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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019

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

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statement of financial position of Parents Television Council, Inc. (the "Organization"), a Delaware nonprofit corporation, as of December 31, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Parents Television Council, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Zuehls, Legaspi & Co.

Los Angeles, California
October 26, 2020

PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	212,097
Marketable securities, at fair value		1,038
Prepaid expenses and other assets		27,059
TOTAL CURRENT ASSETS		240,194
Property and equipment, net		37,480
Deposits		15,882
TOTAL ASSETS	$	293,556
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$	78,912
Accrued expenses and other liabilities		58,378
Current portion of deferred rent		9,587
TOTAL CURRENT LIABILITIES		146,877
Deferred compensation liability		30,000
Long-term portion of deferred rent		44,779
TOTAL LIABILITIES		221,656
COMMITMENT		
NET ASSETS		
Without donor restrictions		44,516
With donor restrictions		27,384
TOTAL NET ASSETS		71,900
TOTAL LIABILITIES AND NET ASSETS	$	293,556

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

PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	$ 1,433,594	$ 364,550	$ 1,798,144
Investment income, net	6,759	52	6,811
Rental and other	6,170	-	6,170
Net assets released from restrictions	350,000	(350,000)	-
Total Revenue, Gains and Other Support	1,796,523	14,602	1,811,125
EXPENSES			
Program services	1,502,833	-	1,502,833
Total Program Services	1,502,833	-	1,502,833
Support services			
Management and general	103,019	-	103,019
Fundraising	214,166	-	214,166
Total Support Services	317,185	-	317,185
Total Expenses	1,820,018	-	1,820,018
CHANGE IN NET ASSETS	(23,495)	14,602	(8,893)
NET ASSETS AT BEGINNING OF YEAR	68,011	12,782	80,793
NET ASSETS AT END OF YEAR	$ 44,516	$ 27,384	$ 71,900

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

PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING ACTIVITIES:		
Change in net assets	$	(8,893)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		48,597
Net realized and unrealized (gain) / loss on investments		(6,231)
Donated marketable securities		(9,972)
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Prepaid expenses and other assets		(15,135)
Increase (Decrease) in:		
Accounts payable		(69,476)
Accrued expenses and other liabilities		5,614
Deferred rent payable		(5,133)
NET CASH USED IN OPERATING ACTIVITIES		(60,629)
INVESTING ACTIVITIES:		
Purchase of marketable securities		(503)
Proceeds from sales of marketable securities		52,126
NET CASH PROVIDED BY INVESTING ACTIVITIES		51,623
CHANGE IN CASH AND CASH EQUIVALENTS		(9,006)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		221,103
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	212,097
SUPPLEMENTAL DISCLOSURE		
Interest expense paid in cash	$	2,498
Disposal of fully depreciated equipment	$	90,030

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

PARENTS TELEVISION COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 826,047	$ 58,518	$ 104,933	$ 989,498
Professional services	120,960	19,986	272	141,218
Creative fees	112,250	-	9,250	121,500
Rent	98,165	1,460	7,441	107,066
Printing	73,199	902	10,043	84,144
Computer expenses	58,618	13	3,230	61,861
Depreciation expense	43,420	462	4,715	48,597
Postage expense	36,022	110	8,000	44,132
Insurance	32,166	7,461	509	40,136
Membership response processing	21,344	-	15,107	36,451
Mailing services	15,500	-	11,000	26,500
Parking	19,052	980	2,890	22,922
Other expenses	2,498	4,141	13,275	19,914
Travel and meals	9,399	-	9,271	18,670
Bank and credit card fees	-	8,030	8,068	16,098
Telephone	11,261	427	843	12,531
Office expenses	8,011	459	153	8,623
Internet	6,431	9	160	6,600
Satellite and cable	6,140	-	-	6,140
Data processing and storage	-	-	2,602	2,602
Staff development, education and training	275	-	2,198	2,473
Reference materials	1,436	-	-	1,436
Freight and delivery	211	61	206	478
Seal of approval awards	428	-	-	428
TOTAL EXPENSES	$ 1,502,833	$ 103,019	$ 214,166	$ 1,820,018

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

NOTE 1. NATURE OF ORGANIZATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Use of Estimates

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

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.
>
> Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to long-term purposes are excluded from this definition.

Revenue and Revenue Recognition

In accordance with FASB ASC 958-605-50, revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Unconditional contributions are measured at fair value when received or promised and reported as contributions with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Property and Equipment

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

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restriction at that time.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. The expenses that are allocated include occupancy, depreciation, insurance and interest, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

The functional classifications are defined as follows:

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

Income Taxes

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

Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Under the general three-year statute of limitations, the Organization's returns for years ended December 31, 2016, 2017 and 2018 are subject to examination by federal and state taxing authorities for three years after they are filed.

NOTE 3. CONCENTRATION OF BUSINESS AND CREDIT RISK

The Organization maintains demand deposits and money market funds at financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Organization. However, the Organization has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal. At December 31, 2019, the Organization had no uninsured cash balance.

