

**INDEPENDENT TELEVISION  
SERVICE, INC.  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016  
(With Independent Auditors' Report Thereon)**



**GRANT & SMITH, LLP**  
*Certified Public Accountants*

**INDEPENDENT TELEVISION SERVICE, INC.  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Independent Television Service, Inc  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Independent Television Service, Inc (a nonprofit organization) which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independent Television Service, Inc. as of September 30, 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.

### Other Matter

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017, on our consideration of Independent Television Service, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent Television Service, Inc.'s internal control over financial reporting and compliance.

### Report on Summarized Comparative Information

We have previously audited the Independent Television Service, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant & Smith, LLP*

Oakland, California  
January 4, 2017

**INDEPENDENT TELEVISION SERVICE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2016**  
**(Summarized Totals for 2015)**

ASSETS	2016			2015
	Unrestricted Fund	Temporarily Restricted Fund	Total	Total
<b>Current Assets</b>				
Cash & Cash Equivalents (Note 2)	\$ 2,612,898	\$ 1,343,265	\$ 3,956,163	\$ 5,524,930
Investments (Note 3)	1,028,338		1,028,338	1,102,766
Accounts Receivable		14,800	14,800	
Grants Receivables - CPB (Note 4)		15,092,282	15,092,282	15,571,114
Grants Receivables - Other (Note 4)		4,174,314	4,174,314	4,422,055
Prepaid Expenses & Deposits	112,085		112,085	36,272
Total Current Assets	3,753,321	20,624,661	24,377,982	26,657,137
<b>Fixed Assets</b>				
Office Furniture & Equipment (Note 5)	89,021		89,021	211,291
Leasehold Improvements (Note 5)	1,272,916		1,272,916	
Less: Accumulated Depreciation	(131,036)		(131,036)	(166,610)
Net Fixed Assets	1,230,901		1,230,901	44,681
<b>Total Assets</b>	\$ 4,984,222	\$ 20,624,661	\$ 25,608,883	\$ 26,701,818
<b>LIABILITIES &amp; NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable & Accrued Expenses	\$ 193,366	\$ 596,355	\$ 789,721	\$ 800,005
Accrued Vacation	397,730		397,730	364,061
Contracts Payable (Note 6)		7,620,735	7,620,735	8,267,245
Current Portion of Loan Payable (Note 7)	98,601		98,601	
Total Current Liabilities	689,697	8,217,090	8,906,787	9,431,311
<b>Non-Current Liabilities</b>				
Non Current Portion of Loan Payable (Note 7)	1,047,747		1,047,747	
Total Non-Current Liabilities	1,047,747		1,047,747	
<b>Net Assets (Note 8)</b>	3,246,778	12,407,571	15,654,349	17,270,507
<b>Total Liabilities and Net Assets</b>	\$ 4,984,222	\$ 20,624,661	\$ 25,608,883	\$ 26,701,818

*See accompanying Notes.*

**INDEPENDENT TELEVISION SERVICE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
**(Summarized Totals for 2015)**

	2016			2015
	Unrestricted Funds	Temporarily Restricted Funds	Total All Funds	Total
<b>Support &amp; Revenue</b>				
Corporation for Public Broadcasting	\$ 2,200,000	\$ 15,891,231	\$ 18,091,231	\$ 19,259,617
Grants & Contributions	341,951	3,090,000	3,431,951	3,815,000
Investment Income Net	77,085		77,085	22,519
Ancillary Income	186,100		186,100	173,433
Other Income	18,621	18,800	37,421	
Net Assets Released from Restriction (Note 9)	21,012,197	(21,012,197)		
<b>Total Support &amp; Revenue</b>	<b>23,835,954</b>	<b>(2,012,166)</b>	<b>21,823,788</b>	<b>23,270,569</b>
<b>Operating Expenses</b>				
Program Services				
Licensing Fees and Production Costs	9,315,012		9,315,012	9,149,616
Communication	5,365,121		5,365,121	3,258,625
Programming	1,073,904		1,073,904	855,736
Business Affairs	684,147		684,147	591,833
Special Projects	4,713,914		4,713,914	7,347,721
Management & General	2,286,191		2,286,191	2,188,733
Other	1,657		1,657	13,672
<b>Total Expenses</b>	<b>23,439,946</b>		<b>23,439,946</b>	<b>23,405,936</b>
Changes in Net Assets	396,008	(2,012,166)	(1,616,158)	(135,367)
Net Assets, Beginning of Year	2,850,770	14,419,737	17,270,507	17,405,874
Net Assets, End of Year	<u>\$ 3,246,778</u>	<u>\$ 12,407,571</u>	<u>\$ 15,654,349</u>	<u>\$ 17,270,507</u>

