RGV Educational Broadcasting, Inc.

Audited Financial Statements
and
Independent Auditors' Report

As of and for the Years Ended
June 30, 2012 and 2011

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Independent Auditors' Report

To the Board of Directors
RGV Educational Broadcasting, Inc.

We have audited the accompanying statements of financial position of RGV Educational Broadcasting, Inc. (a not-for-profit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RGV Educational Broadcasting, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the Organization has negative working capital of approximately $1.1 million and a limited ability to liquidate assets. As described more fully in Notes 5, 8 and 13 to the financial statements, the Organization is delinquent on its note and accounts payable to the Catholic Diocese of Brownsville and continues to incur additional liabilities. These factors, as well as the conditions that the Organization faces regarding the uncertainty of future revenue sources, the general weak economic conditions, changes in the Corporation for Public Broadcasting's Community Service Grant Policy in terms of funding requirements, and other operational concerns create uncertainties about the Organization's viability. The financial statements do not include any adjustments related to the factors above.

(continued)

The Organization's current management was initially focused on addressing and correcting past compliance, financial and technical issues. Subsequently, management's focus is on areas of potential revenue growth. The Organization has upgraded its tower, digital equipment and signal strength to improve coverage and enhance value. The Organization now has the ability to lease a portion of its frequency spectrum and has launched a new television station. The Catholic Diocese of Brownsville has agreed to fund the Organization operationally, financially and otherwise so as to maintain the Organization as a going concern. Management's plans are subject to change depending on the outcome of the above.

Kirkland, Thomas, Watson & Dyches, LLC

December 7, 2012
Columbia, South Carolina

(concluded)

RGV Educational Broadcasting, Inc.
Statements of Financial Position
As of June 30,

	2012	2011
Assets		
Current Assets:		
Cash	$ 92,495	$ 176,232
Accounts and pledges receivable, net	57,377	59,787
Prepaid expenses	5,784	29,101
Total current assets	155,656	265,120
Broadcasting licenses	177,481	177,481
Property and equipment, net	2,820,695	2,823,830
Total Assets	$ 3,153,832	$ 3,266,431
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 970,501	$ 699,014
Notes payable, current portion	203,960	625,286
Accrued expenses	31,023	30,137
Deferred revenues	11,488	-
Total current liabilities	1,216,972	1,354,437
Notes payable, long-term less current portion	404,849	22,412
Total Liabilities	1,621,821	1,376,849
Net assets:		
Unrestricted	1,504,132	1,872,603
Temporarily restricted	27,879	16,979
Total net assets	1,532,011	1,889,582
Total Liabilities and Net Assets	$ 3,153,832	$ 3,266,431

See accompanying notes and independent auditors' report

RGV Educational Broadcasting, Inc.
Statement of Activities
For the Year Ended June 30, 2012
with Comparative Totals for 2011

	2012			
	Unrestricted	Temporarily Restricted	Total	**2011**
Revenues and support:				
Grants and projects	$ 976,632	$ -	$ 976,632	$ 967,098
Membership contributions, net	188,786	10,900	199,686	108,090
Program underwriting	95,089	-	95,089	103,009
Production	194,056	-	194,056	147,792
Trade-out and in-kind	28,821	-	28,821	7,320
Special events	6,906	-	6,906	-
Rent	52,498	-	52,498	58,249
Interest	2,220	-	2,220	24
Insurance proceeds	46,479	-	46,479	-
Miscellaneous	3,761	-	3,761	3,713
Total revenues and support	1,595,248	10,900	1,606,148	1,395,295
Functional expenses:				
Program services	1,441,594	-	1,441,594	1,390,857
Fundraising	94,335	-	94,335	109,714
Supporting services:				
Management and general	427,790	-	427,790	406,711
Total functional expenses	1,963,719	-	1,963,719	1,907,282
Changes in net assets	(368,471)	10,900	(357,571)	(511,987)
Net assets, beginning of year	1,872,603	16,979	1,889,582	2,401,569
Net assets, end of year	$ 1,504,132	$ 27,879	$ 1,532,011	$ 1,889,582

See accompanying notes and independent auditors' report

RGV Educational Broadcasting, Inc.
Statement of Functional Expenses
for the Year Ended June 30, 2012 with Comparative Totals for 2011

