

**INDEPENDENT TELEVISION
SERVICE, INC.
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(With Independent Auditors' Report Thereon)**

**INDEPENDENT TELEVISION SERVICE, INC.
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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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, 2017, and the related statements of activities, functional expenses, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 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.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 12, 2018, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Oakland, California
January 12, 2018

INDEPENDENT TELEVISION SERVICE, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017
(Summarized Totals for 2016)

ASSETS	2017			2016
	Unrestricted Fund	Temporarily Restricted Fund	Total	Total
Current Assets				
Cash & Cash Equivalents (Note 2)	\$ 3,278,449	\$ 1,415,607	\$ 4,694,056	\$ 3,956,163
Investments (Note 3)	924,201		924,201	1,028,338
Accounts Receivable				14,800
Grants Receivables - CPB (Note 4)		13,797,834	13,797,834	15,092,282
Grants Receivables - Other (Note 4)		3,007,292	3,007,292	4,174,314
Prepaid Expenses & Deposits	112,085		112,085	112,085
Total Current Assets	4,314,735	18,220,733	22,535,468	24,377,982
Fixed Assets				
Office Furniture & Equipment (Note 5)	89,021		89,021	89,021
Leasehold Improvements (Note 5)	1,277,281		1,277,281	1,272,916
Less: Accumulated Depreciation	(271,839)		(271,839)	(131,036)
Net Fixed Assets	1,094,463		1,094,463	1,230,901
Total Assets	\$ 5,409,198	\$ 18,220,733	\$ 23,629,931	\$ 25,608,883
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$ 454,281	\$ 621,399	\$ 1,075,680	\$ 789,721
Accrued Vacation	395,288		395,288	397,730
Contracts Payable (Note 6)		6,457,710	6,457,710	7,620,735
Current Portion of Loan Payable (Note 7)	111,226		111,226	98,601
Total Current Liabilities	960,795	7,079,109	8,039,904	8,906,787
Non-Current Liabilities				
Non Current Portion of Loan Payable (Note 7)	945,559		945,559	1,047,747
Total Non-Current Liabilities	945,559		945,559	1,047,747
Net Assets (Note 8)	3,502,844	11,141,624	14,644,468	15,654,349
Total Liabilities & Net Assets	\$ 5,409,198	\$ 18,220,733	\$ 23,629,931	\$ 25,608,883

See accompanying Notes.

INDEPENDENT TELEVISION SERVICE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Summarized Totals for 2016)

	2017			2016
	Unrestricted Funds	Temporarily Restricted Funds	Total All Funds	Total
Support & Revenue				
Corporation for Public Broadcasting	\$ 2,200,000	\$ 15,000,920	\$ 17,200,920	\$ 18,091,231
Grants & Contributions	5,500	3,320,000	3,325,500	3,431,951
Investment Income Net	57,318		57,318	77,085
Ancillary Income	294,988		294,988	186,100
Other Income	30,450		30,450	37,421
Net Assets Released from Restriction (Note 9)	19,586,867	(19,586,867)		
Total Support & Revenue	22,175,123	(1,265,947)	20,909,176	21,823,788
Operating Expenses				
Program Services:				
Licensing Fees and Production Costs	9,228,816		9,228,816	9,315,012
Communication	4,677,581		4,677,581	5,365,121
Programming	867,584		867,584	1,073,904
Business Affairs	600,709		600,709	684,147
Special Projects	4,212,177		4,212,177	4,713,914
Management & General	2,201,834		2,201,834	2,286,191
Other	130,356		130,356	1,657
Total Expenses	21,919,057		21,919,057	23,439,946
Changes in Net Assets	256,066	(1,265,947)	(1,009,881)	(1,616,158)
Net Assets, Beginning of Year	3,246,778	12,407,571	15,654,349	17,270,507
Net Assets, End of Year	\$ 3,502,844	\$ 11,141,624	\$ 14,644,468	\$ 15,654,349

See accompanying Notes.

