

**ATLANTA EDUCATIONAL  
TELECOMMUNICATIONS  
COLLABORATIVE, INC.**

**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2015 AND 2014**

**with  
INDEPENDENT AUDITORS' REPORT**

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

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## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors

#### Atlanta Educational Telecommunications Collaborative, Inc.

We have audited the accompanying financial statements of Atlanta Educational Telecommunications Collaborative, Inc. ("AETC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 AETC'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 AETC'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 AETC as of June 30, 2015 and 2014, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Smith + Howard*

January 13, 2016

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Financial Position  
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,183,412	\$ 5,211,425
Receivables	832,831	793,964
Investments	3,262,298	1,385,492
Prepaid expenses	<u>99,087</u>	<u>338,447</u>
Total Current Assets	7,377,628	7,729,328
Long-term Assets:		
Note receivable	1,336,332	986,592
Property and equipment, net	<u>1,739,750</u>	<u>1,739,926</u>
Total Long-term Assets	<u>3,076,082</u>	<u>2,726,518</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,453,710</u></u>	<u><u>\$ 10,455,846</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 863,129	\$ 537,812
Accrued salaries and fringe benefits	573,839	433,578
Deferred revenues	<u>60,670</u>	<u>100,938</u>
Total Current Liabilities	<u>1,497,638</u>	<u>1,072,328</u>
Net Assets:		
Unrestricted:		
Undesignated	7,269,274	7,681,509
Board Designated	1,515,329	1,482,611
Temporarily Restricted:		
Temporarily Restricted for programs	78,670	104,349
Temporarily Restricted for capital projects	<u>92,799</u>	<u>115,049</u>
Total Net Assets	<u>8,956,072</u>	<u>9,383,518</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 10,453,710</u></u>	<u><u>\$ 10,455,846</u></u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Activities  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Changes in Unrestricted Net Assets:</b>		
Public Support and Revenues:		
Public broadcasting entities	\$ 1,498,226	\$ 1,507,903
Contributions, subscription membership fees	6,966,889	6,552,865
Underwriting contributions	4,192,280	4,440,797
In-kind contributions	1,166,212	1,120,985
Rental income	205,565	226,645
Other revenues	<u>95,212</u>	<u>273,763</u>
 Total Unrestricted Public Support and Revenues	 <u>14,124,384</u>	 <u>14,122,958</u>
 Net Assets Released from Restrictions:	 <u>116,759</u>	 <u>167,943</u>
 Total Public Support, Revenues and Reclassifications	 <u>14,241,143</u>	 <u>14,290,901</u>
 Expenses		
Program Services:		
Programming and Production	5,214,611	4,712,675
Broadcasting	1,778,139	1,567,516
Program Information	<u>514,931</u>	<u>425,445</u>
Total Program Service Expenses	7,507,681	6,705,636
 Support Services:		
Management and general	3,791,862	3,582,753
Underwriting	1,278,613	1,358,344
Fundraising	1,670,006	1,852,530
Depreciation	<u>372,498</u>	<u>356,498</u>
Total Support Services Expenses	<u>7,112,979</u>	<u>7,150,125</u>
 Total Expenses	 <u>14,620,660</u>	 <u>13,855,761</u>
 Changes in Unrestricted Net Assets	 <u>(379,517)</u>	 <u>435,140</u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Activities, Continued  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Changes in Temporarily Restricted Net Assets:</b>		
Contributions and Grants	68,830	190,480
Net Assets Released from Restrictions	<u>(116,759)</u>	<u>(167,943)</u>
Changes in Temporarily Restricted Net Assets	<u>(47,929)</u>	<u>22,537</u>
Change in Total Net Assets	<u>(427,446)</u>	<u>457,677</u>
Net Assets, Beginning of Year	<u>9,383,518</u>	<u>8,925,841</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 8,956,072</u></u>	<u><u>\$ 9,383,518</u></u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from contributors, members and grants	\$ 12,647,090	\$ 12,720,549
Other receipts	323,766	350,532
Cash paid to suppliers and employees	<u>(12,377,012)</u>	<u>(12,432,390)</u>
Net cash provided by operating activities	<u>593,844</u>	<u>638,691</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisitions of capital assets	(372,322)	(193,674)
Purchases of investments	(2,156,564)	(135,248)
Sales of investments	256,769	139,502
Increase in note receivable	<u>(349,740)</u>	<u>(337,435)</u>
Net cash used in investing activities	<u>(2,621,857)</u>	<u>(526,855)</u>
Increase (Decrease) in Cash and Cash Equivalents	(2,028,013)	111,836
Cash and Cash Equivalents:		
Beginning of Year	<u>5,211,425</u>	<u>5,099,589</u>
<b>END OF YEAR</b>	<u><u>\$ 3,183,412</u></u>	<u><u>\$ 5,211,425</u></u>