	2012							2011
	Program Services							
	TV Program Services	FM Program Services	Broadcasting	Total Program Services	Fundraising	Management and General	Total	Total
Salaries, payroll taxes and employee benefits	$ 180,787	$ -	$ 208,555	$ 389,342	$ 55,191	$ 110,670	$ 555,203	$ 530,830
Program rental	423,405	70,881	11,528	505,814	-	-	505,814	489,595
Depreciation	-	-	342,837	342,837	-	18,553	361,390	345,158
Professional services	599	-	29,946	30,545	14,314	169,361	214,220	152,486
Utilities	-	-	77,169	77,169	-	-	77,169	76,473
Building, equipment and land rental	5,376	-	50,224	55,600	2,505	4,218	62,323	80
Insurance	-	-	-	-	-	53,231	53,231	57,448
General supplies	2,846	722	736	4,304	3,777	14,095	22,176	36,052
Auto and travel	6,178	-	1,425	7,603	3,319	8,794	19,716	31,862
Interest	-	-	-	-	-	18,091	18,091	24,017
Repairs and maintenance	-	-	17,456	17,456	-	-	17,456	68,052
Telephone	-	-	942	942	-	12,667	13,609	15,720
Printing and publications	220	44	253	517	10,353	1,198	12,068	3,289
Bad debts	-	-	-	-	2,750	4,972	7,722	14,294
Program services	7,618	-	-	7,618	-	-	7,618	-
Program supplies	-	-	-	-	-	5,118	5,118	-
Postage and shipping	367	-	1,241	1,608	2,030	650	4,288	5,849
Membership dues and subscriptions	213	26	-	239	96	3,696	4,031	4,544
Bank and other fees	-	-	-	-	-	2,476	2,476	1,995
Advertising	-	-	-	-	-	-	-	1,382
Loss on disposal	-	-	-	-	-	-	-	48,156
Total	$ 627,609	$ 71,673	$ 742,312	$ 1,441,594	$ 94,335	$ 427,790	$ 1,963,719	$ 1,907,282

See accompanying notes and independent auditors' report

RGV Educational Broadcasting, Inc.
Statements of Cash Flows
For the Years Ended June 30,

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	$ (357,571)	$ (511,987)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	361,390	345,158
Grant proceeds for capital expenditures	(29,409)	-
Bad debts	7,722	14,294
Loss on disposal of equipment	-	48,156
Decrease (increase) in operating assets:		
Accounts receivable and pledges receivable	(5,312)	(45,187)
Prepaid expenses	23,317	(28,707)
Increase (decrease) in operating liabilities:		
Accounts payable	271,487	97,057
Accrued expenses	886	(16,842)
Deferred revenues	11,488	(1,230)
Net Cash Provided (Used) by Operating Activities	283,998	(99,288)
Cash Flows From Investing Activities		
Purchases of property and equipment	(328,846)	(6,714)
Net Cash Used by Investing Activities	(328,846)	(6,714)
Cash Flows From Financing Activities		
Proceeds from notes payable	130,000	-
Repayments on notes payable	(168,889)	(51,623)
Net Cash Used by Financing Activities	(38,889)	(51,623)
Net decrease in cash	(83,737)	(157,625)
Cash, beginning of the year	176,232	333,857
Cash, end of the year	$ 92,495	$ 176,232
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 15,196	$ 30,735

See accompanying notes and independent auditors' report

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

RGV Educational Broadcasting, Inc. (the "Organization") is a not-for-profit entity, founded in 1983 in Brownsville, Texas, under the auspices of the Catholic Diocese of Brownsville (the "Diocese") to serve the communities of the Rio Grande Valley with educational TV and radio programming. The Bishop or the Administrator of the Diocese has certain control over the Organization; and the Organization is, in part, economically dependent on the Diocese. Also see Notes 5 and 8 regarding amounts owed to the Diocese and Note 13 regarding going concern considerations. The Organization operates a public television station (KMBH-TV) and two public radio stations (KMBH FM and KHID FM).

The Organization receives a significant amount of its funding from state and federal governments and agencies, including the Corporation for Public Broadcasting ("CPB"). Reductions in such support have and could have a significant effect on the Organization's activities and financial position.

A summary of the Organization's significant accounting policies follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, prepaid assets, payables and other liabilities. Revenues and support are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

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

> *Unrestricted net assets* are those currently available for use in the Organization's operations including substantially all resources invested in equipment.
>
> *Temporarily restricted net assets* are those that are stipulated by the donor for any specific purposes or time periods. When a donor restriction is met or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. Temporarily restricted net assets as of June 30, 2012 consisted of capital campaign funds to replace the damaged broadcast tower (see Note 10).

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Permanently restricted net assets represent resources that are restricted in perpetuity. Generally, the income generated by these resources is expendable in accordance with the conditions of each specific donation. The Organization had no permanently restricted net assets in the accompanying financial statements.