*See accompanying Notes.*

**INDEPENDENT TELEVISION SERVICE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
**(Summarized Totals for 2015)**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (1,616,158)	\$ (135,367)
Adjustments to Reconcile to Changes in Net Assets to Net Cash Provided by Operating Activities:		
<i>Increases/(Decreases) in Operating Assets</i>		
Depreciation	86,696	9,194
Accounts Receivable	(14,800)	
Grants Receivable	726,573	(856,815)
Prepaid & Security Deposit	(75,813)	
<i>Increases/(Decreases) in Operating Liabilities</i>		
Accounts Payable & Accrued Vacation	23,385	221,350
Contracts Payable	(646,510)	759,879
Total Adjustment	99,531	133,608
<b>Net Cash Provided/(Used) by Operating Activities</b>	(1,516,627)	(1,759)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>Investing Activities</b>		
Sale/(Purchase) of Investments	74,428	(83,566)
(Purchase)/Disposal of Equipment & Improvements	(1,272,916)	(1,854)
<b>Net Cash Provided/(Used) by Investing Activities</b>	(1,198,488)	(85,420)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayments) from Issuance of Loan Payable	1,146,348	
<b>Net Cash Provided/(Used) by Financing Activities</b>	1,146,348	
<b>Net Increase/(Decrease) in Cash and Equivalents</b>	(1,568,767)	(87,179)
<b>Cash and Equivalents, Beginning of Year</b>	5,524,930	5,612,109
<b>Cash and Equivalents, End of Year</b>	\$ 3,956,163	\$ 5,524,930
 <i>Supplemental Disclosure of Cash Flow Information</i>		
Interest Expenses Paid	\$ 32,286	\$ -
Taxes Paid	3,420	4,039

*See Accompanying Notes.*

**INDEPENDENT TELEVISION SERVICE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**  
(Summarized Totals for 2015)

	2016						2015		
	Licensing Fees & Production Costs	Communications	Programming	Business Affairs	Special Projects	Total Program Expenses	Management & General	Other	Total
<b>EXPENSES</b>									
Licensing Agreements	\$ 7,935,495				\$ 238,936	\$ 8,174,431			\$ 8,174,431
Salaries, Benefits & Taxes	746,162	\$ 2,525,789	\$697,191	\$571,102	1,351,202	5,891,446	\$1,545,298		7,436,744
Conferences, Meetings & Special Events	17,379	170,200	31,603	1,819	115,700	336,701	91,448		428,149
Equipment Costs	41,462	50,538	7,449	14,054	672,537	786,040	130,270		916,310
Insurance Expense	3,370	2,500				5,870	69,123		74,993
Interest Expense							32,286		32,286
Office Expenses	9,961	18,203	423	367	8,601	37,555	98,883	\$ 57	136,495
Office Lease & Storage	101,935	236,256	74,593	62,161	24,864	499,809	161,204		661,013
Outreach Expenses	18,870	238,755			815,417	1,073,042	3,271		1,076,313
Packaging	102,393	149,443			341,778	593,614	312		593,926
Panels/Readers			40,554		6,000	46,554			46,554
Postage and Delivery	22,545	24,877	2,037	774	12,243	62,476	3,028		65,504
Producer Orientation & Handbook	2,625		82,860			85,485			85,485
Professional Services	237,337	603,307	97,739	27,275	734,985	1,700,643	89,716	1,600	1,791,959
Promotion & Web	15,727	1,219,248	656	1,322	253,695	1,490,648	11,954		1,502,602
Telephone/Fax	8,077	11	925	555	48,042	57,610	12,473		70,083
Travel Expenses	51,674	125,994	37,874	4,718	89,914	310,174	36,925		347,099
<b>TOTAL EXPENSES</b>	<b>\$ 9,315,012</b>	<b>\$ 5,365,121</b>	<b>\$ 1,073,904</b>	<b>\$ 684,147</b>	<b>\$ 4,713,914</b>	<b>\$ 21,152,098</b>	<b>\$ 2,286,191</b>	<b>\$ 1,657</b>	<b>\$ 23,439,946</b>
									<b>\$ 23,405,936</b>

See accompanying Notes.  
(6)

**INDEPENDENT TELEVISION SERVICE, INC.  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S. Agency for International Development (USAID)</b>		
Grant # AID-OAA-A-12-00048 Women and Girls Lead Global: Using the Power of Media for Social Change	N/A	* \$ 1,425,191
Total Federal Financial Assistance		<u>\$ 1,425,191</u>

\* Tested as a major program.

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of ITVS, Inc. under programs of the federal government for the year ended September 30, 2016 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of ITVS, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows for ITVS, Inc.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement .

