

**INTELECOM
INTELLIGENT TELECOMMUNICATIONS
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
INTELECOM
Intelligent Telecommunications

Report on Financial Statements

We have audited the accompanying financial statements of INTELECOM Intelligent Telecommunications (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility (Continued)

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 the Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Guzman & Gray
Long Beach, CA
October 11, 2019

INTELECOM
Intelligent Telecommunications
STATEMENTS OF FINANCIAL POSITION

AS OF THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>ASSETS</u>	
	JUNE 30,	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 448,113	\$ 383,341
Certificat of deposit	100,153	
Investments	405,084	396,497
Accounts receivable, net	119,792	128,522
Inventories	36,783	40,048
Prepaid expenses	5,387	2,825
Total Current Assets	<u>1,115,312</u>	<u>951,233</u>
PROPERTY AND EQUIPMENT, net	<u>9,580</u>	<u>11,996</u>
OTHER ASSETS		
Telecourse, website development, and publishing costs, net	10,145	44,918
Deposits	106	126
Total Other Assets	<u>10,251</u>	<u>45,044</u>
NONCURRENT ASSETS		
Post retirement benefit	316,070	289,480
Total Other Assets	<u>316,070</u>	<u>289,480</u>
TOTAL ASSETS	<u>\$ 1,451,213</u>	<u>\$ 1,297,753</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable & accrued expenses	\$ 66,454	\$ 103,270
Deferred revenue	107,339	33,790
Total Current Liabilities	<u>173,793</u>	<u>137,060</u>
NONCURRENT LIABILITIES		
Pension obligation	1,822,137	1,783,405
Total Long Term Liabilities	<u>1,822,137</u>	<u>1,783,405</u>
TOTAL LIABILITIES	<u>1,995,930</u>	<u>1,920,465</u>
NET DEFICIT- UNRESTRICTED	<u>(544,717)</u>	<u>(622,712)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,451,213</u>	<u>\$ 1,297,753</u>

See the Independent Auditors' Report and Notes to the Financial Statements

INTELECOM
Intelligent Telecommunications
STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	JUNE 30,	
	2019	2018
REVENUES		
Membership assessments and revenues	\$ 40,336	\$ 40,426
Bandwidth Lease	644,400	625,632
Telecourse and publishing revenues	549,733	651,758
Contract revenue	-	60,000
Contributions	31,563	30,248
	1,266,032	1,408,064
EXPENSES		
Program services	628,232	1,006,795
Management and general	568,802	476,170
	1,197,034	1,482,965
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER REVENUES AND EXPENSES	68,998	(74,901)
OTHER REVENUES		
Interest and dividend income	7,898	6,466
Realized and unrealized gains/(losses)	1,099	(867)
	8,997	5,599
INCREASE (DECREASE) IN NET ASSETS	77,995	(69,302)
NET ASSETS (DEFICIT), AT BEGINNING OF YEAR	(622,712)	(553,410)
NET ASSETS (DEFICIT) , AT END OF YEAR	\$ (544,717)	\$ (622,712)

See the Independent Auditors' Report and Notes to the Financial Statements

INTELECOM
Intelligent Telecommunications
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	JUNE 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 77,995	\$ (69,303)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation	4,613	13,867
Amortization	44,919	
Realized and Unrealized gains	(1,099)	(867)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	8,730	(52,680)
(Increase) decrease in inventory	3,265	2,728
(Increase) decrease in prepaid expenses	(2,562)	1,995
(Increase) decrease in deposits and other assets	20	(44,895)
(Increase) decrease in post retirement asset	(26,590)	(128,693)
Increase (decrease) in accounts payable and accrued expenses	(36,816)	2,092
Increase (decrease) in deferred revenue	73,549	21,677
Increase (decrease) in pension obligation	38,732	272,137
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	184,756	18,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	99,095
Purchase of equipment	(2,196)	(3,772)
Purchase of investments/reinvested dividends	(7,488)	(53,505)
Purchase of certificate of deposit	(100,153)	
Telecourse in production costs	(10,147)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(119,984)	41,818
NET INCREASE (DECREASE) IN CASH	64,772	59,876
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	383,341	323,465
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 448,113	\$ 383,341
SUPPLEMENTAL DISCLOSURE		
INTEREST PAID	NONE	NONE
TAXES PAID	NONE	NONE

