

**INDEPENDENT TELEVISION  
SERVICE, INC.  
AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
(With Independent Auditors' Report Thereon)**

**INDEPENDENT TELEVISION SERVICE, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report.....	1
Statement of Financial Position .....	4
Statement of Activities.....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements.....	8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	18

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of ITVS, Inc.  
San Francisco, CA

### Report on the Audit of the Financial Statements

#### *Opinion*

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Independent Television Service, Inc. as of September 30, 2023, 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.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent Television Service, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent Television Service, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Independent Television Service, Inc. 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent Television Service, Inc. 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2024, 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 solely 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 the effectiveness of Independent Television Service, Inc. 's 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Report on Summarized Comparative Information

We have previously audited the Independent Television Service, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant & Smith, LLP*

Oakland, California  
March 16, 2024

**INDEPENDENT TELEVISION SERVICE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2023**  
**(Summarized Totals for 2022)**

ASSETS	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Current Assets</b>				
Cash & Cash Equivalents (Note 2)	\$ 300	\$ 3,401,497	\$ 3,401,797	\$ 6,163,342
Investments (Note 3)	4,971,063	3,617,921	8,588,984	5,378,444
Grants Receivables - CPB (Note 4)		18,333,683	18,333,683	15,218,922
Grants Receivables - Other (Note 4)		5,286,700	5,286,700	9,042,438
Prepaid Expenses & Deposits	110,000	61,585	171,585	167,585
Total Current Assets	5,081,363	30,701,386	35,782,749	35,970,731
<b>Fixed Assets</b>				
Office Furniture and Equipment (Note 5)	107,710		107,710	161,500
Leasehold Improvements (Note 5)	1,281,277		1,281,277	1,281,277
Less: Accumulated Depreciation	(1,067,750)		(1,067,750)	(981,454)
Net Fixed Assets	321,237		321,237	461,323
<b>ROU Asset</b>				
Net ROU Asset (Note 13)	1,590,864		1,590,864	
Net ROU Asset (Note 13)	1,590,864		1,590,864	
<b>Total Assets</b>	\$ 6,993,464	\$ 30,701,386	\$ 37,694,850	\$ 36,432,054
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable and Accrued Expenses		\$ 789,890	\$ 789,890	\$ 1,063,802
Accrued Vacation	\$ 543,097		543,097	561,012
Contracts Payable (Note 6)		10,050,395	10,050,395	8,997,250
Current Portion of Loan Payable (Note 7)	132,575		132,575	126,647
Current Portion of Lease Liability (Note 13)	576,876		576,876	
Total Current Liabilities	1,252,548	10,840,285	12,092,833	10,748,711
<b>Non-Current Liabilities</b>				
Non Current Portion of Loan Payable (Note 7)	241,814		241,814	363,719
Lease Liability (Note 13)	1,038,080		1,038,080	
Total Non-Current Liabilities	1,279,894		1,279,894	363,719
<b>Net Assets (Note 8)</b>	4,461,022	19,861,101	24,322,123	25,319,624
<b>Total Liabilities and Net Assets</b>	\$ 6,993,464	\$ 30,701,386	\$ 37,694,850	\$ 36,432,054

*See accompanying Notes.*

**INDEPENDENT TELEVISION SERVICE, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**  
**(Summarized Totals for 2022)**

	<b>2023</b>		<b>2022</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total All Funds</b>	<b>Total</b>
Corporation for Public Broadcasting		\$ 18,524,667	\$ 18,524,667	\$ 17,366,666
Grants & Contributions		2,514,665	2,514,665	10,110,000
Investment Income Net	\$ 303,929		303,929	(301,879)
Ancillary Income	38,443		38,443	(214,599)
Other Income	276		276	12,587
Net Assets Released from Restriction (Note 9)	22,281,981	(22,281,981)		
<b>Total Support and Revenue</b>	<b>22,624,629</b>	<b>(1,242,649)</b>	<b>21,381,980</b>	<b>26,972,775</b>
Program Services:				
Licensing Fees and Production Costs	9,192,450		9,192,450	8,083,425
Communication	4,686,308		4,686,308	3,283,512
Programming	992,308		992,308	959,503
Business Affairs	717,568		717,568	678,353
Special Projects	4,493,347		4,493,347	5,044,927
Management & General	2,200,000		2,200,000	2,200,000
Other	97,500		97,500	120,000
<b>Total Expenses</b>	<b>22,379,481</b>		<b>22,379,481</b>	<b>20,369,720</b>
Changes in Net Assets	245,148	(1,242,649)	(997,501)	6,603,055
Net Assets, Beginning of Year	4,215,874	21,103,750	25,319,624	18,716,569
Net Assets, End of Year	<b>\$ 4,461,022</b>	<b>\$ 19,861,101</b>	<b>\$ 24,322,123</b>	<b>\$ 25,319,624</b>

