

**RHODE ISLAND PBS FOUNDATION**

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**Financial Statements**

**June 30, 2018**

**Mullen Scorpio Cerilli**

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**Certified Public Accountants  
Business Consultants**

# Mullen Scorpio Cerilli

## RHODE ISLAND PBS FOUNDATION

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# Mullen Scorpio Cerilli

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Business Consultants

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## Independent Auditor's Report

The Board of Directors of  
Rhode Island PBS Foundation

We have audited the accompanying financial statements of Rhode Island PBS Foundation (a Rhode Island nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of revenue, expenses and other changes in net assets, functional expenses, 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 audit. We conducted our audit 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.

# Mullen Scorpio Cerilli

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rhode Island PBS Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Rhode Island PBS Foundation's 2017 financial statements and expressed an unmodified audit opinion on those audited financial statements in their report dated January 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 17, 2019  
Providence, Rhode Island

**RHODE ISLAND PBS FOUNDATION**  
**Statement of Financial Position**  
**June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 416,788	\$ 136,931
Pledges receivable, current (Note 3)	14,022	7,692
Accounts receivable	478,678	523,518
Contribution receivable, use of facility (Note 4)	20,532	19,919
Inventory	5,569	5,239
Prepaid expenses	23,083	33,759
Total current assets	958,672	727,058
Noncurrent assets:		
Investments (Note 5)	92,437,269	-
Contribution receivable, use of facility (Note 4)	316,855	337,387
Property and equipment, net (Note 7)	4,244,714	2,593,399
Program rights, net (Note 8)	64,141	54,957
Total noncurrent assets	97,062,979	2,985,743
Total assets	\$ 98,021,651	\$ 3,712,801
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 625,263	\$ 359,024
Current portion of notes payable (Note 9)	218,000	218,000
Accrued expenses	80,639	37,823
Unearned revenue	20,875	58,801
Accrued compensated absences	99,495	77,621
Total current liabilities	1,044,272	751,269
Long-term liabilities:		
Notes payable, net of current portion (Note 9)	1,308,000	1,526,000
Total liabilities	2,352,272	2,277,269
Net assets:		
Unrestricted	94,340,365	1,078,226
Temporarily restricted (Note 10)	1,329,014	357,306
Total net assets	95,669,379	1,435,532
Total liabilities and net assets	\$ 98,021,651	\$ 3,712,801

The notes are an integral part of these financial statements.

**RHODE ISLAND PBS FOUNDATION**  
**Statement of Revenues, Expenses and Other Changes in Net Assets**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Subscription and membership	\$ 608,028	\$ -	\$ 608,028	\$ 599,693
Auction and special events	44,866	-	44,866	71,190
Contributions and grants	772,902	-	772,902	865,117
PEG access fees	1,752,462	-	1,752,462	1,801,121
Corporate underwriting and other	402,034	-	402,034	301,594
In-kind	17,890	-	17,890	17,329
Total support and revenue	<u>3,598,182</u>	<u>-</u>	<u>3,598,182</u>	<u>3,656,044</u>
Reclassification - net assets released from restrictions by satisfaction of program restrictions (Note 11)	34,919	(34,919)	-	-
Total support, revenue and reclassifications	<u>3,633,101</u>	<u>(34,919)</u>	<u>3,598,182</u>	<u>3,656,044</u>
Expenses:				
Program services	3,749,556	-	3,749,556	2,968,107
Management and general	1,367,624	-	1,367,624	787,240
Fundraising	617,624	-	617,624	541,958
Total expenses	<u>5,734,804</u>	<u>-</u>	<u>5,734,804</u>	<u>4,297,305</u>
Changes in net assets from operations	<u>(2,101,703)</u>	<u>(34,919)</u>	<u>(2,136,622)</u>	<u>(641,261)</u>
Other changes:				
FCC Spectrum auction proceeds (Note 12)	94,480,615	-	94,480,615	-
Investment return - Net (Note 5)	1,665,227	6,627	1,671,854	-
Transfer to temporarily restricted (Note 13)	(1,000,000)	1,000,000	-	-
Forgiveness of debt	218,000	-	218,000	218,000
Total other changes	<u>95,363,842</u>	<u>1,006,627</u>	<u>96,370,469</u>	<u>218,000</u>
Changes in net assets	93,262,139	971,708	94,233,847	(423,261)
Net assets, beginning of year	<u>1,078,226</u>	<u>357,306</u>	<u>1,435,532</u>	<u>1,858,793</u>
Net assets, end of year	<u>\$94,340,365</u>	<u>\$ 1,329,014</u>	<u>\$95,669,379</u>	<u>\$ 1,435,532</u>

The notes are an integral part of these financial statements.

