

NAPERVILLE COMMUNITY TELEVISION

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Naperville Community Television:

We have audited the accompanying financial statements of Naperville Community Television (the Organization) (a non-profit organization) which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for 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.

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 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 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.

To the Board of Directors of
Naperville Community Television
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Naperville Community Television as of December 31, 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.

A handwritten signature in black ink, appearing to read "Dugan & Lopatka". The signature is written in a cursive, flowing style.

DUGAN & LOPATKA

Warrenville, Illinois
April 2, 2020

NAPERVILLE COMMUNITY TELEVISION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 617,957	\$ 668,931
Accounts receivable	36,437	15,500
Due from City of Naperville	65,722	67,249
Prepaid expenses	20,147	18,073
	<hr/>	<hr/>
Total current assets	740,263	769,753
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PROPERTY AND EQUIPMENT		
Studio production equipment	805,096	805,096
Leasehold improvements	79,361	79,361
Automotive equipment	67,328	67,328
Office furniture	83,911	83,911
Less - Accumulated depreciation	(929,658)	(901,218)
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Net property and equipment	106,038	134,478
	<hr/>	<hr/>
OTHER ASSETS:		
Security deposit	3,750	3,750
	<hr/>	<hr/>
Total assets	<u>\$ 850,051</u>	<u>\$ 907,981</u>
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<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 15,979	\$ 8,617
Accrued expenses	22,354	20,369
Contract liabilities	36,143	17,737
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Total liabilities	74,476	46,723
	<hr/>	<hr/>
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	775,575	861,258
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Total liabilities and net assets	<u>\$ 850,051</u>	<u>\$ 907,981</u>
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The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
City of Naperville - PEG	\$ 474,286	\$ -	\$ 474,286	\$ 484,685	\$ -	\$ 484,685
- Services	184,000	-	184,000	122,861	-	122,861
Programming	300,749	-	300,749	380,189	-	380,189
Sponsorships	134,127	-	134,127	123,519	-	123,519
In-kind contributions	80,202	-	80,202	82,375	-	82,375
Contributions	82,627	-	82,627	78,248	-	78,248
Special events	9,005	-	9,005	14,518	-	14,518
Business connection sales	35,260	-	35,260	33,388	-	33,388
Education	10,590	-	10,590	7,020	-	7,020
DVD sales	4,766	-	4,766	3,746	-	3,746
Other income	1,225	-	1,225	50	-	50
Interest income	532	-	532	532	-	532
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue	1,317,369	-	1,317,369	1,331,131	-	1,331,131
EXPENSES:						
Program	1,150,861	-	1,150,861	1,105,326	-	1,105,326
Management and general Development	189,963	-	189,963	190,095	-	190,095
	62,228	-	62,228	67,855	-	67,855
Total expenses	1,403,052	-	1,403,052	1,363,276	-	1,363,276
Change in net assets	(85,683)	-	(85,683)	(32,145)	-	(32,145)
NET ASSETS, beginning of year	861,258	-	861,258	893,403	-	893,403
NET ASSETS, end of year	\$ 775,575	\$ -	\$ 775,575	\$ 861,258	\$ -	\$ 861,258

The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (85,683)	\$ (32,145)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,440	50,330
(Increase) in accounts receivable	(20,937)	(8,532)
Decrease in due from City of Naperville	1,527	2,909
(Increase) decrease in prepaid expenses	(2,074)	1,838
Increase (decrease) in accounts payable	7,362	(1,505)
Increase in accrued expenses	1,985	3,995
Increase in contract liabilities	18,406	6,984
	<u>(50,974)</u>	<u>23,874</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(50,974)	23,874
CASH AND CASH EQUIVALENTS, Beginning of year	<u>668,931</u>	<u>645,057</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 617,957</u>	<u>\$ 668,931</u>