See the Independent Auditors' Report and Notes to the Financial Statements

INTELECOM
Intelligent Telecommunications
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Program Services				Management and General	Total	
	Sales & Marketing	Member Services	Production	Total		2019	2018
Salaries/wages	\$ 119,048	\$ 37,777	\$ 134,412	\$ 291,237	\$ 240,055	\$ 531,292	\$ 583,439
Payroll taxes	2,271	719	2,860	5,850	4,407	10,257	10,573
Fringe benefits	42,246	13,830	51,297	107,373	75,044	182,417	284,829
Outside services	7,481	1,861	18,170	27,512	121,201	148,713	133,963
Office expense	11,836	584	5,737	18,157	7,433	25,590	39,020
Occupancy	4,836	-	21,376	26,212	71,361	97,573	248,117
Furniture & equipment	-	-	9,899	9,899	9,941	19,840	15,026
Travel	6,076	140	1,333	7,549	3,790	11,339	9,363
Insurance	-	-	-	-	14,967	14,967	20,125
Dues & fees	7,154	360	55	7,569	15,990	23,559	22,533
Staff development	223	-	-	223	-	223	870
Production outside exp.	-	-	27,040	27,040	-	27,040	45,829
Marketing outside exp.	54,692	-	-	54,692	-	54,692	55,411
Depreciation	-	-	-	-	4,613	4,613	13,867
Amortization	-	-	44,919	44,919	-	44,919	-
TOTAL	\$ 255,863	55,271	317,098	628,232	568,802	1,197,034	1,482,965

See Independent Auditors' Report and Notes to the Financial Statements

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

General

INTELECOM Intelligent Telecommunications (“INTELECOM” or the “Organization”) began operations on January 1, 1981 as a nonprofit public benefit corporation, and serves as the agency of the Southern California Consortium, a California Joint Powers Authority engaged in the design, development and distribution of educational media materials throughout the United States and internationally.

Basis of Accounting

The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor imposed restrictions that will be satisfied by action of the Organization or by the passage of time.

The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Accounting 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of Deposit

The CD is stated at current value and is held as collateral for an equivalent line of credit that the Organization is in control of.

Investments

Investments are stated at fair market value as determined by active market exchanges and consist of mutual funds holding diversified stocks and bonds.

Accounts Receivable

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization uses the allowance method to record doubtful accounts receivable. There was no allowance for the year ending June 30, 2019 and 2018, as management has determined that all accounts receivable are collectible.

Inventory

DVD and print inventory held for resale is treated as a current asset and accounted for using the (FIFO) first-in, first-out method. Master tape inventory, not held for resale, reproduced at the time of production, is accounted for as a cost of the telecourse in distribution and amortized over its useful life.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment consist of the following:

	June 30	
	2019	2018
Leasehold improvements	\$ -	\$ 28,736
Office furniture & equipment	289,885	455,037
Total property and equipment	289,885	483,773
Less accumulated depreciation	(280,305)	(471,777)
Total property and equipment, net	\$ 9,580	\$ 11,996

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the properties. Costs that increase the life of an asset are capitalized and depreciated. Normal repairs and maintenance are expensed in the year they are incurred.

Depreciation expense for the years ended June 30, 2019 and 2018, amounted to \$4,613 and \$13,867, respectively.

Telecourse Costs and Inventories

Production Costs

Telecourse cost is valued at the lower of unamortized costs or net realizable value on a film-by-film basis. If estimated discounted cash flows from future gross revenues from a telecourse are not sufficient to recover the unamortized costs, other direct distribution expenses, and participation, the unamortized costs are written down to net realizable value.

Costs to produce a telecourse are capitalized as telecourse cost and are amortized using the individual-film-forecast-computation method where costs are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources. Amortization of film costs begins when a telecourse is released for distribution and revenues on that telecourse are recognized.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Telecourse Costs and Inventories

Production Costs (Continued)

Estimates of total gross revenues can change significantly due to a variety of factors, including the level of market acceptance of film products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted if necessary. Such adjustments could have a material effect on results of operations in future periods.

A telecourse will generally have a useful life of ten to fifteen years. As such, production costs for telecourses in distribution and production are classified in the noncurrent asset category as other assets. Based on management's total gross revenue estimates as of June 30, 2019, all telecourse costs have been fully amortized (except in production). Minor telecourse maintenance revisions are expensed as incurred.

Website Development Costs

Cost Summary

Telecourse costs consist of the following:

	June 30	
	2019	2018
Telecourses in distribution, total costs	\$ 16,439,011	\$ 16,439,011
Telecourses in distribution, amortization	(16,439,011)	(16,439,011)
Telecourses in distribution, net	<u> </u>	<u> </u>
Telecourses in production, net	10,145	44,918
Website development costs	3,933,464	3,933,464
Amortization	(3,933,464)	(3,933,464)
Website development costs, net	<u> </u>	<u> </u>
Total telecourse, website development, and publishing costs, net	<u>\$ 10,145</u>	<u>\$ 44,918</u>

During the year, the Organization wrote off \$44,918 in telecourses in production.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

This represents amounts received pertaining to future periods. Included are amounts received in advance for memberships and telecourses for the subsequent year.