**RHODE ISLAND PBS FOUNDATION**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018					2017	
	Program Services			Management and General	Fundraising	Total Expenses	Total Expenses
	Programming and Production	Broadcasting	Total Program Services				
Salaries	\$ 627,236	\$ 1,324,402	\$ 1,951,638	\$ 306,508	\$ 295,727	\$ 2,553,873	\$ 1,997,223
Payroll taxes	55,713	124,599	180,312	19,677	26,254	226,243	177,781
Employee benefits	97,910	296,593	394,503	75,805	43,613	513,921	436,166
Occupancy	-	255,069	255,069	-	3,050	258,119	251,949
Utilities	53,903	78,058	131,961	8,150	13,427	153,538	134,547
Insurance	10,833	23,418	34,251	1,365	8,783	44,399	43,441
Premiums	-	-	-	-	71,751	71,751	83,650
Repairs and maintenance	9,553	10,916	20,469	2,139	2,255	24,863	6,568
Maintenance/ support contracts	13,095	25,113	38,208	34,082	13,238	85,528	42,678
Equipment and site maintenance	1,948	10,405	12,353	77	127	12,557	14,253
Merchandise purchased	-	-	-	-	422	422	1,412
Equipment purchase	672	2,635	3,307	4,091	270	7,668	-
Equipment rental	33,067	-	33,067	27,330	13,607	74,004	23,505
Postage	31	228	259	500	6,337	7,096	6,815
Freight	153	275	428	3,966	847	5,241	3,501
Printing	6,839	1,004	7,843	120	11,541	19,504	23,221
Internet access	-	-	-	14,620	-	14,620	14,696
Cable monitoring	-	361	361	-	-	361	341
Cable TV feed	-	2,400	2,400	-	-	2,400	2,400
Computer expense	143	3,250	3,393	3,247	2,699	9,339	8,577
Talent fees	44,911	-	44,911	-	-	44,911	9,588
Supplies	1,923	3,052	4,975	6,692	606	12,273	6,489
Temporary help	-	-	-	714	-	714	-
Dues & subscriptions	70,895	-	70,895	95,636	780	167,311	103,862
Travel, staff and meeting expenses	-	15,808	15,808	3,661	7,008	26,477	17,376
Telephone	2,904	17,777	20,681	2,027	10,559	33,267	34,115
Accounting and legal fees	-	-	-	69,761	-	69,761	27,609
Other professional fees	-	-	-	97,679	14,000	111,679	51,279
Program tape	2,696	-	2,696	-	-	2,696	3,721
Licensing fee	3,000	-	3,000	-	-	3,000	6,000
Advertising and marketing	-	-	-	780	1,620	2,400	1,845
Outside services	129,169	36,374	165,543	87,071	39,725	292,339	169,128
Engineering expense	-	8,998	8,998	-	-	8,998	5,077
Producer/present service fee	1,270	-	1,270	-	-	1,270	720
Meals and entertainment	4,172	253	4,425	2,364	2,819	9,608	3,542
Taxes	-	11,447	11,447	536	-	11,983	13,785
In-kind expense	-	-	-	35,509	2,300	37,809	36,653
Bad debt expense	-	-	-	-	-	-	1,500
Refunds	-	-	-	-	1,485	1,485	1,908
Miscellaneous expense	29,529	639	30,168	159,644	6,307	196,119	15,269
Training, Conference & Seminars	1,017	828	1,845	6,649	5,038	13,532	-
Grants Made	-	-	-	15,000	-	15,000	-
Bank and credit card fees	-	-	-	1,201	11,429	12,630	17,148
<b>Total expenses before depreciation and amortization</b>	<b>1,202,582</b>	<b>2,253,902</b>	<b>3,456,484</b>	<b>1,086,601</b>	<b>617,624</b>	<b>5,160,709</b>	<b>3,799,338</b>
Depreciation and amortization	224,602	68,470	293,072	281,023	-	574,095	497,967
<b>Total expenses</b>	<b>\$ 1,427,184</b>	<b>\$ 2,322,372</b>	<b>\$ 3,749,556</b>	<b>\$ 1,367,624</b>	<b>\$ 617,624</b>	<b>\$ 5,734,804</b>	<b>\$ 4,297,305</b>