The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 718,455	\$ 83,334	\$ 43,031	\$ 844,820	\$ 667,612	\$ 82,809	\$ 44,802	\$ 795,223
Payroll taxes & benefits	164,335	12,898	12,019	189,252	148,545	13,171	13,707	175,423
Accounting	-	11,160	-	11,160	-	10,755	-	10,755
Advertising	175	2,943	465	3,583	658	2,127	1,651	4,436
Depreciation	28,440	-	-	28,440	48,197	2,133	-	50,330
Entertainment	902	3,272	55	4,229	489	3,811	301	4,601
Independent contractors	28,794	-	669	29,463	39,909	-	1,740	41,649
In-kind	47,000	30,495	2,707	80,202	47,000	30,895	4,480	82,375
Insurance	16,908	4,242	368	21,518	16,407	4,753	390	21,550
Maintenance	6,297	1,942	-	8,239	13,700	2,097	-	15,797
Payroll services	-	3,005	-	3,005	-	2,843	-	2,843
Postage & freight	302	1,272	-	1,574	468	345	-	813
Product technology	19,328	3,125	-	22,453	15,825	2,314	-	18,139
Professional fees	8,075	2,400	-	10,475	5,425	2,288	-	7,713
Rent	68,827	14,991	675	84,493	64,231	13,810	-	78,041
Station & office supplies	5,015	3,638	153	8,806	2,659	5,094	-	7,753
Travel & truck expense	20,397	-	-	20,397	14,784	-	-	14,784
Uniforms	36	2,086	-	2,122	138	181	-	319
Special events	-	346	1,245	1,591	130	1,642	325	2,097
Utilities & telephone	15,994	5,615	-	21,609	17,869	6,040	-	23,909
Miscellaneous	1,581	3,199	841	5,621	1,280	2,987	459	4,726
Total functional expenses	\$ 1,150,861	\$ 189,963	\$ 62,228	\$ 1,403,052	\$ 1,105,326	\$ 190,095	\$ 67,855	\$ 1,363,276

The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Naperville Community Television (the Organization) is a not-for-profit organization incorporated under the Illinois General Not-for-Profit Act.

Franchise agreements between the City of Naperville and AT&T, Wide Open West and Comcast, provide a community access television channel (Channel 17). The operations of the channel are governed by the board of directors of the Organization.

The financial statements were available to be issued on April 2, 2020, with subsequent events being evaluated through this date.

Basis of Accounting –

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with generally accepted accounting principles.

Basis of Presentation –

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, which are without donor restrictions and with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2019 and 2018, there were no net assets with donor restrictions.

Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 reporting period. Accordingly, actual results may vary from those estimates.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk -

The Organization maintains its cash balances in bank deposit and money market accounts, which at times, may exceed the limit insured by the Federal Deposit Insurance Corporation (FDIC).

Accounts Receivable -

The Organization holds receivables from customers for programming services. Status of accounts is reviewed regularly, and any amounts considered uncollectible are charged off as bad debt when determined uncollectible. Management believes the full amount of receivables to be collectible and accordingly has not set up an allowance for doubtful accounts at December 31, 2019 and 2018.

Property and Equipment -

Property and equipment are stated at cost. Donated assets are recorded at their fair market value on the date of donation. The Organization capitalizes all expenditures for fixed assets over \$3,000. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the respective assets of three to seven years. Upon sale or retirement, the cost and related accumulated depreciation and amortization are eliminated from the respective account and the resulting gain or loss is included in the statement of activities. Repairs and maintenance charges are expensed as incurred. Depreciation expense for the years ended December 31, 2019 and 2018, was \$28,440 and \$50,330, respectively.