*See accompanying Notes.*

**INDEPENDENT TELEVISION SERVICE INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**  
**(Summarized Totals for 2022)**

	2023								2022	
	Licensing Fees and Production Costs	Communications	Programming	Business Affairs	Special Projects	Total Program Expenses	Management & General	Other	Total	Total
<b>EXPENSES</b>										
Licensing Agreements	\$ 7,644,860				\$ 152,750	\$ 7,797,610			\$ 7,797,610	\$ 6,191,322
Salaries, Benefits and Taxes	1,269,644	\$ 3,094,675	\$ 656,510	\$ 422,324	2,112,809	7,555,962	\$ 1,529,897		9,085,859	9,181,705
Conferences, Meetings & Special Events	25,392	83,420	24,485	1,651	158,440	293,388	29,642		323,030	190,348
Equipment Costs		59,322	9,745	59,832	290,954	419,853	138,203		558,056	591,256
Insurance Expense							56,758		56,758	72,964
Interest Expense							17,325		17,325	23,988
Office Expenses	392	1,426		710	39,160	41,688	10,858		52,546	43,541
Office Lease and Storage	126,994	298,414	45,355	36,284		507,047	257,510		764,557	716,168
Outreach Expenses	5,930	100,428	445	463	751,256	858,522	5,485		864,007	951,516
Packaging	48,050	54,602			316,787	419,439			419,439	373,439
Panels/Readers			25,685		1,500	27,185			27,185	46,544
Postage and Delivery	442	766	260		336	1,804	536		2,340	3,736
Producer Orientation & Handbook			196,812			196,812			196,812	180,269
Professional Services	2,600	143,935	1,068	196,304	647,235	991,142	139,784	\$ 97,500	1,228,426	757,060
Promotion & Web		806,525				806,525	694		807,219	953,988
Telephone/Fax	952	337	365		19,296	20,950	4,326		25,276	25,285
Travel Expenses	67,194	42,458	31,578		2,824	144,054	8,982		153,036	66,591
<b>TOTAL EXPENSES</b>	<u>\$ 9,192,450</u>	<u>\$ 4,686,308</u>	<u>\$ 992,308</u>	<u>\$ 717,568</u>	<u>\$ 4,493,347</u>	<u>\$ 20,081,981</u>	<u>\$ 2,200,000</u>	<u>\$ 97,500</u>	<u>\$ 22,379,481</u>	<u>\$ 20,369,720</u>

*See accompanying Notes.*  
(6)

**INDEPENDENT TELEVISION SERVICE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023**  
**(With Summarized Totals)**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (997,501)	\$ 6,603,055
Adjustments to Reconcile to Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
<i>Increases/(Decreases) in Operating Assets</i>		
Depreciation	86,296	152,336
Grants Receivable	640,977	(9,292,952)
Prepaid & Security Deposit	(4,000)	(40,750)
<i>Increases/(Decreases) in Liabilities</i>		
Accounts Payable & Accrued Vacation	(291,827)	585,954
Loans Payable	(115,977)	(121,432)
Deferred Rent	(552,784)	
Contracts Payable	1,053,145	(755,783)
Total Adjustment	815,830	(9,472,627)
<b>Net Cash Used by Operating Activities</b>	(181,671)	(2,869,572)
 <b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>Investing Activities</b>		
Sale/(Purchase) of Investments	(3,210,540)	410,941
(Purchase)/Disposal of Equipment & Improvements	53,790	
<b>Net Cash Provided/(Used) by Investing Activities</b>	(3,156,750)	410,941
 <b>Net Increase/(Decrease) in Cash and Equivalents</b>	(3,338,421)	(2,458,631)
<b>Cash and Equivalents, Beginning of Year</b>	6,163,342	8,621,973
<b>Cash and Equivalents, End of Year</b>	\$ 2,824,921	\$ 6,163,342
<i>Supplemental Disclosure of Cash Flow Information</i>		
Interest Expenses Paid	\$ 17,325	\$ 23,988
Taxes Paid	800	1,204