The notes are an integral part of these financial statements.

**RHODE ISLAND PBS FOUNDATION**

**Statement of Cash Flows**

**For the Year Ended June 30, 2018**

**(With Comparative Totals for the Year Ended June 30, 2017)**

	2018	2017
Net cash flows from operating activities:		
Changes in net assets	\$ 94,233,847	\$ (423,261)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	574,095	497,967
Forgiveness of debt	(218,000)	(218,000)
Unrealized loss (gain) on investments	(37,546)	-
Realized loss (gain) on investments	123,189	-
Loss on Fixed Asset	142,147	-
Changes in assets and liabilities:		
Pledges receivable	(6,330)	15,392
Accounts receivable	44,840	2,293
Contribution receivable	19,919	19,324
Inventory	(330)	3,585
Prepaid expenses	10,676	(2,247)
Accounts payable	266,239	318,608
Accrued expenses	42,816	(78,685)
Unearned revenue	(37,926)	(1,399)
Accrued compensated absences	21,874	(5,056)
Net cash provided by operating activities	95,179,510	128,521
Net cash flows from investing activities:		
Proceeds from sale on investments	4,356,344	-
Purchase of investments	(96,879,255)	-
Purchase of program rights	(233,788)	(196,386)
Purchase of building and equipment	(2,142,954)	(109,254)
Net cash used in investing activities	(94,899,653)	(305,640)
Net cash flows from financing activities:		
Proceeds from note payable	-	-
Net cash used in financing activities	-	-
Net increase (decrease) in cash and cash equivalents	279,857	(177,119)
Cash and cash equivalents, beginning of year	136,931	314,050
Cash and cash equivalents, end of year	\$ 416,788	\$ 136,931
Additional disclosure:		
Interest paid	\$ -	\$ -
Taxes paid	\$ 11,447	\$ 13,785

The notes are an integral part of these financial statements.



# **RHODE ISLAND PBS FOUNDATION**

## **Notes to Financial Statements**

**June 30, 2018**

### **Note 1 - Nature of Activities**

The Rhode Island PBS Foundation (the "Foundation") is organized as a nonprofit corporation under the laws of the State of Rhode Island. It is licensed by the Federal Communications Commission to operate a TV station (WSBE-TV) from Providence, Rhode Island. The Foundation also operates and manages the Public, Education and Government Access (PEG) program which is regulated by the Rhode Island Division of Public Utilities and Carriers.

Revenue is received through contributions, grants, fees and underwriting.

### **Note 2 - Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The accompanying financial statements of the Foundation have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### **Basis of Presentation**

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

- Unrestricted net assets include revenues and expenses and contributions pledged which are not subject to any donor-imposed restrictions.
- Temporarily restricted net assets include gifts and promises to give for which time restrictions or donor-imposed restrictions have not yet been met. When the restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses and Other Changes in Net Assets as net assets released from restrictions.
- Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions. As of June 30, 2018 and 2017, the Foundation has no permanently restricted net assets.

*Note 2 continued on the next page.*

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Cash and Cash Equivalents**

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

### **Accounts and Pledges Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Foundation does not recognize conditional promises to give as revenue until the condition is met.

The Foundation uses the direct write-off method for accounts and pledges receivable that may be uncollectible. Under this method, an allowance for doubtful accounts is not maintained, but receivables are written off when they become uncollectible.

