



PARENTS TELEVISION COUNCIL, INC.
(A DELAWARE NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2016

PARENTS TELEVISION COUNCIL, INC.
(A DELAWARE NONPROFIT CORPORATION)

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 13



Certified Public Accountants

Zuehls, Legaspi & Company

350 So. Figueroa Street, Suite 437
Los Angeles, California 90071
Tel: 213-972-4033 Fax: 213-972-4034

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Parents Television Council, Inc.

We have audited the accompanying financial statements Parents Television Council, Inc. (the "Organization"), a Delaware nonprofit corporation, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parents Television Council, Inc. as of December 31, 2016, 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.

Los Angeles, California
August 12, 2017

**PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 238,924
Marketable securities, at fair value	33,427
Pledges receivable	150,000
Prepaid expenses and other assets	16,706

TOTAL CURRENT ASSETS	439,057
----------------------	---------

Property and equipment, net	150,414
Deposits	15,882

TOTAL ASSETS	\$ 605,353
---------------------	-------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 231,273
Accrued wages	25,843
Current portion of deferred rent	27,198

TOTAL CURRENT LIABILITIES	284,314
---------------------------	---------

Deferred compensation liability	30,000
Long-term portion of deferred rent	24,122

TOTAL LIABILITIES	338,436
--------------------------	----------------

COMMITMENT

NET ASSETS

Unrestricted	158,475
Temporarily restricted	108,442

TOTAL NET ASSETS	266,917
-------------------------	----------------

TOTAL LIABILITIES AND NET ASSETS	\$ 605,353
---	-------------------

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

PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,624,889	\$ 578,000	\$ 2,202,889
In-kind contributions	164,493	-	164,493
Investment income, net	1,042	56	1,098
Rental and other	599	-	599
Net assets released from restrictions	639,449	(639,449)	-
Total Revenue and Support	2,430,472	(61,393)	2,369,079
EXPENSES			
Program services			
Research and publications	1,371,122	-	1,371,122
Grassroots and membership	218,133	-	218,133
Special projects	214,643	-	214,643
Total Program Services	1,803,898	-	1,803,898
Support services			
Management and general	100,425	-	100,425
Fundraising	414,142	-	414,142
Total Support Services	514,567	-	514,567
Total Expenses	2,318,465	-	2,318,465
CHANGE IN NET ASSETS	112,007	(61,393)	50,614
NET ASSETS AT BEGINNING OF YEAR	46,468	169,835	216,303
NET ASSETS AT END OF YEAR	\$ 158,475	\$ 108,442	\$ 266,917

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

**PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

OPERATING ACTIVITIES:	
Change in net assets	\$ 50,614
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	48,351
Net realized and unrealized (gain) / loss on investments	(632)
In-kind donations of computer software	(35,595)
Donated marketable securities included in revenue and support	(9,815)
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Pledges receivable	144,000
Prepaid expenses and other assets	(6,531)
Increase (Decrease) in:	
Accounts payable and accrued expenses	(32,836)
Accrued wages	(19,694)
Deferred rent payable	(39,460)
	98,402
NET CASH PROVIDED BY OPERATING ACTIVITIES	98,402
INVESTING ACTIVITIES:	
Purchase of property and equipment	(12,614)
Purchases of marketable securities	(407)
Proceeds from sales of marketable securities	14,748
	1,727
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,727
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	138,795
	238,924
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 238,924
SUPPLEMENTAL DISCLOSURE	
Donated computer software and services	\$ 35,595
	35,595
Interest expense paid in cash	\$ 1,165
	1,165

