, respectively.

The Corporation has deferred compensation plans primarily for the purpose of providing deferred compensation for a select group of employees to accumulate retirement assets. The assets of the plans are under general control and available to general creditors of the Corporation and are included in the Statement of Financial Position.

The 457(b) plan enables participants to defer income on a pre-tax basis and is not matched with contributions from the Corporation. For the years ended September 30, 2018 and 2017, approximately $137,000 and $105,000, respectively has been deferred based on elections made by the participants to the 457(b) plan.

The 457(f) deferred compensation plan is funded by employer contributions. The contribution to the 457(f) plan was approximately $80,000 in each of the years ended September 30, 2018 and 2017.

The total market value of 457(b) and 457(f) investments and the related deferred compensation obligations to employees included in the Statement of Financial Position at September 30, 2018 and 2017 were approximately $2,371,000 and $2,037,000, respectively.

Note 14 - Related Party Transactions:

The Corporation has transactions, in the normal course of business, where directors and employees make contributions to the Corporation. For the years ended September 30, 2018 and 2017, those contributions were approximately $2,409,000 and $1,552,000, respectively. As of September 30, 2018 and 2017, the balance due from related parties was approximately $898,000 and $26,000, respectively.