Generally accepted accounting principles require an allowance for doubtful accounts receivable whenever it can be reasonably estimated and is a material amount. The effect of using the direct write-off method instead of the reserve method is not material to these financial statements.

### **Inventory**

Inventory is valued at the lower of cost or fair market value on a specific identification basis.

### **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at fair value in the accompanying financial statements. Gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income and dividends are recorded in unrestricted assets unless its use is temporarily or permanently restricted by explicit donor stipulations.

### **Property and Equipment**

The Rhode Island PBS Foundation capitalizes property and equipment that costs \$5,000 or more and has a useful life of more than one year. This property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment.

	<u>Years</u>
Building	39.5
Broadcast and transmission equipment	4-15
Furniture and office equipment	5
Computer equipment and software	5
Leasehold improvements	5-15

*Note 2 continued on the next page.*

## **Note 2 - Summary of Significant Accounting Policies (continued)**

### **Property and Equipment (continued)**

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. Maintenance and repairs are included as expenses in the statement of revenues, expenses and other changes in net assets.

### **Program Rights**

The program rights acquired are being amortized on the straight-line basis over their expected usage of 2 to 5 years.

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions.

### **Donated Services**

Volunteer services were provided to the Foundation during the year. These services do not require specialized skills and would not be purchased if not provided by donation. No amounts have been reflected in the accompanying statements for donated services. More than 1,692 and 1,640 hours, however, were provided to the station in volunteer time for fundraising and administrative activities during the year ended June 30, 2018 and 2017, respectively.

### **Functional Allocation of Expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Note 2 continued on the next page.*

## Note 2 - Summary of Significant Accounting Policies (continued)

### Income Taxes

The Rhode Island PBS Foundation is exempt from income taxes as a charitable organization under Section 501(c)(3) under the Internal Revenue Code and is not considered a private foundation.

The Foundation evaluates its uncertain tax positions using the guidance for contingencies as contained in generally accepted accounting principles. The Organization was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Organization annually files Internal Revenue Service Form 990 – *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. The tax return is subject to review by the taxing authorities generally for three years after filing. The Organization currently has no tax examinations in progress.

### Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

### Reclassification

Amounts for the June 30, 2017, financial statements have been reclassified to conform to the current year's presentation.

## Note 3 - Pledges Receivable

Contributions receivable for unconditional promises to give are recorded at full value. These pledges have not been adjusted to the present value of their estimated future cash flows because it was considered immaterial. Management will continue to monitor the collection of these promises to give and make any necessary write-offs when it is determined that any amounts are uncollectible.

Pledges receivable at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Due in year ended June 30,		
2018	\$ 14,022	\$ 7,692
2017	-	-
Total pledges receivable	<u>\$ 14,022</u>	<u>\$ 7,692</u>

#### Note 4 - Contribution Receivable

On January 2002, the Foundation entered into a 30-year lease agreement for the use of the Tower at 89 Pine Street, Rehoboth, MA for \$1 per year. Management has estimated the approximate fair value of the rental over the remaining life of the lease to be \$431,206. A risk-free rate of 3.08 (the ten-year Treasury long term rate) was used to determine the present fair value. This unconditional promise has been recognized as temporarily restricted revenue and contribution receivable in fiscal 2013.

The change in contribution receivable is as follows at June 30:

	<u>2018</u>	<u>2017</u>
Total future lease and payment	\$ 357,306	\$ 376,630
Present value adjustment	-	-
Present value of in-kind rent at beginning of year	<u>357,306</u>	<u>376,630</u>
In-kind rent contribution received	10,081	10,676
Amount recognized as in-kind rent expense during the year	<u>(30,000)</u>	<u>(30,000)</u>
Total contribution receivable	<u>\$ 337,387</u>	<u>\$ 357,306</u>
In-Kind rental receivable (at net present value):		
Amounts due:		
Current:		
Less than one year	\$ 20,532	\$ 19,919
Noncurrent:		
Two years	21,165	20,532
Three years	21,817	21,165
Four years	22,488	21,817
Five and more	<u>251,385</u>	<u>273,873</u>
Total noncurrent	<u>316,855</u>	<u>337,387</u>
Total	<u>\$ 337,387</u>	<u>\$ 357,306</u>