Income Taxes

The Organization has qualified for tax-exempt status under Internal Revenue Code Section 501(C)(3). No provision for income taxes has been made in the accompanying financial statements, since there is no unrelated business activity. The Organization has been classified as "other than a private foundation" by the Internal Revenue Service.

INTELECOM recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following the audit. The organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Commitments

The Organization has various compliance requirements under grants and contracts that are subject to review. It is management's opinion that these compliance requirements have been met.

Revenue

Sales of rights are recorded as income in the period when the rights commence. Royalties are recorded as income in the period when the rights commence. Royalties are recorded as income when the Organization is informed about usage and collectability is assured.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles of the United States when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reclassification

Certain amounts were reclassified to conform to current period presentation.

Allocation of Functional Expenses

Operating expenses directly identified with a functional area are charged to that area. Expenses affecting more than one functional area are allocated to the respective areas on the basis of ratios estimated by management.

Line of Credit

The Organization has received and maintained a line of credit with Citizens Business Bank. The principle balance as of June 30, 2019, is \$0. Interest will accrue at an annual percentage rate of 2.99% until the loan is paid off in full.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF THE BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through October 11, 2019, which represents the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments in mutual funds, stated at market value, consisted of the following categories at June 30:

	<u>2019</u>	<u>2018</u>
Money Market	\$ 362,865	\$ 357,265
Fixed income	42,219	39,232
Total Investments	<u>\$ 405,084</u>	<u>\$ 396,497</u>
Cost	<u>504,138</u>	<u>396,860</u>
Unrealized Gain (loss)	<u>(99,054)</u>	<u>(363)</u>
Realized and Unrealized gain (loss)	<u>\$ 1,099</u>	<u>\$ (867)</u>

NOTE 3 - LEASE COMMITMENTS

The Organization is obligated under the terms of operating leases for the rental of certain facilities through July 2019. Minimum rentals due under these arrangements are as follows:

Year Ended <u>June 30</u>	<u>Facilities</u>	<u>Equipment</u>
2020	\$ 50,184	\$ 10,848
2021		10,848
2021		10,848
2022		10,848
2023		10,848
	<u>\$ 50,184</u>	<u>\$ 54,240</u>

Rent expense paid during the fiscal years ended 2019 and 2018 was \$71,361 and \$217,812, respectively.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 – PENSION PLAN (CALPERS)

The Organization participates in a cost-sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System plan (CalPERS) which covers substantially all regular salaried full-time employees of the Organization. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office – 400 P Street – Sacramento, CA 95814. CalPERS released information providing the Organization with a net pension liability measured as of June 30, 2018. This estimate was used to record the unfunded liability at June 30, 2019.

As of June 30, 2019, the entire proportionate share of the unfunded accumulated pension obligation amount has been accrued for in the statement of financial position using the latest actuarial information available from the fiduciary at June 30, 2018. The plan's proportionate share of the fiduciary's unfunded accumulated pension net liability as of June 30, 2019 and 2018 (the latest actuarial information available), is \$1,822,137 and \$1,783,406 respectively.

The plan's proportionate share of fiduciary net asset position which is the total assets less certain reserve and expense requirements at June 30, 2019 and 2018, is \$6,638,642 and \$6,203,560, respectively. The plan's proportionate share of the fiduciary net asset position as a percentage of the plan's total pension obligation is approximately 78.5% and 77.5%, respectively.

The actuarially assumed investment return after June 30, 2018, is 7.25% per annum. The salary scale used assumes salary increases that vary by entry age and service. The total increase in any future year includes an assumed 2.625% inflation rate, and no across the board increase and merit increases that vary by length of service. At an actuarially determined rate; for the measurement period ended June 30, 2018 (the measurement date), the active employee contribution rate is between 8.081-8.7% projected of annual pay, and the average employer's contribution rate is 7% of annual payroll. Payroll is assumed to increase by 2%. Employer's contribution rates may change if plan contracts are amended. There is no contractual maximum contribution required for the Organization by CalPERS.

During the plan year, employer and employee contributions were \$39,387 and \$36,082, respectively.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 – PENSION PLAN (CALPERS), (Continued)

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 64,493
2021	70,789
2022	72,205
2023	73,649
2024	75,122
2025	76,625
2026	78,158
	<u>\$ 511,041</u>

The Organization's policy is to fund pension costs as accrued. Total pension expense for INTELECOM for the years ended June 30, 2019 and 2018, was \$153,333 and \$343,574, respectively.