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

**ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.**

Statements of Cash Flows, Continued  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (427,446)	\$ 457,677
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	372,498	356,498
Net realized and unrealized loss (gain) on investments	22,989	(149,876)
Changes in assets and liabilities:		
Decrease (increase) in receivables	(38,867)	12,887
Decrease (increase) in prepaid expenses	239,360	(283,933)
Increase in accounts payable and accrued expenses	325,317	221,175
Increase in accrued salaries and fringe benefits	140,261	8,646
Increase (decrease) in deferred revenues	<u>(40,268)</u>	<u>15,617</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 593,844</u></b>	<b><u>\$ 638,691</u></b>

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

**ATLANTA EDUCATIONAL  
TELECOMMUNICATIONS COLLABORATIVE, INC.**

Notes to the Financial Statements  
June 30, 2014 and 2015

**Note 1 - Background and Significant Accounting Policies**

*Organization*

Atlanta Educational Telecommunications Collaborative, Inc. (AETC) was established for charitable and educational purposes including, but not limited to, enhancing public education of the Atlanta Independent School System (the "School System") primarily through broadcasting educational programs. To this end, AETC entered into a management and operation agreement (the "Agreement") with the School System, licensee of stations WPBA-TV and WABE-FM and Cable Channel 22, (collectively referred to as "Stations"), and owner of certain real and personal property and equipment ( the "Broadcast Facilities" - see Note 4) associated with and related to the operation of the Stations. AETC manages and operates the respective stations in accordance with rules and regulations of the Federal Communications Commission, Corporation for Public Broadcasting, Public Broadcasting Service and National Public Radio. The Agreement was effective through December 31, 2014, with the option to renew for two additional three-year periods through December 31, 2020 subject to the mutual agreement of both parties. AETC is currently working with the School System to renew the agreement.

*Basis of Presentation*

In the 2013 fiscal year, AETC adopted the provisions of Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) Number 958 – “Not-for-Profit Entities” (ASC 958). The adoption of ASC 958 had no significant effect on the basic financial statements except for the reformatting of the basic financial statements and classification of net assets in conformity with ASC 958.

The financial statements are reported using the accrual basis accounting.

*Net Assets*

Net asset activities and their defined purposes used by AETC are as follows:

*Temporarily restricted net assets* - Consist of net assets with constraints placed on the use by external groups, such as creditors, grantors and contributors. When the related purpose or program is accomplished, whether by use of temporarily restricted net assets or unrestricted net assets, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

*Unrestricted net assets* – Consist of the board designated fund and all other net assets that are available for support of AETC’s operations.

## Notes to the Financial Statements, Continued

### Note 1 - Background and Significant Accounting Policies, continued

#### *Investments*

Investments consist of marketable equity securities and mutual funds with original maturities greater than three months. Investments are carried at fair values determined at the date of the statement of net assets, based on quoted market prices.

Realized and unrealized gains and losses on investments for the years ended June 30, 2015 and 2014 were (\$22,989) and \$149,876, respectively. Interest and dividends for the years ended June 30, 2015 and 2014 were \$108,029 and \$91,281, respectively. Investment income has been included within other income in the accompanying Statements of Activities.

#### *Fair Value Measurements*

Accounting Standards Codification ("ASC") No. 820 "Fair Value Measurements" (ASC 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

AETC had no Level 3 investments as of June 30, 2015 and 2014.

The carrying value of financial instruments such as cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value because of the terms and relative short maturity of the financial instruments. AETC believes the carrying values of its financial instruments are reasonable estimates of their values, unless otherwise noted.

## Notes to the Financial Statements, Continued

### Note 1 - Background and Significant Accounting Policies, continued

#### *Federal and State Income Taxes*

AETC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recorded on the accompanying financial statements. In addition, AETC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Accounting principles generally accepted in the United States of America (“GAAP”) require AETC’s management to evaluate tax positions taken and recognize a tax liability (or asset) if AETC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). AETC’s management has analyzed the tax positions taken and has concluded that, as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. AETC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. AETC’s management believes it is no longer subject to income tax examinations for years prior to June 30, 2012.

#### *Contributions*

AETC accounts for contributions in accordance with GAAP. Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions which limit the use of the donated assets. Underwriting contributions consist of advertising revenue and are recognized when earned. Subscription membership fees are recorded as revenue when received.

#### *In-kind Contributions*

Donated services, materials and supplies are recorded at fair market value at the time of the donation and are recognized as both contributions and expenses.

#### *Compensated Absences*

Compensated absences relative to vacation leave are accrued as a liability as earned by employees up to a maximum of 80 hours. No accrual is recorded for sick leave since employees are only eligible to receive compensation for legitimate illnesses and do not receive payment for unused sick leave.

