

NAPERVILLE COMMUNITY TELEVISION

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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 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.

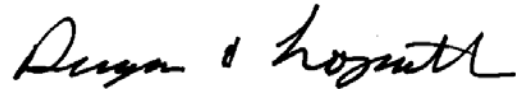
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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, 2020 and 2019, 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
March 12, 2021

NAPERVILLE COMMUNITY TELEVISION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 710,957	\$ 617,957
Certificate of deposit	100,000	-
Accounts receivable	21,626	36,437
Due from City of Naperville	47,710	65,722
Interest receivable	1,692	-
Prepaid expenses	19,557	20,147
	<hr/>	<hr/>
Total current assets	901,542	740,263
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT		
Studio production equipment	805,096	805,096
Leasehold improvements	79,361	79,361
Automotive equipment	67,328	67,328
Office furniture	93,379	83,911
Mobile Studio Equipment	31,479	-
Less - Accumulated depreciation	(953,974)	(929,658)
	<hr/>	<hr/>
Net property and equipment	122,669	106,038
	<hr/>	<hr/>
OTHER ASSETS:		
Security deposit	3,750	3,750
	<hr/>	<hr/>
Total assets	<u>\$ 1,027,961</u>	<u>\$ 850,051</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 11,198	\$ 15,979
Accrued expenses	25,178	22,354
Contract liabilities	37,034	36,143
	<hr/>	<hr/>
Total liabilities	73,410	74,476
	<hr/>	<hr/>
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	954,551	775,575
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,027,961</u>	<u>\$ 850,051</u>

The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
City of Naperville - PEG	\$ 440,582	\$ -	\$ 440,582	\$ 474,286	\$ -	\$ 474,286
- Services	190,000	-	190,000	184,000	-	184,000
Programming	257,921	-	257,921	300,749	-	300,749
Sponsorships	159,485	-	159,485	169,387	-	169,387
In-kind contributions	52,795	-	52,795	80,202	-	80,202
Contributions	172,345	-	172,345	82,627	-	82,627
Forgiveness of debt	180,000	-	180,000	-	-	-
Special events	4,971	-	4,971	9,005	-	9,005
Education	2,513	-	2,513	10,590	-	10,590
DVD sales	1,245	-	1,245	4,766	-	4,766
Other income	1,000	-	1,000	1,225	-	1,225
Interest income	4,577	-	4,577	532	-	532
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue	<u>1,467,434</u>	<u>-</u>	<u>1,467,434</u>	<u>1,317,369</u>	<u>-</u>	<u>1,317,369</u>
EXPENSES:						
Program	1,078,182	-	1,078,182	1,150,861	-	1,150,861
Management and general	151,160	-	151,160	189,963	-	189,963
Development	59,116	-	59,116	62,228	-	62,228
Total expenses	<u>1,288,458</u>	<u>-</u>	<u>1,288,458</u>	<u>1,403,052</u>	<u>-</u>	<u>1,403,052</u>
Change in net assets	178,976	-	178,976	(85,683)	-	(85,683)
NET ASSETS, beginning of year	<u>775,575</u>	<u>-</u>	<u>775,575</u>	<u>861,258</u>	<u>-</u>	<u>861,258</u>
NET ASSETS, end of year	<u>\$ 954,551</u>	<u>\$ -</u>	<u>\$ 954,551</u>	<u>\$ 775,575</u>	<u>\$ -</u>	<u>\$ 775,575</u>

The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 178,976	\$ (85,683)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,316	28,440
Forgiveness of note payable	(180,000)	-
(Increase) decrease in accounts receivable	14,811	(20,937)
Decrease in due from City of Naperville	18,012	1,527
(Increase) in interest receivable	(1,692)	
(Increase) decrease in prepaid expenses	590	(2,074)
Increase (decrease) in accounts payable	(4,781)	7,362
Increase in accrued expenses	2,824	1,985
Increase in contract liabilities	891	18,406
	<u>53,947</u>	<u>(50,974)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit	(100,000)	-
Purchase of equipment	(40,947)	-
	<u>(140,947)</u>	<u>-</u>
Net cash (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on note payable	180,000	-
	<u>180,000</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	93,000	(50,974)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>617,957</u>	<u>668,931</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 710,957</u>	<u>\$ 617,957</u>