INDEPENDENT TELEVISION SERVICE INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017
(Summarized Totals for 2016)

	2017								2016	
	Licensing Fees and Production Costs	Communications	Programming	Business Affairs	Special Projects	Total Program Expenses	Management & General	Other	Total	Total
EXPENSES										
Licensing Agreements	\$ 7,994,227				\$ 116,915	\$ 8,111,142			\$ 8,111,142	\$ 8,174,431
Salaries, Benefits & Taxes	832,298	\$ 2,873,245	\$ 560,387	\$ 508,497	1,337,331	6,111,758	\$ 1,442,783		7,554,541	7,436,744
Conferences, Meetings & Special Events	28,502	219,655	13,413	568	55,202	317,340	100,277		417,617	428,149
Equipment Costs	53,860	13,139	4,995	11,002	314,676	397,672	176,405		574,077	916,310
Insurance Expense					1,175	1,175	62,096		63,271	74,993
Interest Expense							47,482		47,482	32,286
Office Expenses	4,521	13,308	5,085	429	20,110	43,453	30,175		73,628	136,495
Office Lease and Storage	73,380	212,305	65,880	51,240	26,816	429,621	213,277		642,898	661,013
Outreach Expenses	5,904	105,230	2,000	515	914,635	1,028,284	6,620		1,034,904	1,076,313
Packaging	33,133	74,350			398,386	505,869			505,869	593,926
Panels/Readers			36,103			36,103			36,103	46,554
Postage & Delivery	17,631	17,469	1,310	500	1,629	38,539	5,282		43,821	65,504
Producer Orientation & Handbook	2,270		69,236			71,506			71,506	85,485
Professional Services	87,101	258,634	57,478	17,865	822,343	1,243,421	56,994	\$ 130,356	1,430,771	1,791,959
Promotion & Web	51,205	770,016	82	3,353	73,818	898,474	2,419		900,893	1,502,602
Telephone/Fax	1,387	1,563	862		35,652	39,464	11,313		50,777	70,083
Travel Expenses	43,397	118,667	50,753	6,740	93,489	313,046	46,711		359,757	347,099
TOTAL EXPENSES	<u>\$ 9,228,816</u>	<u>\$ 4,677,581</u>	<u>\$ 867,584</u>	<u>\$ 600,709</u>	<u>\$ 4,212,177</u>	<u>\$ 19,586,867</u>	<u>\$ 2,201,834</u>	<u>\$ 130,356</u>	<u>\$ 21,919,057</u>	<u>\$ 23,439,946</u>

See accompanying Notes.

INDEPENDENT TELEVISION SERVICE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(Summarized Totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (1,009,881)	\$ (1,616,158)
Adjustments to Reconcile to Changes in Net Assets to Net Cash Provided by Operating Activities:		
<i>Increases/(Decreases) in Operating Assets</i>		
Depreciation	140,803	86,696
Accounts Receivable	14,800	(14,800)
Grants Receivable	2,461,470	726,573
Prepaid & Security Deposit	-	(75,813)
<i>Increases/(Decreases) in Liabilities</i>		
Accounts Payable & Accrued Vacation	283,517	23,385
Loans Payable	(89,563)	1,146,348
Contracts Payable	(1,163,025)	(646,510)
Total Adjustment	1,648,002	1,245,879
Net Cash Provided/(Used) by Operating Activities	638,121	(370,279)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investing Activities		
Sale/(Purchase) of Investments	104,137	74,428
(Purchase)/Disposal of Equipment & Improvements	(4,365)	(1,272,916)
Net Cash Provided/(Used) by Investing Activities	99,772	(1,198,488)
Net Increase/(Decrease) in Cash and Equivalents	737,893	(1,568,767)
Cash and Equivalents, Beginning of Year	3,956,163	5,524,930
Cash and Equivalents, End of Year	\$ 4,694,056	\$ 3,956,163
<i>Supplemental Disclosure of Cash Flow Information</i>		
Interest Expenses Paid	\$ 47,482	\$ 32,286
Taxes Paid	\$ 2,236	\$ 3,420

See Accompanying Notes.

**INDEPENDENT TELEVISION SERVICE, INC.
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Agency for International Development (USAID)		
Grant # AID-OAA-A-12-00048 Women and Girls Lead Global: Using the Power of Media for Social Change	N/A	* \$ 1,535,948
Total Federal Financial Assistance		\$ 1,535,948

* Tested as a major program.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Independent Television under programs of the federal government for the year September 30, 2017 in accordance with the requirements of Title 2 U.S. Code, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). This portion of the operations of Independent Television Service, Inc., is not intended to and does not present the financial position, changes in net assets, or cash flows for Independent Television Service, Inc.