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

**PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Research and Publications	Grassroots and Membership	Special Projects	Total Program	Management and General	Fundraising	Total
Salaries & Benefits	\$ 696,957	\$ 26,911	\$ 163,986	\$ 887,854	\$ 61,206	\$ 221,681	\$ 1,170,741
Professional Services	205,467	2,606	128	208,201	20,106	1,376	229,683
Occupancy	124,380	4,717	26,848	155,945	1,352	18,076	175,373
Printing	51,615	86,734	-	138,349	-	32,705	171,054
Computer Expenses	128,342	2,994	-	131,336	2,385	10,711	144,432
Data Processing & Storage	21,058	3,686	10,603	35,347	-	25,815	61,162
Creative Fees	-	57,600	-	57,600	-	-	57,600
Depreciation Expense	39,264	1,179	2,306	42,749	442	5,160	48,351
Postage Expense	10,568	22,607	598	33,773	-	14,123	47,896
Insurance	34,242	1,449	3,175	38,866	3,254	871	42,991
Membership Response Processing	-	3,070	-	3,070	-	33,109	36,179
Parking	18,139	699	3,847	22,685	928	5,879	29,492
Travel & meals	10,602	110	-	10,712	114	13,769	24,595
Bank & Credit Card Fees	-	-	-	-	7,896	8,984	16,880
Other Expenses	665	35	-	700	1,165	13,031	14,896
Telephone	8,040	297	1,759	10,096	493	1,898	12,487
Office Expenses	6,549	315	195	7,059	141	1,956	9,156
Internet	6,281	96	699	7,076	10	208	7,294
Satellite & Cable	6,410	-	-	6,410	-	-	6,410
Reference Materials	565	-	499	1,064	445	3,003	4,512
Mailing Services	120	2,577	-	2,697	-	1,479	4,176
Advertising	1,779	59	-	1,838	-	-	1,838
Staff Development, Education & Training	-	-	-	-	488	225	713
Freight & Delivery	79	392	-	471	-	83	554
	\$ 1,371,122	\$ 218,133	\$ 214,643	\$ 1,803,898	\$ 100,425	\$ 414,142	\$ 2,318,465

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

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. NATURE OF ORGANIZATION

Parents Television Council, Inc. (the "Organization") was incorporated in the State of Delaware on August 29, 2000 as a not-for-profit corporation. It was formed to do research and educate the public about the entertainment community and the need to improve television programming content. It makes its research available via publications and advertising campaigns and the internet. The Organization maintains one internet website for the dissemination of its research and publications: www.parentstv.org.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP). The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Classification and Reporting of Funds

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-45, the Organization presents its net assets under three separate classifications: unrestricted, temporarily restricted and permanently restricted. Temporarily restricted and permanently restricted funds are those funds that may be used only in accordance with the purposes established by the donor and are distinguished from unrestricted or Board of Directors designated funds in which the Organization retains full control with respect to the use thereof.

In addition, FASB ASC 958-205-45 requires the Organization to report all of its expenses in the unrestricted fund, regardless of the source of the funds for the expenditures. A transfer of expenses from the unrestricted fund to the restricted fund will be reported, if applicable, to match the restricted revenue with the restricted expenses.

Cash and Cash Equivalents

Amount reported as cash and cash equivalents consists of demand deposits with maturities of 90 days or less.

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Revenue Recognition

In accordance with FASB ASC 958-605-50, revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors.

Unconditional contributions are measured at fair value when received or promised and reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years for equipment and furniture. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the related lease term. The Organization capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Cost common to multiple functions have been allocated among the various functions benefited.

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.
- Fundraising expenses consist of costs incurred to solicit funds and other fundraising activities for the Organization.

Income Taxes

The Organization is a publicly supported organization under Section 501(c)(3) of the Internal Revenue Code and the related state statute. The Organization's revenue is derived primarily from contributions, investment income and other fundraising activities and is not subject to federal or state income taxes. The Organization does not pay any material excise taxes nor does it earn any unrelated business income. Therefore, no provision for taxes has been made.

The Organization adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return.

FIN 48 also provides related guidance on measurement, de-recognition, classification, interest and penalties and disclosure. The adoption of FIN 48 did not have a material impact on the Organization's financial position, results of operations, or cash flows.

Generally accepted accounting principles (GAAP) provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Under the general three-year statute of limitations, the Organization's returns for years ended December 31, 2013, 2014 and 2015 are subject to examination by federal and state taxing authorities for three years after they are filed.

NOTE 3. CONCENTRATION OF BUSINESS AND CREDIT RISK

The Organization maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Organization. However, the Organization has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal. At December 31, 2016, the Organization has no uninsured cash balance.

The Organization invests in equity securities and corporate bonds that are subject to market value fluctuations, which affect the investment portfolio.

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. INVESTMENTS

Marketable Securities

The Organization accounts for marketable securities under FASB ASC 825-10-50. In accordance with FASB ASC 825-10-50, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

A summary of marketable securities is as follows:

<u>As of December 31, 2016</u>	<u>Fair Value</u>	<u>Original Cost</u>
Cash and money market funds	\$ 5,686	\$ 5,686
Limited partnership interest	4,441	4,441
Equity securities and mutual funds	<u>23,299</u>	<u>9,956</u>
	<u>\$ 33,427</u>	<u>\$ 20,083</u>

The Organization maintains investments which are held to fund the deferred compensation obligation which is described in Note 12. The investments held to fund deferred compensation totaled \$30,000.