ITVS, Inc. has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General

Independent Television Service, Inc. was created by the community of independent producers and the Corporation for Public Broadcasting (CPB) under specific authorization of Congress as an independent service, operating in the public interest, to enhance the diversity and innovativeness of television programming available to public broadcasting. The mission of the Independent Television Service, Inc (Organization) is to bring to public television audiences innovative programming that involves creative risks and which address the need of un-served or under-served minority audiences.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when rights to receive are earned, or when services have been provided and expenditures are recorded when obligation to pay is incurred.

Contributions

Generally accepted accounting principles require that the Organization reports information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted contributions are recognized as increases in unrestricted net assets when received. Contribution restricted by donors may be reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted revenues are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions. When restrictions are satisfied in the same period as the receipt of the contribution, the Organization reports both the revenue and the related expense in the unrestricted net asset class.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Accounts Receivable

Accounts receivable consist of amounts due from funding sources, as described in Note 4, and are considered by management to be fully collectible.

Investments

Generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. In accordance with that guidance, the Organization accounts for its equity securities that have readily determinable market values by recording and reporting those securities at fair value. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 3.

Fair Value Measurements

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the input used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using best information available when there is little or no market

The Organization is required to measure certain investments at fair value in accordance with GAAP. The technique used to measure the fair value of investments is described in Note 3.

Fair Value of Financial Instruments

The carrying amounts of cash, cash equivalents, accounts receivable and other assets approximate fair values due to the short-term maturities of these assets.

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code and has been designated as an organization that is not a private foundation, during an advance-ruling period ending September 30, 1993.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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. The Organization's returns for years 2014 through 2016 are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

Furniture and Equipment

Furniture and equipment are recorded at cost less accumulated depreciation. The Organization's policy is to capitalize asset purchases over \$300. The Organization capitalizes significant additions and improvements except for equipment purchases funded by foundation grants. Capitalized furniture and equipment are being depreciated using the straight-line half-year convention method over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs is recorded as expense incurred.

Functional Expense Reporting

The costs of providing the Organization's programs have been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they relate to those functions.

Comparative Information

The financial statements include certain summarized comparative information from the prior year. This information is presented in total and not by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. Such information should be read together with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was extracted. Certain amounts in the prior year financial statements have been reclassified for comparison purposes to conform to the current year presentation.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The cash balance as of September 30, 2016 consisted of:

Interest Bearing Accounts – Trans Pacific National Bank	\$ 3,628,839
Money Market Account – Charles Schwab	327,024
Petty Cash	300
Total	<u>\$ 3,956,163</u>

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 2 – CASH AND CASH EQUIVALENTS – (Continued)**

Cash and Cash Equivalents are temporarily restricted until expended by the Organization for the purposes designated by related grant agreements.

At year ended September 30, 2016, the Organization had cash balances held at Trans Pacific National Bank in excess of limits covered by the Federal Deposit Insurance Corporation (FDIC) by \$3,378,839.

**NOTE 3 - INVESTMENTS**

The Organization's investments consist primarily of corporate notes, bonds and marketable securities. Investments are intended to provide income to be used in the Organization's programs. Restricted investments are used for purposes stipulated by donors, and the unrestricted portion has been designated to be used for management and general expenses. The fair values of investments that are measured on a recurring basis are listed below. The values presented are based on quoted prices in active markets (Level 1 inputs) as follows:

INVESTMENT	COST	FAIR VALUE
CDs	\$ 309,255	\$ 308,582
Corporate Bonds & Notes	217,280	212,106
Mutual Funds	515,448	507,650
Totals	\$ 1,041,983	\$ 1,028,338

**NOTE 4 – GRANTS RECEIVABLE**

Grants receivable consisted of the following as of September 30, 2016:

Corporation for Public Broadcasting	\$ 15,092,282
Grants Receivable-Others:	
U.S. Agency for International Development (USAID)	2,209,314
Public Broadcasting Service	1,200,000
Wyncote	675,000
National Endowment of the Arts	60,000
Northern California Community Loan Fund	30,000
Total Grants Receivable-Others	4,174,314
Totals	\$ 19,266,596

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 5 – FIXED ASSETS**

Fixed Assets at cost, as of September 30, 2016 consisted of:

Computer Equipment	\$ 76,756
Furniture & Fixtures	7,207
Office Equipment	5,058
Leasehold Improvements	1,272,916
Total Fixed Assets	1,361,937
Less: Accumulated Depreciation	(131,036)
Net Fixed Assets	<u>\$ 1,230,901</u>

The Organization incurred \$86,695 in depreciation expense and amortization of leasehold improvement for the fiscal year ending September 30, 2016.