#### *Property and Equipment*

Property and equipment acquired for \$2,000 or more is capitalized at cost. Property and equipment is depreciated over the estimated useful life, ranging from 5 to 20 years, using the straight-line method.

## Notes to the Financial Statements, Continued

### Note 1 - Background and Significant Accounting Policies, continued

#### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, all highly liquid debt instrument purchases with an original maturity of three months or less are considered cash and/or cash equivalents.

#### *Concentration of Credit Risk*

AETC's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, receivables, and investments. At times, cash and cash equivalent balances exceed federally insured amounts. AETC believes it reduces risks associated with balances in excess of federal insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires AETC to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

#### *Subsequent Events*

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

### Note 2 - Contingencies

During fiscal year 2015, AETC moved forward with a plan, adopted as part of the 2015 Fiscal Year Budget by the Board of Directors, to invest in new radio programming focused on local news and information as well as metro Atlanta's arts and culture. As supported by research, this plan was intended to expand AETC's commitment to the local community, broaden and diversify the listening audience, and strengthen revenue over time. Recognized as an important step for the future, the Fiscal Year 2015 Budget anticipated a deficit approximately \$500,000 for the new programming to be funded from reserves accumulated as part of AETC's Unrestricted Net Assets. AETC made this investment decision after determining that reserves are sufficient to satisfy on-going operating and capital requirements as well as this additional investment. As presented in the Financial Statements, the amount required from reserves to supplement operations, \$379,517, was less than anticipated in the Budget.

## Notes to the Financial Statements, Continued

### Note 3 - Receivables

A summary of receivables as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Accounts/pledges receivable	\$ 772,201	\$ 783,799
Grants receivable	52,500	6,000
Other receivables	<u>8,130</u>	<u>4,165</u>
 Total Receivables	 <u>\$ 832,831</u>	 <u>\$ 793,964</u>

AETC also has a long-term note receivable that is a result of the Welfare Benefit Plan (see Note 9) for the Chief Executive Officer. The value of the long-term receivable for the year ended June 30, 2015 is \$1,336,332 including \$54,424 cumulative interest. The value of the long-term receivable for the year ended June 30, 2014 was \$986,592 including \$25,161 cumulative interest.

### Note 4 - Investments

A summary of aggregate fair value of investments are as follows at June 30:

	<u>2015</u>			
Types of Investments:	Fair Value	Level 1	Level 2	Level 3
Equity securities <sup>a</sup> :				
US large cap	\$ 583,207	\$ 583,207	\$ -	\$ -
US mid cap	231,107	231,107	-	-
International	276,156	276,156	-	-
Fixed income securities <sup>b</sup> :				
Investment Grade Taxable	<u>2,171,828</u>	<u>1,983,422</u>	<u>188,406</u>	<u>-</u>
 Total	 <u>\$ 3,262,298</u>	 <u>\$ 3,073,892</u>	 <u>\$ 188,406</u>	 <u>\$ -</u>

## Notes to the Financial Statements, Continued

### Note 4 – Investments, continued

2014

Types of Investments:	Fair Value	Level 1	Level 2	Level 3
Equity securities <sup>a</sup> :				
US large cap	\$ 532,111	\$ 532,111	\$ -	\$ -
US mid cap	276,109	276,109	-	-
International	275,429	275,429	-	-
Fixed income securities <sup>b</sup> :				
Investment Grade Taxable	<u>301,843</u>	<u>109,127</u>	<u>192,716</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,385,492</u></b>	<b><u>\$ 1,192,776</u></b>	<b><u>\$ 192,716</u></b>	<b><u>\$ -</u></b>

<sup>a</sup> Equity securities are comprised of the following investment types: common stock and mutual funds. Investments in common stocks are valued using quoted market prices multiplied by the number of shares owned. Investments in mutual funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date.

<sup>b</sup> Fixed income securities are comprised of the following investment types: bonds and bond mutual funds. Investments in bonds are valued using dealer supplied prices and categorized as level 2 in the hierarchy above. Investments in bond mutual funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date.

## Notes to the Financial Statements, Continued

### Note 5 – Property and Equipment

Property and equipment balances as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Equipment and furniture	\$ 2,763,280	\$ 2,871,509
Equipment purchased under capital leases	-	11,486
Intellectual Property	50,000	425,000
Leasehold improvements	<u>1,176,447</u>	<u>951,779</u>
	3,989,727	4,259,774
 Less: Accumulated depreciation	 <u>(2,249,977)</u>	 <u>(2,519,848)</u>
 Property and Equipment	 <u>\$ 1,739,750</u>	 <u>\$ 1,739,926</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$372,498 and \$356,498, respectively.