Investment income (loss) is comprised of the following:

Interest and dividends- marketable securities	\$ 514
Interest – others	56
Net realized and unrealized gain (loss)	632
Investment expenses	<u>(104)</u>
	<u>\$ 1,098</u>

Fair Value Measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy can be summarized as follows:

- Level 1 Fair value determined based on quoted prices in active markets for identical assets or liabilities.
- Level 2 Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3 Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. INVESTMENTS (continued)

The Organization's financial instruments measured at fair value on a recurring basis are summarized below:

<u>Financial Instrument</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value at December 31, 2016</u>
Cash and money market funds	Level 1	\$ 5,686
Limited partnership interests	Level 2	\$ 4,441
Equity securities	Level 1	\$ 23,299

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. The fair value is computed using a present value applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed.

Pledges receivable at December 31, 2016 are due as follows:

Less than 1 year	\$ 150,000
------------------	------------

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016, are as follows:

Computer equipment and software	\$ 685,475
Office equipment	84,779
Furniture and fixtures	50,315
Leasehold improvements	119,816
	<u>940,385</u>
Less: accumulated depreciation	(789,971)
	<u>\$ 150,414</u>

Depreciation expense for the year ended December 31, 2016 amounted to \$48,351.

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LEASE COMMITMENT

On December 15, 2011, the Organization amended its primary office space lease in Los Angeles, modifying the previous terms and extending the office lease effective January 1, 2012 through June 30, 2018, with an option to extend the lease for 60 additional months. The lease agreement includes a right of first offer on approximately 2,400 rentable square feet of give back space.

Building operating expenses are charged to the Organization based on its pro-rata share of the building space occupied on a triple net basis. The amendment provides for a reduced security deposit in the amount of \$15,882.

Future minimum non-cancelable lease payments are as follows:

<u>For the year ending December 31,</u>		
2017	\$	204,799
2018		<u>106,486</u>
Total minimum lease payments	\$	<u><u>311,285</u></u>

Rental expense for the Los Angeles and Virginia offices for the year ended December 31, 2016 amounted to \$163,373 and \$12,000, respectively.

NOTE 8. NET ASSETS

The net assets of the Organization are composed of unrestricted and temporarily restricted net assets. The Organization currently has no permanently restricted assets

Temporarily restricted net assets are available to support the following:

Technology and Communication	\$	<u>108,442</u>
------------------------------	----	----------------

NOTE 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporarily restricted funds by incurring the expenses satisfying the restricted purposes or by occurrences of events specified by donors.

Satisfaction of donor specified purpose restrictions:

Advertiser accountability program	\$	3,000
Computer software		7,000
Ratings reform		68,000
Research & public education		500,000
Technology		<u>61,449</u>
	\$	<u><u>639,449</u></u>

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions primarily related to donated computer software which is recorded at estimated fair value. In addition, donated services are recognized as contributions and expensed in accordance with GAAP. In order to meet the criteria for recognition in the financial statements, contributions of in-kind services must (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization received the following in-kind contributions during the year ended December 31, 2016:

Computer software	\$	35,595
DVD movies		25,137
Data analytics		<u>103,761</u>
	\$	<u><u>164,493</u></u>

NOTE 11. COSTS OF ACTIVITIES THAT INCLUDE FUNDRAISING

The Organization follows FASB ASC 958-720-50-2. The Organization incurred joint costs of \$222,059 during 2016 for informational materials and activities that include development appeals. Allocations were in accordance with guidelines established by FASB ASC 958-720-50-2.

Allocable costs were charged to the Organization's research and related publications and to fundraising. Such charges are allocated as follows:

Program services		
Grassroots and membership	\$	168,092
Support services		
Fundraising		<u>53,967</u>
	\$	<u><u>222,059</u></u>

NOTE 12. RETIREMENT PLANS

Deferred compensation: The Organization has a deferred compensation agreement with a key employee under Section 457(f) of the Internal Revenue Code. The Organization has designated certain investments as held to fund its obligation under the agreement (see note 4). The Organization did not contribute to the plan for the year ended December 31, 2016.

Defined contribution: The Organization has a Section 403(b) retirement and salary reduction plan for the benefit of its employees. The Organization's contribution consists of 2% of the employee's compensation net of forfeitures. Pension expense for the year ended December 31, 2016 amounted to \$20,289.

PARENTS TELEVISION COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 13. ADVERTISING

Advertising costs are expensed as incurred and included in the statement of functional expenses. Such advertising costs amounted to \$1,838 for the year ended December 31, 2016.

NOTE 14. SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, subsequent events were evaluated through August 12, 2017, the date of these financial statements. There were no material subsequent events that required recognition or additional disclosure in these financial statements.