*See Accompanying Notes.*

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

General

Independent Television Service, Inc. (ITVS) 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. ITVS brings independently-produced, high-quality public broadcast and new media programs to local, national, and international audiences. The independent producers who create ITVS programs take creative risks, tackle complex issues, and express points of view seldom explored in the mass media. ITVS programs enrich the cultural landscape with the voices and visions of underrepresented communities, and reflect the interests and concerns of a diverse society.

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.

Financial Statement Presentation

As required, the accompanying financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by the classification of net assets and transactions into the following classes of assets:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time, and may be maintained permanently by the Organization.

The Organization uses net assets with donor restrictions in accordance with donor-imposed restrictions to support specific programs and associated administrative functions. Net assets without donor restrictions are used to support general programs and associated general and administrative functions.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

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

Revenue Recognition

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restriction are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Generally accepted accounting principles require that the Organization reports information about its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions. Unrestricted contributions are recognized as increases in net assets without donor restrictions when received. Contribution restricted by donors may be reported as increases in net assets with donor restrictions, 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 net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

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

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.

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 2020 through 2022 are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

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

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. The following is the allocation method of the expense to the various programs:

***Salaries, Benefits & Taxes*** - are allocated based on individual staff assigned to each department

***Office Lease and Storage*** - are allocated by the percentage of staff within each department in relation to the total number of staff at the beginning of the fiscal year

***All other expenses*** are based on actual expense for each dept/special project

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, 2021, 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.

Recently Implemented Accounting Pronouncements

In February 2016, the FASB issued an accounting pronouncement (FASB ASU 2016-02) related to the accounting for leases. This pronouncement requires lessees to record most leases on their balance

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

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

Recently Implemented Accounting Pronouncements

sheet, while expense recognition on the income statement remains similar to current lease accounting guidance. The guidance also eliminates real estate- specific provisions and modifies certain aspects of lessor accounting. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The cash balance as of September 30, 2023 consisted of:

Interest Bearing Accounts – Beacon Business Bank	\$ 690,768
Money Market Account – Charles Schwab	2,710,729
Petty Cash	300
Total	<u>\$ 3,401,797</u>

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, 2023, the Organization had cash balances held in excess of limits covered by the Federal Deposit Insurance Corporation (FDIC) by \$2,901,496.

**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:

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

**NOTE 3 – INVESTMENTS (Continued)**

INVESTMENT	COST	FAIR VALUE
U.S. Treasury Notes	\$ 8,591,315	\$ 8,588,984
Totals	\$ 8,591,315	\$ 8,588,984

**NOTE 4 – GRANTS RECEIVABLE**

Grants receivable consisted of the following as of September 30, 2023:

Corporation for Public Broadcasting	\$ 18,333,683
Grants Receivable-Other:	
Action Family Foundation	500,000
MacArthur	500,000
NEH	271,137
Public Broadcasting System	3,760,563
Other	255,000
Total Grants Receivable-Other	\$ 5,286,700
Totals	\$ 23,620,383

**NOTE 5 - FIXED ASSETS**

Fixed Assets at cost, as of September 30, 2023 consisted of:

Computer Equipment	\$ 95,446
Furniture & Fixtures	7,207
Office Equipment	5,058
Leasehold Improvements	1,281,276
Total Fixed Assets	1,442,777
Less: Accumulated Depreciation	(1,067,750)
Net Fixed Assets	\$ 321,237

The Organization incurred \$86,296 in depreciation expense and amortization of leasehold improvement for the fiscal year ending September 30, 2023.