#### Note 5 - Investments

Investments are recorded at fair value and consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market and cash equivalents	\$ 2,547,827	\$ -
Equities	64,351,651	-
Fixed income	16,408,611	-
Treasury bill	7,500,000	-
Rhode Island Foundation Investment Fund	991,627	-
Private equity fund	<u>637,553</u>	<u>-</u>
Total investments	<u>\$ 92,437,269</u>	<u>\$ -</u>

*Note 5 continued on the next page.*

**Note 5 - Investments (continued)**

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 1,798,604	\$ -	\$ -	\$ 1,798,604
Net realized gains (losses)	(123,189)	-	-	(123,189)
Net unrealized gains (losses)	25,938	11,608	-	37,546
Management fees	(36,126)	(4,981)	-	(41,107)
Total net gain (loss) on investment	<u>\$ 1,665,227</u>	<u>\$ 6,627</u>	<u>\$ -</u>	<u>\$ 1,671,854</u>

**Note 6 - Fair Value Measurements**

Generally accepted accounting principles establish a framework for measuring fair value and expand disclosures about fair value measurements for assets and liabilities. 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 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy according to generally accepted accounting principles are as follows:

- Level 1 - valuations based on quoted prices in active markets for identical investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 - valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and determined through the use of models or other valuation methodologies.
- Level 3 - valuations based on inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

*Note 6 continued on the next page.*

**Note 6 - Fair Value Measurements (continued)**

The following tables present financial assets and liabilities at June 30, 2018 and 2017 that the Organization measures at fair value on a recurring basis, by level, within the fair value hierarchy.

<u>Investments</u>	<u>Balance as of June 30, 2018</u>	<u>Balance as of June 30, 2017</u>
Level 1:		
Money market and cash equivalents	\$ 2,547,827	\$ -
Equities	64,351,651	-
Fixed income	16,408,611	-
Treasury bill	7,500,000	-
Rhode Island Foundation Investment Fund	991,627	-
Private equity fund	637,553	-
Total Level 1	92,437,269	-
Level 2	-	-
Level 3	-	-
Total investments	<u>\$ 92,437,269</u>	<u>\$ -</u>

**Note 7 - Property and Equipment**

Property and equipment for the years ended June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Building	\$ 2,180,000	\$ 2,180,000
Building improvements	522,461	14,000
Leasehold improvements	697,446	697,446
Furniture, fixtures and equipment	35,720	31,024
Broadcast and transmission equipment	2,585,352	1,979,203
Computer software and equipment	409,635	238,878
Total property and equipment	6,430,614	5,140,551
Accumulated depreciation	<u>(2,185,900)</u>	<u>(2,547,152)</u>
Net property and equipment	<u>\$ 4,244,714</u>	<u>\$ 2,593,399</u>

**Note 8 - Program Rights**

Program rights consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program rights	\$ 5,362,923	\$ 5,129,137
Less accumulated amortization	<u>(5,298,782)</u>	<u>(5,074,180)</u>
Total	<u>\$ 64,141</u>	<u>\$ 54,957</u>

**Note 9 - Note Payable**

	<u>2018</u>	<u>2017</u>
Note payable to the State of Rhode Island for ten years. Interest is the "mid-term applicable rate" published by the Internal Revenue Service. Interest accrues and is payable only if there is a sale of building or noncompliance with other terms of the note. Principal payments will be forgiven 1/10 of the total principal each year if the Organization complies with the terms of the note.	\$ 1,526,000	\$ 1,744,000
Current portion	<u>218,000</u>	<u>218,000</u>
Long-term note payable	<u>\$ 1,308,000</u>	<u>\$ 1,526,000</u>

Future loan payments for the next four years are as follows:

Years ended June 30,

2019	\$ 218,000
2020	218,000
2021	218,000
2022	218,000
2023 and beyond	<u>436,000</u>
	<u>\$ 1,308,000</u>