#### *Related Party Transactions*

As part of the Agreement with the School System for the Stations mentioned in Note 1, all real and personal property and equipment that comprised the Broadcast Facilities of the Stations at the time of the initial contract with AETC or property acquired by the School System for the Broadcast Facilities since that time remain the property of the School System. AETC, in turn, leases the Broadcast Facilities from the School System for \$1.00 a year. The property is not included in AETC's financial statements. The following is a summary of the Broadcast Facilities reported as part of the capital assets in the School System's financial statements:

Land and land improvements	\$ 1,553,112
Building and building improvements	675,437
Equipment and Furnishings	936,739
Towers and Transmitters	<u>3,751,100</u>
	 <u>\$ 6,916,388</u>

## Notes to the Financial Statements, Continued

### Note 6 - Donated Goods and Services

The value of donated goods and services included as in-kind contribution revenues and the corresponding program expenses, included in Management and General operating expenses in the accompanying Statements of Activities are as follows for the years ended June 30:

	<u>2015</u>		
	<u>Television</u>	<u>Radio</u>	<u>Total</u>
Broadcast Facilities	\$ 396,529	\$ 431,533	\$ 828,062
Goods and Services	139,875	187,125	327,000
Food and Beverage	<u>5,575</u>	<u>5,575</u>	<u>11,150</u>
<b>Total</b>	<u>\$ 541,979</u>	<u>\$ 624,233</u>	<u>\$ 1,166,212</u>

	<u>2014</u>		
	<u>Television</u>	<u>Radio</u>	<u>Total</u>
Broadcast Facilities	\$ 444,963	\$ 443,006	\$ 887,969
Goods and Services	106,325	115,541	221,866
Food and Beverage	<u>5,575</u>	<u>5,575</u>	<u>11,150</u>
<b>Total</b>	<u>\$ 556,863</u>	<u>\$ 564,122</u>	<u>\$ 1,120,985</u>

### Note 7 – Commitments

AETC leases equipment under non-cancelable leases. Future minimum lease payments under the non-cancelable operating leases are as follows for the years ending June 30:

2016	\$ 8,130
2017	8,130
2018	6,834
2019	6,402
2020	<u>1,067</u>
<b>Totals</b>	<u>\$ 30,563</u>

Lease expenses relating to the above lease obligations for the years ended June 30, 2015 and 2014 amounted to \$14,299 and \$20,256 respectively.

## Notes to the Financial Statements, Continued

### Note 8 - Retirement Plans

AETC has a Tax Deferred or 403(b) retirement plan (the "Plan"). All full-time employees are eligible to participate in the Plan. The Plan may be terminated at any time at AETC's sole discretion. After completing six months of employment, AETC contributes 100% of the first 3% of compensation deferred plus 50% of the next 2% of compensation deferred, which can vary from plan year to plan year. Contributions to the Plan on behalf of Plan participants are made on a bi-weekly basis. Employees may contribute on a tax deferred basis any amount up to the lesser of 100% of their compensation or the IRS allowed limit.

AETC's contributions amounted to \$132,694 and \$142,581 for the years ended June 30, 2015 and 2014, respectively.

### Note 9 – Nonqualified 457(b) Plan

AETC has a Nonqualified Deferred Compensation or 457(b) retirement plan. Director level and above employees are eligible to participate in the 457(b) plan. The 457(b) plan may be terminated at any time, at AETC's sole discretion.

AETC does not contribute to the 457(b) plan. At June 30, 2015, the 457(b) plan has \$237,984 in Plan Assets, and \$238,023 in Plan Liabilities.

### Note 10 – Welfare Benefit Plan

AETC sponsors a welfare benefit plan under ERISA for the benefit of an executive that authorized the purchase of life insurance policies as a means of providing post-employment benefits. The life insurance policies are established on the life of the executive and his spouse as joint insured. To minimize the risk of non-payment, the value of the life insurance was distributed between two highly rated insurers.

Each premium contribution provided by AETC on behalf of the executive is treated for legal, tax and financial purposes as a loan from AETC to the executive. These premium loans are established as a long-term loan receivable on the financial statements of AETC. The receivable is required to be repaid by the executive, including cumulative interest at a rate established by the IRS. Accordingly, AETC retains a permanent and primary irrevocable interest in the death benefit of the life insurance policies that will provide a full repayment of the accumulated loan receivable at the death of the individuals insured under the policies to AETC. Based upon actuarial tables, it is projected that the life insurance policies held by the executive and his spouse will generate additional death benefits to AETC over and beyond the loan repayment and contractually agreed upon interest.

## **Notes to the Financial Statements, Continued**

### **Note 11 – Related Party Transactions**

AETC has two vendors where members of the Board of Directors are a partner or an owner. These vendors provided services to AETC in the amount of approximately \$93,000 for the years ended June 30, 2015 and 2014.