Support and Revenue Recognition

Contributions including unconditional promises to give are recognized as revenue when the pledge is received. Grants for specific projects and activities are recognized as revenue when expended. Revenues from lease agreements, other rentals, services and underwriting contracts are recognized in the period earned or stipulated in the agreement(s). In-kind contributions, which may include securities, advertising, programming and supplies, are recorded at estimated fair value at the date of donation.

Donated services are recognized when they create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not donated.

Accounts and Pledges Receivable

Accounts and pledges receivable consists principally of membership subscriptions, certain grants receivable, underwriting and other pledges and miscellaneous receivables. They are carried at original amounts billed, less an estimate for doubtful receivables based on periodic review by management. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to certain types of receivables, primarily membership subscriptions. Receivables are written off when deemed uncollectible. Recoveries of amounts previously written off are recorded when received.

Broadcast Licenses

Capitalized broadcast licenses consist of costs incurred in obtaining the initial broadcasting licenses for the television and radio stations and are periodically evaluated for impairment.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the approximate estimated fair value at the date of donation. The Organization capitalizes all property and equipment costing $2,500 or more. Repairs and maintenance which do not extend the useful life of an asset are expensed as incurred. Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the assets as follow:

Buildings and improvements	7 - 50 years
Towers and improvements	15 - 30 years
Transmitting equipment	1 - 15 years
Vehicles	7 years
Studio equipment	5 years
Office furniture and equipment	5 years

Property and equipment are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred Revenue

Deferred revenue consists primarily of advance rental payments and the unearned portions of education and program revenue.

Donated Services

Under generally accepted accounting principles, contributed services must require specialized skills (i.e., services provided by professionals such as attorneys, accountants, nurses, etc.) that the Organization would otherwise need to purchase.

Additionally, for the purpose of obtaining the CPB Community Service Grant, public television stations are required by CPB to include as income those contributed goods, rent and services which are utilized in the operation of the Organization and for which the Organization would normally pay. These in-kind contributions are recorded as income and expense, or capitalized as appropriate, at their fair market value and meet the criteria for recognition under generally accepted accounting principles.

Membership Contributions

Membership contributions are presented in the accompanying Statement of Activities net of premiums totaling approximately $7,200 and $2,100 for the years ended June 30, 2012 and 2011, respectively.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

In-Kind Contributions

In-kind contributions of property and equipment, programming, and supplies, if material, are recorded at estimated fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from incomes taxes under Section 501(c)(3) of the Internal Revenue Code but is required to pay taxes on unrelated business income, if any, at statutory rates. The Organization had no tax liability on unrelated business income during the year ended June 30, 2012. The Organization follows the guidance for the accounting for uncertainty in income taxes. Under this guidance, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Organization has filed for and received income tax exemptions. The Organization files Form 990, and the Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. Such returns for the tax years ended June 30, 2009 through 2012 remain open to potential examination by taxing authorities.

Advertising Costs

The Organization expenses advertising costs as incurred.

Concentration of Credit Risk

The Organization maintains its cash accounts with a commercial bank. The cash accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to the FDIC insurance limit.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

The Organization does not require collateral or other security on accounts receivable. The Organization controls credit risk on these accounts through credit limitation and monitoring procedures.

The Organization received approximately 46% and 54% of its total revenue from CPB during the fiscal years ended June 30, 2012 and 2011, respectively.

Concentrations of credit risk with respect to pledges receivable are limited due to the number of contributors comprising the Organization's contributor base and their dispersion across different industries and sources of revenue.

Recent Accounting Pronouncements

Accounting for Leases - The existing accounting models for leases require lessees to classify their leases as either capital leases or operating leases. The Financial Accounting Standards Board ("FASB") has initiated a project to develop a new approach to lease accounting that would ensure that assets and liabilities arising under leases are recognized in the Statements of Financial Position. Management is not able to determine the impact of the proposed changes in accounting for leases due to the proposed changes remaining in exposure draft form as of December 7, 2012.

Subsequent Events

Subsequent events have been evaluated through December 7, 2012, which was the date the financial statements were available to be issued.

Note 2 - Accounts and Pledges Receivable

Accounts receivable as of June 30, 2012 and 2011, are summarized as follows:

	2012	2011
Underwriting	$ 56,488	$ 56,398
Tower rentals	-	5,500
Memberships	10,555	10,556
Total	67,043	72,454
Less: allowance for doubtful accounts	(9,666)	(12,667)
Accounts receivable, net	$ 57,377	$ 59,787

Note 2 - Accounts Receivable (continued)

The change in the allowance for doubtful accounts primarily reflects the funding of the allowance to offset the reported bad debts.

Receivables as of June 30, 2012 are comprised of approximately $48,800 currently receivable and approximately $8,600 representing receivables over thirty days.

