PARENTS TELEVISION COUNCIL, INC.
(A DELAWARE NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017

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

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ZL CO.
Certified Public Accountants

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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, 2017, 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, 2017, 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.

Zuehls, Legaspi & Co.

Los Angeles, California
September 7, 2018

PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	185,907
Marketable securities, at fair value		39,291
Prepaid expenses and other assets		106,684
TOTAL CURRENT ASSETS		331,882
Property and equipment, net		132,037
Deposits		15,882
TOTAL ASSETS	$	479,801
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	97,177
Accrued expenses and other liabilities		81,390
Current portion of deferred rent		851
TOTAL CURRENT LIABILITIES		179,418
Deferred compensation liability		30,000
Long-term portion of deferred rent		59,499
TOTAL LIABILITIES		268,917
COMMITMENT		
NET ASSETS		
Unrestricted		190,878
Temporarily restricted		20,006
TOTAL NET ASSETS		210,884
TOTAL LIABILITIES AND NET ASSETS	$	479,801

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

PARENTS TELEVISION COUNCIL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	$ 1,650,073	$ 340,000	$ 1,990,073
In-kind contributions	102,213	-	102,213
Investment income, net	5,898	140	6,038
Rental and other	4,951	-	4,951
Net assets released from restrictions	428,576	(428,576)	-
Total Revenue, Gains and Other Support	2,191,711	(88,436)	2,103,275
SPECIAL EVENTS			
Special events revenue	73,313	-	73,313
Direct benefits to donors	(39,133)	-	(39,133)
Net Revenue from Special Events	34,180	-	34,180
EXPENSES			
Program services	1,688,986	-	1,688,986
Total Program Services	1,688,986	-	1,688,986
Support services			
Management and general	103,412	-	103,412
Fundraising	401,090	-	401,090
Total Support Services	504,502	-	504,502
Total Expenses	2,193,488	-	2,193,488
CHANGE IN NET ASSETS	32,403	(88,436)	(56,033)
NET ASSETS AT BEGINNING OF YEAR	158,475	108,442	266,917
NET ASSETS AT END OF YEAR	$ 190,878	$ 20,006	$ 210,884

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, 2017

OPERATING ACTIVITIES:		
Change in net assets	$	(56,033)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		50,578
Net realized and unrealized (gain) / loss on investments		(5,462)
In-kind donations of computer software		(14,454)
Donated marketable securities		(9,772)
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Pledges receivable		150,000
Prepaid expenses and other assets		(89,978)
Increase (Decrease) in:		
Accounts payable		(134,096)
Accrued expenses and other liabilities		55,547
Deferred rent payable		9,030
NET CASH USED IN OPERATING ACTIVITIES		(44,640)
INVESTING ACTIVITIES:		
Purchase of property and equipment		(17,747)
Proceeds from sales of marketable securities		9,806
Purchases of marketable securities		(436)
NET CASH USED IN INVESTING ACTIVITIES		(8,377)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(53,017)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		238,924
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	185,907
SUPPLEMENTAL DISCLOSURE		
Donated computer software and services	$	14,454
Interest expense paid in cash	$	1,938

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, 2017

	Program	Management and General	Fundraising	Total
Salaries & benefits	$ 854,891	$ 59,165	$ 249,900	$ 1,163,956
Professional services	136,004	19,832	653	156,489
Rent	130,223	1,299	16,171	147,693
Printing	131,405	-	13,184	144,589
Computer expenses	118,073	-	6,006	124,079
Creative fees	79,200	-	-	79,200
Depreciation expense	45,310	488	4,780	50,578
Data processing & storage	31,757	-	17,557	49,314
Insurance	35,023	8,866	855	44,744
Travel & meals	28,746	109	12,851	41,706
Postage expense	27,957	32	10,896	38,885
Membership response processing	7,428	-	25,985	33,413
Parking	21,080	1,019	6,767	28,866
Bank & credit card fees	-	8,510	10,233	18,743
Other expenses	60	2,393	13,094	15,547
Office expenses	9,472	781	2,666	12,919
Telephone	10,131	509	1,986	12,626
Internet	8,760	10	231	9,001
Reference materials	931	-	6,483	7,414
Satellite & cable	6,140	-	-	6,140
Mailing services	3,721	-	782	4,503
Advertising	1,592	-	-	1,592
Freight & delivery	572	-	10	582
Staff development, education & training	150	399	-	549
Seal of approval awards	360	-	-	360
	$ 1,688,986	$ 103,412	$ 401,090	$ 2,193,488

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

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.