During 2019, the California state legislature voted AB 1912 into state law. The bill makes the member agencies of a Joint Powers Authority that participates in a public retirement system responsible for its retirement liabilities when the JPA acts to dissolve or its CalPERS contract terminates. AB 1912 also establishes a process to apportion a JPA's retirement liabilities among its member agencies prior to its dissolution or termination and requires CalPERS to consider and exhaust all options and necessary actions prior to reducing retirement benefits paid to former employees of JPAs from the Terminated Agency Pool.

NOTE 5 – CONCENTRATION

Credit Risk

Cash held in bank accounts is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2018, INTELECOM's uninsured cash balance was \$298,010 and \$124,672, respectively.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 – CONCENTRATION (Continued)

Market Risk

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term that such changes could materially affect the amounts reported in the Statement of Financial Position.

International sales included in telecourse and publishing revenues for the years ending June 30, 2019 and 2018, was \$13,882 and \$8,088, respectively.

NOTE 6 – EMPLOYEE BENEFIT PLANS

The Organization adopted a Section 125 cafeteria plan, and a California Public Employee Retirement 457 Deferred Compensation Plan for eligible employees. Employee contributions cannot exceed specified amounts; there are no employer contributions.

NOTE 7 – LIQUIDITY AND AVAILABILITY

The Organization maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 448,113
Accounts Receivable	<u>119,792</u>
Total	<u>\$ 567,905</u>

NOTE 8 – POST RETIREMENT HEALTH BENEFIT

The Organization sponsors a Post retirement Benefit Plan which allows for employees, who retire in accordance with the plan requirements and are enrolled in the Organizations health plan, may continue to be eligible in retirement for a medical benefit provided by the Organization.

For measurement purposes, a 4.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for the fiscal year ended June 30, 2018. The rate of increase is expected to be 4.0% annually for 2019 and all later years. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1% would increase the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for the year ended by June 30, 2018, by \$52,893.

INTELECOM
Intelligent Telecommunications
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 – POST RETIREMENT HEALTH BENEFIT, (Continued)

Obligations and Funded Status:

	<u>2019</u>	<u>2018</u>
Accumulated Post-retirement Benefit Obligation	\$ 263,004	\$ 267,088
Fair Value Assets	<u>579,074</u>	<u>556,568</u>
Unfunded Accumulated Post-retirement Benefit Obligation/(Asset)	<u>\$ (316,070)</u>	<u>\$ (289,480)</u>
Accrued Post-retirement Benefit Cost/(Asset)	<u>\$ (316,070)</u>	<u>\$ (289,480)</u>
Net Periodic Post-retirement Expense	20,449	16,622
Employer contributions		
Benefits paid - trust		
Benefits paid - INTELECOM		
Weighted-average assumptions used		
Assumptions used to determine net periodic benefit cost		
Discount Rate	4.09%	6.50%
Expected long term rate of return on plan held assets	4.00%	6.50%

Expected benefit payments in next ten years

Year ended June 30,	
2019	12,000
2020	13,000
2021	14,000
2022	14,000
2023-2028	<u>79,000</u>
	<u>132,000</u>

INTELECOM
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 – POST RETIREMENT HEALTH BENEFIT, (Continued)

Plan assets valued at \$579,074 and \$556,568 as of June 30, 2019 and 2018, respectively, were invested in mutual funds holding a diversified mix of cash, stocks, bonds, and REITs. Their value is determined by fair market value as quoted by current market exchanges. Investment decisions are made by management under review of the Board of Directors. Expected long term rates of return are based on a 65-year actuarial projection of what a portfolio of high grade callable bonds would return.

NOTE 9 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Other observable inputs, which include quoted prices for similar assets and liabilities, and market support inputs. These inputs could include such items as interest rates, yield curves, auction prices for equipment or per square foot selling prices for real estate.

Level 3: Inputs that are unobservable inputs for assets and liabilities are based on the Organization's assumptions. These include inputs that are internally developed and estimated.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Fair Values Measured on a Nonrecurring Basis

The fair value hierarchy table for financial assets, measured on a non-recurring basis at June 30, 2019, is as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments	\$ 405,084	\$ 405,084	\$	\$
Telecourse, website development costs, and publishing costs	10,145		10,145	
Total Fair Value for Financial Assets	<u>\$ 415,229</u>	<u>\$ 405,084</u>	<u>\$ 10,145</u>	<u>\$ -</u>

The fair value hierarchy table for financial assets, measured on a non-recurring basis at June 30, 2018, is as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments	\$ 396,497	\$ 396,497	\$	\$
Telecourse, website development costs, and publishing costs	-			
Total Fair Value for Financial Assets	<u>\$ 396,497</u>	<u>\$ 396,497</u>	<u>\$</u>	<u>\$ -</u>

As described in Note 1, the value of Telecourse, website development costs, and publishing costs is determined by the individual-film-forecast-computation method.