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

NOTE 4. INVESTMENTS

Marketable Securities

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

A summary of marketable securities is as follows:

As of December 31, 2019	Fair Value	Original Cost
Money market funds	$ 1.038	$ 1.038

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

Investment income (loss) is comprised of the following:

Interest and dividends- marketable securities	$ 507
Interest – others	77
Net realized and unrealized gain (loss)	6,231
Investment expenses	(4)
	$ 6,811

Fair Value Measurements

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

Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

NOTE 4. INVESTMENTS (continued)

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 Unobservable inputs for the asset, such as pricing models, discounted cash flows, or similar techniques using the best information available in the circumstances..

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

Financial Instrument	Fair Value Hierarchy	Fair Value at December 31. 2019
Money market funds	Level 1	$ 1,038

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2019, are as follows:

Computer equipment and software	$	654,867
Office equipment		65,387
Furniture and fixtures		50,315
Leasehold improvements		119,816
		890,385
Less: accumulated depreciation		(852,905)
Total	$	37,480

Depreciation expense for the year ended December 31, 2019 amounted to $48,597.

NOTE 6. LEASE COMMITMENT

On August 31, 2018, the Organization amended its primary office space lease in Los Angeles, modifying the previous terms and extending the office lease effective September 1, 2018 through June 30, 2023. The lease agreement includes a landlord right of relocation within the building at the landlord's expense.

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

NOTE 6. LEASE COMMITMENT (continued)

Future minimum non-cancelable lease payments are as follows:

For the year ending December 31,		
2020	$	115,779
2021		120,409
2022		125,229
2023		64,620
Total minimum lease payments	$	426,037

Rent expense for the year ended December 31, 2019 amounted to $107,066.

As of this report year end, the Organization is continuing negotiation with the landlord for modification or amendment of the current lease.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

The net assets of the Organization are classified as “with donor restrictions” and “without donor restrictions”. Net assets with donor restrictions are available to support the following:

Website redesign, digital marketing and distribution	$	27,384

NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from “net assets with donor restrictions” by incurring the expenses satisfying the restricted purposes or by occurrences of events specified by donors.

Satisfaction of donor specified purpose restrictions:		
Research and Public Education	$	230,000
Ratings Reform and Violent Media		75,000
Staff compensation		45,000
Total	$	350,000

NOTE 9. IN-KIND CONTRIBUTIONS

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

The Organization did not receive in-kind contributions for the year ended December 31, 2019.

NOTE 10. COSTS OF ACTIVITIES THAT INCLUDE FUNDRAISING

The Organization follows FASB ASC 958-720-50-2. The Organization incurred joint costs of $267,137 during 2019 for informational materials and activities that include development appeals. Allocations were in accordance with guidelines established by FASB ASC 958-720-50-2.

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

Program services	$	223,366
Support services		-
Fundraising		43,771
Total	$	267,137

NOTE 11. ADVERTISING COSTS

Advertising costs are expensed as incurred and included in the statement of functional expenses. There were no advertising costs for the year ended December 31, 2019.

NOTE 12. RETIREMENT PLANS

Deferred compensation: The Organization has a deferred compensation agreement with a key employee under Section 457(f) of the Internal Revenue Code. The Organization has designated certain investments as held to fund its obligation under the agreement (see Note 4). The Organization did not contribute to the plan for the year ended December 31, 2019.

Defined contribution: The Organization has a Section 403(b) retirement and salary reduction plan for the benefit of its employees. In accordance with the plan agreement, the Organization makes contributions to the plan, which is determined based on a percentage of the participating employee’s salary and the amount of an employee’s elective contributions. Pension expense for the year ended December 31, 2019 amounted to $20,611.

NOTE 13. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

		Amount
Cash and cash equivalents	$	212,097
Marketable securities, at fair value		1,038
Total	$	213,135

As part of the Organization's liquidity management plan, cash is retained in excess of daily requirements in short-term instruments such as, CDs, and money market funds. Occasionally, the Board may designate a portion of any operating surplus (if any) to its investments. As of December 31, 2019, the financial assets available for general expenditures totaled $213,135.

NOTE 14. RELATED PARTY TRANSACTIONS

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

There were no related party transactions for the year ended December 31, 2019.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02

For lessees, any leases that are over 12 months in duration will need to be presented on the entity's statement of financial position as a right-to-use asset and corresponding liability for the obligation to pay the lease. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional renewal periods if the lessee is reasonably certain to exercise an option to extend the lease. The present value should be calculated using the discount rate implicit in the lease (if determinable) or the lessee's incremental borrowing rate. The asset will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities.

This amendment is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early application of this amendment is permitted.

NOTE 16. SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, subsequent events were evaluated through October 26, 2020, the date of these financial statements.

In 2020, domestic and international economies face uncertainty related to the impact of the COVID-19 disease. The Organization may be adversely affected through interruptions in its ability to fund program activities and decrease in revenue of its significant major donors or grantors. As of this report date, Management believes the COVID-19 impact will not impair its ability to continue to provide necessary support and services in furtherance of its charitable mission.

There were no other material subsequent events that required recognition or additional disclosure in these financial statements.