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.

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 applies the provisions of FASB ASC Topic No. 740, "Accounting for Uncertainty in Income Taxes" (ASC 740). ASC 740 clarifies for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes", and prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return. In accordance with ASC 740, the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based in the technical merits of the position. The Organization has determined that there are no unrecognized tax benefits.

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, 2014, 2015 and 2016 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, 2017, 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.

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:

As of December 31, 2017	Fair Value	Original Cost
Money market funds	$ 6,284	$ 6,284
Equity securities and mutual funds	28,566	10,253
Limited partnership interest	4,441	4,441
	$ 39,291	$ 20,978

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	$ 539
Interest – others	140
Net realized and unrealized gain (loss)	5,462
Investment expenses	(103)
	$ 6,038

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.

NOTE 4. INVESTMENTS (continued)

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

Financial Instrument	Fair Value Hierarchy	Fair Value at December 31, 2017
Money market funds	Level 1	$ 6,284
Equity securities	Level 1	$ 28,566
Limited partnership interests	Level 3	$ 4,441

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017, are as follows:

Computer equipment and software	$ 717,676
Office equipment	84,779
Furniture and fixtures	50,315
Leasehold improvements	119,816
	972,586
Less: accumulated depreciation	(840,549)
	$ 132,037

Depreciation expense for the year ended December 31, 2017 amounted to $50,578.

NOTE 6. LEASE COMMITMENT

On August 31, 2017, the Organization amended its primary office space lease in Los Angeles, modifying the previous terms and extending the office lease effective September 1, 2017 through June 30, 2023. The lease agreement includes a landlord right of relocation within the building at the landlord's expense.

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 security deposit in the amount of $15,882.

Future minimum non-cancelable lease payments are as follows:

For the year ending December 31,	
2018	$ 107,042
2019	111,326
2020	115,779
2021	120,409
2022	125,229
2023	64,620
Total minimum lease payments	$ 644,405

Rent expense for the Los Angeles and Virginia offices for the year ended December 31, 2017 amounted to $135,693 and $12,000, respectively.

NOTE 7. 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:

Digital marketing and distribution	$	20,006

NOTE 8. 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:

Digital marketing and distribution	$	285,134
Research and public education		35,000
Technology and communication		108,442
	$	428,576

NOTE 9. 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, 2017:

Computer software	$	14,454
Data analytics		87,759
	$	102,213

NOTE 10. SPECIAL EVENTS

In 2017, the Organization held special program related events in (list of cities).

	Revenues		Costs		Net Revenues	
Jackson	$	3,075	$	(2,873)	$	202
Springfield		10,238		(9,496)		742
Temecula		60,000		(26,764)		33,236
TOTAL	$	73,313	$	(39,133)	$	34,180

NOTE 11. COSTS OF ACTIVITIES THAT INCLUDE FUNDRAISING

The Organization follows FASB ASC 958-720-50-2. The Organization incurred joint costs of $253,383 during 2017 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	$ 212,237
Support services	
Fundraising	41,146
	$ 253,383

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, 2017.

Defined contribution: The Organization has a Section 403(b) retirement and salary reduction plan for the benefit of its employees. In accordance with the plan agreement, the Organization makes contributions to the plan, which is determined based on a percentage of the participating employee's salary and the amount of an employee's elective contributions. Pension expense for the year ended December 31, 2017 amounted to $21,255.

NOTE 13. ADVERTISING

Advertising costs are expensed as incurred and included in the statement of functional expenses. Such advertising costs amounted to $1,592 for the year ended December 31, 2017.

NOTE 14. RELATED PARTY TRANSACTION

The Organization's bylaws incorporates a conflict of interest policy. The purpose of this article is to protect the Organization's interest when it is contemplating a transaction or arrangement that might benefit the private interest of a member of its Board of Directors or Officers. A person who has a financial interest may have a conflict of interest only if the Board of Trustees or appropriate committee decides that a conflict of interest exists. All members of the board and officers complete a conflict of interest document when joining the Organization, annually, when changes occur, or a combination of these.

The Organization engaged the services of Coordinex Entertainment Group (CEG) to manage a concert in Temecula, CA for the benefit of the Organization (Note 10). A staff member of the Organization has a minority ownership interest in CEG.

CEG was not compensated for its services related to this event.

NOTE 15. SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, subsequent events were evaluated through September 7, 2018, the date of these financial statements. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. There were no material subsequent events that required recognition or additional disclosure in these financial statements.