Note 3 - Property and Equipment

Property, equipment, and accumulated depreciation as of June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Buildings and improvements	$ 507,092	$ 485,778
Towers and improvements	1,322,791	1,250,594
Transmitting equipment	4,162,735	3,998,747
Studio equipment	1,032,827	994,072
Office furniture and equipment	124,132	120,081
Vehicles	32,727	32,727
Land	136,299	136,349
	7,318,603	7,018,348
Less: accumulated depreciation	(4,555,908)	(4,194,518)
	2,762,695	2,823,830
Construction in progress	58,000	-
Property and equipment, net	$ 2,820,695	$ 2,823,830

The Organization entered into a contract in June 2012 for the construction of a replacement tower for the damaged tower (see Note 10). The construction contract totaled $116,179. The Organization made an initial payment of $58,000 in June 2012 presented above as construction in progress. The Diocese paid $46,479 of that payment, which were insurance proceeds.

The U.S. Department of Commerce retains a priority reversionary interest in all equipment acquired under Federal grant award projects. This reversionary interest extends from the initial receipt of the equipment through a ten-year period following completion of the related project. The net book value of these assets was approximately $705,000 as of June 30, 2012.

Note 4 - Fair Value Measurement

FASB's *Accounting Standards Codification* ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to fair value measurement.

There were no Levels 1-3 of the fair value hierarchy requiring further disclosure.

The carrying amounts for receivables, prepaid expenses, accounts payable, notes payable and accrued expenses approximate fair value because of the nature and terms of these assets and liabilities.

Fair value amounts are subject to significant fluctuations given the market environment.

Note 5 - Notes Payable

The Organization obtained a $700,000 term note payable from a financial institution in 2007 and $484,828 was outstanding as of June 30, 2011. In May 2012 the Organization refinanced this note. The note is secured by essentially all of the Organization's assets and is guaranteed by the Diocese. The note requires monthly payments of $3,889 plus interest at a variable rate based upon the prime rate as published in *The Wall Street Journal* (3.25% as of June 30, 2012).

The Organization obtained a $300,000 note payable from the Diocese in 2009 and $162,870 was outstanding as of June 30, 2011. The note is payable in monthly payments of $5,661 including interest at a fixed rate of 5.00%. The remaining principal and accrued interest are due at maturity, October 2012. The Organization is delinquent on payments of principal and interest. The Diocese has not demanded payment (also see Notes 8 and 13).

Note 5 - Notes Payable (continued)

The Organization entered into an additional note payable from the Diocese for $133,000 in November 2011 with interest at a fixed rate of 5%. The note and accrued interest were fully repaid in April 2012.

Principal payments due on notes payable as of June 30, 2012 are as follows:

Fiscal Years Ending June 30,	Financial Institution	Diocese	Total
2013	$ 41,095	$ 162,865	$ 203,960
2014	35,000		35,000
2015	36,064	-	36,064
2016	37,162	-	37,162
2017	296,623	-	296,623
Total	445,944	162,865	608,809
Less: current maturities	(41,095)	(162,865)	(203,960)
Notes payable, long-term	$ 404,849	$ -	$ 404,849

Note 6 - Operating Leases Commitments

The Organization entered into a lease agreement in September 2010 for the use of a radio broadcast tower facility as a temporary replacement for a destroyed tower (see Note 10 below). The tower facility lease agreement had an initial term of one year and is renewable for three additional one-year periods. Lease terms for the initial year were $12,000 for an annual license fee and $500 for a site inspection fee. These amounts increase five percent each year under the renewal terms. The Organization is required to, among other things, maintain a prescribed amount of insurance and pay related taxes. Additionally, the Organization leases office equipment such as a copier.

The Organization leases broadcasting tower space to other nonaffiliated entities under lease agreements with original terms ranging from one to five years. Certain lease agreements have renewal options. Revenues from these leases totaled $58,249 and $66,901 for the years ended June 30, 2012 and 2011, respectively.

Note 6 - Operating Lease Commitments (continued)

Future minimum revenues on these leases are approximately as follows for the fiscal years ending June 30:

Fiscal Year		
2013	$	35,400
2014		31,900
2015		10,400
Total	$	77,700

Note 7 - Financial Instruments

The cash balance in the accompanying Statements of Financial Position includes $27,879 as of June 30, 2012 restricted to replace the damaged broadcast tower (also see Note 10) and anticipated to be expended in the next fiscal year.