See Accompanying Notes

INDEPENDENT TELEVISION SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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, 2017

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 \$500. 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, 2016, 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, 2017 consisted of:

Interest Bearing Accounts – Trans Pacific National Bank	\$ 4,230,231
Money Market Account – Charles Schwab	463,525
Petty Cash	300
Total	<u>\$ 4,694,056</u>

INDEPENDENT TELEVISION SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2017

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, 2017, the Organization had cash balances held at Trans Pacific National Bank in excess of limits covered by the Federal Deposit Insurance Corporation (FDIC) by \$3,936,831.

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:

<u>INVESTMENT</u>	<u>COST</u>	<u>FAIR VALUE</u>
CDs	\$ 202,403	\$ 200,701
Corporate Bonds & Notes	162,445	157,917
Mutual Funds	568,830	565,583
Totals	<u>\$ 933,678</u>	<u>\$ 924,201</u>

NOTE 4 – GRANTS RECEIVABLE

Grants receivable consisted of the following as of September 30, 2017:

Corporation for Public Broadcasting	<u>\$ 13,797,834</u>
Grants Receivable-Other:	
MacArthur	1,400,000
U.S. Agency for International Development (USAID)	512,292
Wyncote	425,000
Public Broadcasting Service	360,000
Hewlett Foundation	200,000
National Endowment of the Arts	110,000
Total Grants Receivable-Other	<u>3,007,292</u>
Totals	<u>\$ 16,805,126</u>

INDEPENDENT TELEVISION SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2017

NOTE 5 – FIXED ASSETS

Fixed Assets at cost, as of September 30, 2017 consisted of:

Computer Equipment	\$ 76,756
Furniture & Fixtures	7,207
Office Equipment	5,058
Leasehold Improvements	<u>1,277,281</u>
Total Fixed Assets	1,366,302
Less: Accumulated Depreciation	<u>(271,839)</u>
Net Fixed Assets	<u><u>\$ 1,094,463</u></u>

The Organization incurred \$140,804 in depreciation expense and amortization of leasehold improvement for the fiscal year ending September 30, 2017.

NOTE 6 – CONTRACTS PAYABLE

Contracts payable represent producer licensing fees payable to independent producers, for the fiscal year ending September 30, 2017, ITVS committed funds to 29 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, 2017 was of \$1,056,785. Principal maturities of loan payable for the next five fiscal years ending September 30th are as follows:

2018	\$ 102,487
2019	106,929
2020	111,563
2021	116,398
2022	121,442
Thereafter	<u>497,966</u>
Total	<u><u>\$ 1,056,785</u></u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The Net Assets balance as of September 30, 2017 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, 2017

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS – (Continued)

The details of temporarily restricted net assets as of September 30, 2017 are as follows:

CPB Production Funds	\$ 7,779,592
Foundation Special Projects	3,362,032
Total	<u>\$ 11,141,624</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	\$ 7,994,227
Production Support	1,234,589
Communication	4,677,581
Programming	867,584
Business Affairs	600,709
Special Projects	4,212,177
Total	<u>\$ 19,586,867</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, 2017, the rental expense is \$508,446.

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

<u>September 30,</u>	<u>Property Lease</u>
2017	\$ 523,704
2018	539,372
2019	555,592
2020	572,260
2021	589,432
Thereafter	<u>2,314,412</u>
Total	<u>\$ 5,094,772</u>

INDEPENDENT TELEVISION SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2017

NOTE 11 – SIGNIFICANT CONCENTRATIONS

ITVS received approximately 82% 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 \$449,243 in year ended September 30, 2017.

NOTE 13 – SUBSEQUENT EVENTS

Management of the Organization has reviewed the results of operations for the period of time from its year end September 30, 2017, through January 12, 2018, 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, 2017, 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 12, 2018.

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 12, 2018



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, 2017. 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, 2017.

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 12, 2018

**INDEPENDENT TELEVISION SERVICE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

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, 2017**

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, 2017**

There were no findings in the prior year.