**NOTE 6 – CONTRACTS PAYABLE**

Contracts payable represent producer licensing fees payable to independent producers, for the fiscal year ending September 30, 2016, ITVS committed funds to 37 new productions.

**NOTE 7 – LOAN PAYABLE**

Loan Payable to Trans Pacific National Bank originated February 8, 2016. The loan bears interest at a rate of 4.25% per annum through the loan's term, ending May 31, 2026. The balance at September 30, 2016 was of \$1,146,348. Principal maturities of loan payable for the next five fiscal years ending September 30th are as follows:

2017	\$ 98,601
2018	103,332
2019	107,809
2020	112,482
2021	117,358
Thereafter	606,766
Total	<u>\$ 1,146,348</u>

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

The Net Assets balance as of September 30, 2016 for temporarily restricted funds represents the unspent portion of grants recorded as the current year's increase to net assets balance in accordance with the requirements of Accounting for Contributions Received and Contributions Made. These funds are restricted for use in future fiscal years for the purpose set forth in the grant documents.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS – (Continued)**

The details of temporarily restricted net assets as of September 30, 2016 are as follows:

CPB Production Funds	\$ 7,987,615
CPB Special Project Funds	305,609
Foundation Special Projects	4,114,347
Total	<u>\$ 12,407,571</u>

**NOTE 9 – NET ASSETS RELEASED FROM RESTRICTION**

Net assets were released from funding restrictions by committing production licensing agreements to independent producers, promoting their shows upon completion, and by producing two television series for Public Television.

Licensing Fees	\$ 7,795,594
Production Support	1,379,517
Communication	5,365,121
Programming	1,073,904
Business Affairs	684,147
Special Projects	4,713,914
Total	<u>\$ 21,012,197</u>

**NOTE 10 – COMMITMENTS**

ITVS leases an office space at 1435 Folsom Street, San Francisco, CA. which commenced on June 1, 2016 and expires on May 31, 2026. ITVS maintains a security deposit of \$110,000 for leasing of the property. At September 30, 2016, the rental expense is \$622,616.

The Organization's future minimum lease payments are as follows:

<u>September 30,</u>	<u>Property Lease</u>
2017	\$ 503,412
2018	503,412
2019	503,412
2020	503,412
2021	503,412
Total	<u>\$ 2,510,060</u>

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2016**

**NOTE 11 – SIGNIFICANT CONCENTRATIONS**

ITVS received approximately 87% of its support and revenue from the Corporation for Public Broadcasting.

**NOTE 12 – DEFINED CONTRIBUTION PLAN**

The Organization also has a qualified defined contribution pension plan (403b) covering substantially all employees after attainment of specified periods of service and minimum age requirements. The plan includes an Organization match of employee's contributions up to 5% of a participant's salary. Pension expense under this plan was approximately \$340,852 in year ended September 30, 2016.

**NOTE 13 – SUBSEQUENT EVENTS**

Management of the Organization has reviewed the results of operations for the period of time from its year end June 30, 2016, through January 4, 2017, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Independent Television Service, Inc.  
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Independent Television Service, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independent Television Service, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent Television Service, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independent Television Service, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Grant & Smith, LLP*

Oakland, California  
January 4, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Independent Television Service, Inc.  
San Francisco, California

**Report on Compliance for Each Major Federal Program**

We have audited Independent Television Service, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent Television Service, Inc.'s major federal programs for the year ended September 30, 2016. Independent Television Service, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Independent Television Service, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent Television Service, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent Television Service, Inc.'s compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE (CONTINUED)**

***Opinion on Each Major Federal Program***

In our opinion, Independent Television Service, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

**Report on Internal Control Over Compliance**

Management of Independent Television Service, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent Television Service, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent Television Service, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grant & Smith, LLP*

Oakland, California  
January 4, 2017



**INDEPENDENT TELEVISION SERVICE, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED SEPTEMBER 30, 2016**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements*

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	None
• Significant deficiencies identified that are not considered to be material weaknesses?	None
• Noncompliance material to financial statements?	None

*Federal Awards*

Internal control over major program:	
• Material weaknesses identified?	None
• Significant deficiencies identified that are not considered to be material weaknesses?	None
Type of auditors’ report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with 2 CFR 200.516(a)?	No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
N/A	Women and Girls Lead Global: Using the Power of Media for Social Change

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low risk auditee?	Yes

**INDEPENDENT TELEVISION SERVICE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2016**

**SECTION II - FINANCIAL STATEMENTS FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.



**INDEPENDENT TELEVISION SERVICE, INC.  
SCHEDULE OF PRIOR YEAR'S FINDINGS  
YEAR ENDED SEPTEMBER 30, 2016**

There were no findings in the prior year.