Support and Revenue -

Contributions received, and unconditional promises to give, are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Organization recognizes revenue from the City of Naperville over an annual period based on the amount approved by the city council of Naperville. Funding includes both Public, Education and Government (PEG) and City Services. The performance obligation consists of providing access and content to Channel 17 and providing technical support for city council meetings. The funding is used to cover the costs of operating the Channel.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Support and Revenue - (Continued)

Contract revenues are recognized when earned. Revenue is earned when eligible expenditures, as defined in each contract, are made, or by the satisfaction of performance obligations. Contract liabilities include deferred revenues related to advanced payments for sponsorships and programming. These deposits are deferred until the performance obligations are completed. Contract liability balances were \$36,143 at December 31, 2019, and \$17,737 at January 1, 2019, with the adoption of the new standard.

Donated Services, Goods, and Facilities -

Donated materials and equipment are recognized at their fair value at the date of receipt. Donated personal services are recognized only if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization recognized \$80,202 and \$82,375 of donated goods and services during the years ended December 31, 2019 and 2018, respectively.

The Organization enters into vendor trade agreements whereby it received in-kind donations that consist primarily of print advertising. In exchange, the Organization provides programming and on-air advertising. These trades are accounted for in the period for which the services of exchange transpire at fair value as of the date of the transaction.

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes, except for taxes on unrelated business income generated from unrelated trade or business activities. The Organization did not have unrelated business income for the years ended December 31, 2019 and 2018. Accordingly, no provision for income tax has been established.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2016. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, insurance, and rent and utilities, which are allocated on the basis of estimates of time and effort.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Advertising Expenses –

Advertising expenses are considered direct costs and are expensed as incurred. No amounts of advertising are capitalized. Advertising expense for the year ended December 31, 2019 and 2018, was \$3,583 and \$4,436, respectively.

New Accounting Pronouncements -

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United State of America (GAAP). The new guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The new Guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue, and cashflows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

Also, effective January 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions.

The adoption of these new standards did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of these new standards which would require a cumulative adjustment to net assets at the date of adoption under the modified retrospective method.

Recently Issued Accounting Pronouncement -

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for fiscal periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

(2) RETIREMENT PLAN:

The Organization sponsors a Simple IRA Plan to all employees. All employees are eligible, and the Organization's Board of Directors determines contributions under the Plan annually. In addition, the Plan provides for the Organization to match employee contributions to the Plan up to 3%. The Organization contributed \$19,500 and \$18,057 to the Plan for the years ended December 31, 2019 and 2018, respectively.

(3) LEASE OBLIGATIONS:

The Organization entered into a long-term lease agreement for its office and studio space which expires October 31, 2021, and provides for a monthly base rent, plus additional rent based on property taxes and operating costs. The company also entered into an agreement to rent equipment on a month-to-month basis. Rent expense for the year ended December 31, 2019 and 2018, was \$84,493 and \$78,041, respectively.

Minimum lease payments due for the years ending December 31 are as follows:

2020	\$	46,058
2021		<u>39,340</u>
Total	\$	<u>85,398</u>

(4) AVAILABILITY AND LIQUIDITY:

The following represents the Organization's financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 617,957	\$ 668,931
Receivables	<u>102,159</u>	<u>82,749</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 720,116</u>	<u>\$ 751,680</u>

The Organization's goal is to maintain financial assets to meet 6 months of operating expenses (approximately \$700,000). Excess cash is invested in money market accounts. The Organization has agreements with the City of Naperville that provides a significant portion of the annual funding required to cover general expenditures.

The Organization manages its liquidity and reserves adhering to the following principles:

- operating within a prudent range of financial soundness and stability;
- maintaining adequate liquid assets to fund near-term operating needs;
- maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

(5) CONCENTRATIONS:

For the years ended December 31, 2019 and 2018, the Organization received approximately 36% of funding from the cable franchise fee administered through the City of Naperville. Additionally, for the year ended December 31, 2019, the organization received approximately 14% funding from a contract for services with the City of Naperville.

(6) SUBSEQUENT EVENT:

As a result of the spread of the COVID-19 outbreak in the United States subsequent to year end, economic uncertainties have arisen which could potentially impact operations. However, the financial impact and duration cannot be reasonably estimated at this time.