The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 672,635	\$ 71,107	\$ 44,116	\$ 787,858	\$ 718,455	\$ 83,334	\$ 43,031	\$ 844,820
Payroll taxes & benefits	169,910	11,005	11,814	192,729	164,335	12,898	12,019	189,252
Accounting	-	9,760	-	9,760	-	11,160	-	11,160
Advertising	-	817	746	1,563	175	2,943	465	3,583
Depreciation	24,316	-	-	24,316	28,440	-	-	28,440
Entertainment	62	572	170	804	902	3,272	55	4,229
Independent contractors	485	-	-	485	28,794	-	669	29,463
In-kind	37,800	14,995	-	52,795	47,000	30,495	2,707	80,202
Insurance	16,581	4,776	386	21,743	16,908	4,242	368	21,518
Maintenance	7,615	1,320	-	8,935	6,297	1,942	-	8,239
Payroll services	-	2,796	-	2,796	-	3,005	-	3,005
Postage & freight	697	256	329	1,282	302	1,272	-	1,574
Product technology	33,026	4,677	-	37,703	19,328	3,125	-	22,453
Professional fees	8,544	3,464	-	12,008	8,075	2,400	-	10,475
Rent	69,175	15,368	-	84,543	68,827	14,991	675	84,493
Station & office supplies	7,660	2,499	-	10,159	5,015	3,638	153	8,806
Travel & truck expense	10,792	44	-	10,836	20,397	-	-	20,397
Uniforms	1,316	942	70	2,328	36	2,086	-	2,122
Special events	-	-	-	-	-	346	1,245	1,591
Utilities & telephone	16,484	5,100	-	21,584	15,994	5,615	-	21,609
Miscellaneous	1,084	1,662	1,485	4,231	1,581	3,199	841	5,621
Total functional expenses	<u>\$ 1,078,182</u>	<u>\$ 151,160</u>	<u>\$ 59,116</u>	<u>\$ 1,288,458</u>	<u>\$ 1,150,861</u>	<u>\$ 189,963</u>	<u>\$ 62,228</u>	<u>\$ 1,403,052</u>

The accompanying notes are an integral part of this statement.

NAPERVILLE COMMUNITY TELEVISION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(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 March 12, 2021, 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, 2020 and 2019, 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.

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.

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

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, 2020 and 2019.

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, 2020 and 2019, was \$24,316 and \$28,440, respectively.

Support and Revenue -

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. 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)

The Organization recognizes revenue from contracts with customers for programming, sponsorships and production services. The performance obligation for programming consists of providing access and content to Channel 17 and providing technical support for events and revenue is recognized when the performance obligation occurs. For sponsorships, the performance obligation of providing airtime for sponsors is recognized ratably over the course of the contract, which can range from one to twelve months. The funding is used to cover the costs of operating the Channel.

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 \$37,034 and \$36,143 at December 31, 2020 and 2019, respectively.

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 \$52,795 and \$80,202 of donated goods and services during the years ended December 31, 2020 and 2019, 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, 2020 and 2019. 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 2017. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

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

Certificates of Deposits -

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year, are classified as short-term investments which are carried at cost which approximates market.

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.

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, 2020 and 2019, was \$1,563 and \$3,583, respectively.

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, 2021, and interim periods within fiscal years beginning after December 15, 2022, 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) 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, 2020 and 2019, was \$84,543 and \$84,493, respectively.

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

2021	\$ <u>39,340</u>
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(3) PAYROLL PROTECTION PROGRAM LOAN FORGIVENESS:

In April 2020, the Organization obtained a Payroll Protection Program (PPP) loan payable to a bank as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act in the amount of \$180,000. Interest accrued at 1%, with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount, or 10 months after the end of the forgivable covered period, with the final payment due April 2022, consisting of interest and the entirety of the principal. As part of the loan agreement, the entire loan, or a portion can be forgiven. In November 2020, the Organization received notice from the Small Business Administration that their loan had been fully forgiven. The Organization has adopted ASC 470 to account for the loan and has recorded a gain from the forgiven portion of the loan.

(4) AVAILABILITY AND LIQUIDITY:

The following represents the Organization's financial assets at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 710,957	\$ 617,957
Certificate of deposit	100,000	-
Receivables	<u>71,028</u>	<u>102,159</u>
 Total financial assets available to meet general expenditures over the next twelve months	 <u>\$ 881,985</u>	 <u>\$ 720,116</u>

The Organization's goal is to maintain financial assets to meet 6 months of operating expenses (between approximately \$600,000 and \$700,000). Excess cash is invested in money market accounts or certificates of deposit. 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, 2020 and 2019, the Organization received approximately 30% and 36% of funding from the cable franchise fee administered through the City of Naperville, respectively. Additionally, for the years ended December 31, 2020 and 2019, the organization received approximately 13% and 14% funding from a contract for services with the City of Naperville, respectively.

(6) 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 \$19,437 and \$19,500 to the Plan for the years ended December 31, 2020 and 2019, respectively.

(7) MANAGEMENT'S RESPONSE TO COVID-19 PANDEMIC:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As part of these mitigation measures and to comply with the State of Illinois guidelines, the Organization temporarily closed its studios and limited personnel in the office. Additionally, the Organization experienced decreases in sports programming revenue due to cancellations and looked for alternative sources to offset the decline. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may materially impact operations and the financial statements in fiscal year 2021.