**Note 10 - Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Long term lease	\$ 337,387	\$ 357,306
Rhode Island Foundation Scholarship Fund	<u>991,627</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 1,329,014</u>	<u>\$ 357,306</u>



**Note 11 - Net Assets Released from Restrictions - Operating**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or any occurrence of events specified by the donors. For the years ended June 30, 2018 and 2017, expenses released from restrictions were incurred for the use of the tower and from the Rhode Island Foundation scholarship. The releases can be summarized as follows:

	<u>2018</u>	<u>2017</u>
Tower Rental	\$ 19,919	\$ 19,324
Rhode Island Foundation Scholarship Fund	15,000	-
	<u>          </u>	<u>          </u>
Total releases from donor restrictions	<u>\$ 34,919</u>	<u>\$ 19,324</u>

**Note 12 - FCC Spectrum Auction Proceeds**

The Foundation participated in the Federal Communication Commission's Broadcast Incentive Auction and received compensation to move its' existing channel assignment in the UHF spectrum space (presently channel 21) in exchange for a new channel assignment in the Low VHF spectrum space (future channel 2). Management of the proceeds from the auction have been professionally employed as reflected in these financial statements and additionally will be used to cover the significant expense associated with the channel move.

**Note 13 - Rhode Island Foundation Scholarship Fund**

During the year ended June 30, 2018, the Foundation opened a scholarship fund under the Rhode Island Foundation. The scholarship is awarded to those students who are Rhode Island and Bristol County Massachusetts residents who plan or are attending a four-year post-secondary school with a major in broadcasting, communications and/or journalism. When the scholarship is awarded, funds will then be released from temporarily restricted net assets.

**Note 14 - Donated In-Kind Services and Facilities Expense**

During the years ended June 30, 2018 and 2017, the Foundation received in-kind services and materials that directly enhanced its delivery of program services. The valuation of in-kind services and materials has been determined based upon the estimated fair market value of such items. The donated services and material can be summarized as follows:

	<u>2018</u>	<u>2017</u>
Professional services	\$ 5,509	\$ 3,584
Donated facility – tower	30,000	30,000
Other	<u>2,300</u>	<u>3,069</u>
	<u>          </u>	<u>          </u>
Total donated services	<u>\$ 37,809</u>	<u>\$ 36,653</u>

### **Note 15 - Operating Lease**

The Foundation leases space for the operation of five PEG Access studios from five landlords. During the year ending June 30, 2018, lease payments of \$255,069 were made.

Future lease payments are as follows:

Year ended June 30, 2019	\$ 235,345
Year ended June 30, 2020	201,277
Year ended June 30, 2021	131,459
Year ended June 30, 2022	131,459
Year ended June 30, 2023	131,459
Year ended June 30, 2024 and after	602,986

### **Note 16 - Retirement Plan**

#### **Defined Benefit Plan**

The Foundation makes safe harbor matching contributions to a defined contribution annuity plan qualified under Section 403(b) of the Internal Revenue Code equal to 100% of employee's pre-tax savings contributions that do not exceed 6% of the plan participant's total compensation.

The Foundation contributed \$99,839 and \$95,071 to the plan for the year ended June 30, 2018 and 2017, respectively.

### **Note 17 - Concentration of Credit Risk**

The Foundation maintains its cash balances at banks in Rhode Island and Massachusetts. Accounts at the financial institution are insured by the Federal Deposit Insurance Foundation. At June 30, 2018 and 2017 the Foundation's uninsured cash balances reported as cash and cash equivalent and investments totaled approximately \$2,778,585 and \$0.

### **Note 18 - Related Parties**

A partner in a law firm that provided legal services is related to the Foundation's President and CEO. For the year ended June 30, 2018 and 2017, expenses relating to these services total \$1,259 and \$35.

A related party provided advisory services for the Foundation's 403(b) Plan. During the year ending June 30, 2018 and 2017, no fees were paid, and no amounts are payable to this party.

### **Note 19 - Subsequent Events**

Management has evaluated all subsequent events through January 17, 2019, the date the financial statements were available to be issued. As of the date of issuance of these financial statements, management has no subsequent events to report on.