Note 8 - Related Parties

The Organization participates in health care, casualty and liability plans via the Diocese and the Catholic Mutual Insurance Company. In fiscal years ended June 30, 2012 and 2011, the Diocese assessed the Organization approximately $68,000 and $74,500 for health care and $45,000 and $46,900 for other insurance coverage, respectively. Accounts payable as of June 30, 2012 and 2011 included approximately $781,000 and $663,000, respectively, owed to the Diocese. The amounts owed the Diocese are past due. The Diocese has not demanded payment and represents that the Diocese will continue providing the Organization insurance coverage.

The Diocese grants the Organization funds for general operations. The Organization received approximately $200,000 and $215,000 in such grant funds for the years ended June 30, 2012 and 2011, respectively (also see Notes 5, 9 and 13).

Note 9 - Employee Benefit Plan

The Diocese established a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code for all related entities beginning in 2000. All full-time employees are eligible to participate. Participants can contribute the maximum amount under the limits set by the applicable Internal Revenue Code. Vesting begins after the first year of participation and participants are fully vested after five years. The Organization contributed approximately $11,800 and $10,900 to the annuity plan for the years ended June 30, 2012 and 2011, respectively.

Note 10 - Tower Incident

In early July 2010, a hurricane destroyed one of the Organization's radio broadcasting towers. The tower had a net book value of $5,368 and this amount was charged to expense in fiscal year ended June 30, 2010 as an impairment. An appraisal of the damages to the radio tower declared the tower to be a total loss and replacement is estimated to cost over $100,000. The Organization's insurance coverage was limited to approximately $33,000. The Organization received $46,479 in insurance proceeds.

The accompanying Statements of Financial Position do not include any accrued liabilities for costs to erect a replacement tower. Management entered into a lease agreement for a tower facility in September 2010 (see Note 6).

Management implemented a campaign in mid-fiscal year ended June 30, 2011 to obtain donations to be used in the replacement of the destroyed radio tower.

Note 11 - Commitments

The Organization entered into a contract with the National Educational Telecommunications Association ("NETA") in September 2010 whereby NETA will provide the Organization certain accounting and consulting services over a three-year period for an annual fee of $47,000.

Note 12 - Risks and Uncertainties

The Organization is exposed to various risks of loss arising from litigation and claims in the normal course of business. The Organization maintains insurance coverage to provide for risks of loss.

Note 13 - Going Concern Considerations

As indicated in the accompanying financial statements, the Organization has a negative working capital of approximately $1.1 million. The Organization has limited liquidity due to a substantial amount of its assets being property and equipment or broadcasting licenses. The Organization is past due in paying its liabilities to the Diocese and continues to incur additional liabilities. These factors, as well as, the uncertain conditions that the Organization faces regarding future revenue sources, the general weak economic conditions, changes in CPB's Community Service Grant Policy in terms of funding requirements, and other operational concerns, create uncertainties about the Organization's viability.

The Organization's current management, installed in the fiscal year ended June 30, 2011, initially focused on addressing and correcting past compliance, financial, and technical issues including: replacing the main transmission tower lights as well as performing much needed maintenance on the tower; improving the signal transmission by purchasing a new transmission tube; replacing microwave transmitters; and, acquiring back-up systems.

Note 13 - Going Concern Considerations (continued)

Subsequently, management has determined the areas of potential revenue growth to be in underwriting, fundraising, additional grant funding and the generation of lease revenue from multicast television channels and from additional broadcast tower space leasing. The Organization has subsequently generated over $110,000 since August 2012 in new underwriting support revenues and has entered into a partnership with a local university. Due to changes in the national frequency spectrum rules, the Organization now has the ability to lease a portion of its spectrum to enhance its revenue. In addition, the Organization launched a new television channel and it is generating additional revenues. These increased revenue sources have helped increase Non-Federal Financial Support ("NFFS") revenues, which are critical for the Organization to continue receiving CPB grant funding. While no definitive plans exist, management continues to explore collaboration efforts with other Texas public television stations.

In the past twelve months, the Organization has made a significant investment in its broadcasting equipment. The Organization had a new radio tower erected, upgraded its television tower lights, performed extensive maintenance on the television tower and replaced its relatively expensive television broadcast transmission tube. Moreover, improvements have been made to the digital broadcasting equipment and signal strength to enhance the station's broadcasting quality and viewership. Management estimates that the planned additional capital expenditures in technical and tower equipment should not exceed $100,000.

The Diocese has agreed to fund the Organization operationally, financially and otherwise so as to maintain the Organization as a going concern and has represented that it has the wherewithal financially and otherwise to do so. The Diocese has agreed to stand ready to repay the balance owed to the Catholic Mutual Group, should this become necessary. Additionally, the Diocese confirmed that it will not demand immediate payment of any of the outstanding balances due to them.

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