**INDEPENDENT TELEVISION SERVICE, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
SEPTEMBER 30, 2023**

**NOTE 6 – CONTRACTS PAYABLE**

Contracts payable represent producer licensing fees payable to independent producers. For the fiscal year ending September 30, 2023, ITVS committed funds to 24 new full-length productions.

**NOTE 7 – LOAN PAYABLE**

Loan Payable to Beacon Business 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, 2023 was of \$374,389. Principal maturities of loan payable for the next five fiscal years ending September 30th are as follows:

2024	\$	132,575
2025		137,862
2026		103,952
Total	\$	374,389

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

The Net Assets balance as of September 30, 2023 for donor restricted funds represents the unspent portion of grants recorded as the current year and prior 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.

The details of donor restricted net assets as of September 30, 2023 are as follows:

CPB Production Funds	\$	9,734,223
Foundation Special Projects		10,126,878
Total	\$	19,861,101

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

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.

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

**NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS (Continued)**

The details of net assets released from restrictions as of September 30, 2023 are as follows:

Licensing Fees	\$ 7,644,860
Production Support	1,547,590
Communication	4,686,308
Programming	992,308
Business Affairs	717,568
Special Projects	4,493,347
Management & General	2,200,000
Total	<u>\$ 22,281,981</u>

**NOTE 10 – SIGNIFICANT CONCENTRATIONS**

ITVS received approximately 87% of its support and revenue from the Corporation for Public Broadcasting. A significant reduction in the level of this support may have an adverse effect on the Organization's ability to continue its programs and activities, which are funded by this grantor.

**NOTE 11 – 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. 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 \$539,098 in year ended September 30, 2023.

**NOTE 12 – LIQUIDITY & AVAILABILITY**

Cash and Cash Equivalents	\$ 3,401,797
Investments	8,588,984
Grants & Contract Receivable	<u>23,620,386</u>
Total Liquid Financial Assets	35,611,167
Less: Current Liabilities & Net Assets With Donor Restriction	<u>(30,725,478)</u>
Financial Assets Available to Meet Cash Needs of General Expenditures within One Year	<u>\$ 4,885,689</u>

For purposes of analyzing resources available to meet general expenditures within a 12-month period the Organization considers all expenditures related to its ongoing mission-related activities, as well as

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

**NOTE 12 – LIQUIDITY & AVAILABILITY (CONTINUED)**

the conduct of service undertaken to support those activities, to be general expenditures. \$4,885,689 is available to meet expenditures within a 12-month period. In addition to financial assets available to meet general expenditures the Organization operates with a balanced budget.

**NOTE 13– RIGHT OF USE ASSETS AND LEASE LIABILITY**

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right of use asset is the lease liability adjusted for other lease related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring the Organization’s right of use assets and lease liabilities. Operating Lease expense and finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using a risk-free rate that approximates the remaining term of the lease multiplied by the outstanding finance lease liability.

The organization considers leases with the initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term leases costs are expensed over the remaining lease term, with no corresponding right of use asset or lease liability. In addition, the Organization does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

At October 1, 2022, the Organization recorded the net present value of the right of use (ROU) asset and lease liability on the Statement of Financial Position of \$2,157,347 , using a 3% incremental borrowing rate. For the fiscal year ended September 30, 2023 amortization of the ROU asset for \$ 513,883 and lease payments totaled \$ 542,391. Future ROU Asset amortization and lease payments are as follows:

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

<u>September 30,</u>	<u>Asset</u>	<u>Liability</u>
2024	\$ 582,755	\$ 576,876
2025	600,061	612,942
2026	408,048	425,138
2026		
Total	<u>\$ 1,590,864</u>	<u>\$ 1,614,956</u>

**INDEPENDENT TELEVISION SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**SEPTEMBER 30, 2023**

**NOTE 14 – SUBSEQUENT EVENTS**

Management of the Organization has reviewed the results of operations for the period of time from its year end September 30, 2023, through March 16, 2024, 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 AUDITOR'S 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*

To the Board of Directors of  
Independent Television Service, Inc.

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, 2023, 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 March 16, 2024.

**Report on 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) as a basis for designing 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 Independent Television Service, Inc.'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 or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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*.

**INDEPENDENT AUDITOR’S 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)***

**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  
March 16, 2024