



**PARENTS TELEVISION COUNCIL, INC.**  
(A DELAWARE NONPROFIT CORPORATION)  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2018

**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, 2018, 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, 2018, 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.

Los Angeles, California  
September 30, 2019

**PARENTS TELEVISION COUNCIL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

CURRENT ASSETS

Cash and cash equivalents	\$	221,103
Marketable securities, at fair value		36,458
Prepaid expenses and other assets		11,924

<b>TOTAL CURRENT ASSETS</b>		269,485
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Property and equipment, net		86,077
Deposits		15,882

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>371,444</b>
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**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES

Accounts payable	\$	148,388
Accrued expenses and other liabilities		52,764
Current portion of deferred rent		5,133

<b>TOTAL CURRENT LIABILITIES</b>		206,285
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Deferred compensation liability		30,000
Long-term portion of deferred rent		54,366

<b>TOTAL LIABILITIES</b>		290,651
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COMMITMENT

NET ASSETS

Without donor restrictions		68,011
With donor restrictions		12,782

<b>TOTAL NET ASSETS</b>		80,793
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>371,444</b>
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The accompanying notes are an integral part of these financial statements.

**PARENTS TELEVISION COUNCIL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 1,695,768	\$ 350,000	\$ 2,045,768
In-kind contributions	161,349	-	161,349
Investment income, net	(2,900)	172	(2,728)
Rental and other	5,833	-	5,833
Net assets released from restrictions	357,396	(357,396)	-
Total Revenue, Gains and Other Support	2,217,446	(7,224)	2,210,222
<b>EXPENSES</b>			
Program services	1,869,113	-	1,869,113
Total Program Services	1,869,113	-	1,869,113
Support services			
Management and general	112,111	-	112,111
Fundraising	359,089	-	359,089
Total Support Services	471,200	-	471,200
Total Expenses	2,340,313	-	2,340,313
<b>CHANGE IN NET ASSETS</b>	(122,867)	(7,224)	(130,091)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	190,878	20,006	210,884
<b>NET ASSETS AT END OF YEAR</b>	\$ 68,011	\$ 12,782	\$ 80,793

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, 2018**

<b>OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (130,091)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	53,790
Net realized and unrealized (gain) / loss on investments	4,439
Donated marketable securities	(10,206)
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Prepaid expenses and other assets	94,760
Increase (Decrease) in:	
Accounts payable	51,211
Accrued expenses and other liabilities	(28,626)
Deferred rent payable	(851)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,426
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<b>INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	(7,830)
Purchase of marketable securities	(1,530)
Proceeds from sales of marketable securities	10,130
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NET CASH PROVIDED BY INVESTING ACTIVITIES	770
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<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	35,196
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	185,907
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<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 221,103
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<b>SUPPLEMENTAL DISCLOSURE</b>	
Interest expense paid in cash	\$ 1,031
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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, 2018**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 943,061	\$ 66,565	\$ 193,443	\$ 1,203,069
Printing	157,139	-	41,280	198,419
Theater rentals	149,771	-	-	149,771
Professional services	124,193	19,926	231	144,350
Rent	99,458	1,552	10,403	111,413
Creative fees	90,600	-	4,525	95,125
Computer expenses	60,454	-	11,505	71,959
Depreciation expense	48,547	527	4,716	53,790
Travel and meals	36,126	24	8,635	44,785
Insurance	31,951	11,180	868	43,999
Postage expense	30,430	360	12,659	43,449
Membership response processing	18,492	-	17,794	36,286
Parking	24,681	1,065	5,610	31,356
Data processing and storage	15,000	-	12,743	27,743
Bank and credit card fees	-	8,165	9,057	17,222
Other expenses	1,558	788	13,109	15,455
Office expenses	9,445	681	1,836	11,962
Mailing services	3,562	-	8,237	11,799
Telephone	9,752	500	1,269	11,521
Internet	8,302	11	177	8,490
Satellite and cable	5,629	-	-	5,629
Reference materials	30	-	828	858
Seal of approval awards	807	-	-	807
Staff development, education and training	-	767	-	767
Freight and delivery	125	-	164	289
	<u>\$ 1,869,113</u>	<u>\$ 112,111</u>	<u>\$ 359,089</u>	<u>\$ 2,340,313</u>

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

**PARENTS TELEVISION COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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](http://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.

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 certain 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 certain 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.

Cash and Cash Equivalents

Amount reported as cash and cash equivalents consists of demand deposits with maturities of 90 days or less.



**PARENTS TELEVISION COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions and Revenue Recognition

In accordance with FASB ASC 958-605-50, revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors.

Unconditional contributions are measured at fair value when received or promised and reported as 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.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Cost common to multiple functions have been allocated among the various functions benefited.

**PARENTS TELEVISION COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The functional classifications are defined as follows:

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

Income Taxes

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

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, 2015, 2016 and 2017 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, 2018, the Organization has no uninsured cash balance.

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

**NOTE 4. INVESTMENTS**

Marketable Securities

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

**PARENTS TELEVISION COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4. INVESTMENTS (continued)**

A summary of marketable securities is as follows:

<u>As of December 31, 2018</u>	<u>Fair Value</u>	<u>Original Cost</u>
Money market funds	\$ 5,635	\$ 5,635
Equity securities and mutual funds	30,823	12,339
	<u>\$ 36,458</u>	<u>\$ 17,974</u>

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	\$ 1,634
Interest – others	181
Net realized and unrealized gain (loss)	(4,439)
Investment expenses	(104)
	<u>\$ (2,728)</u>

Fair Value Measurements

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

The fair value hierarchy can be summarized as follows:

- Level 1 Fair value determined based on quoted prices in active markets for identical assets or liabilities.
- Level 2 Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3 Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

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

<u>Financial Instrument</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value at December 31, 2018</u>
Money market funds	Level 1	\$ 5,635
Equity securities	Level 1	\$ 30,823

**PARENTS TELEVISION COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5. PROPERTY AND EQUIPMENT, NET**

Property and equipment at December 31, 2018, are as follows:

Computer equipment and software	\$	725,505
Office equipment		84,779
Furniture and fixtures		50,315
Leasehold improvements		119,816
		980,415
Less: accumulated depreciation		(894,338)
	\$	86,077

Depreciation expense for the year ended December 31, 2018 amounted to \$53,790.

**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.

Future minimum non-cancelable lease payments are as follows:

For the year ending December 31,

2019	\$	111,326
2020		115,779
2021		120,409
2022		125,229
2023		64,620
Total minimum lease payments	\$	537,363

Rent expense for the Los Angeles and Virginia offices for the year ended December 31, 2018 amounted to \$105,413 and \$6,000, respectively.

**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:

Digital marketing and distribution	\$	12,782
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**PARENTS TELEVISION COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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:

Digital Marketing and Distribution	\$	7,396
Research and Public Education		30,000
For Every Girl		20,000
Ratings Reform and Violent Media		50,000
Print communication		<u>250,000</u>
	\$	<u><u>357,396</u></u>

**NOTE 9. IN-KIND CONTRIBUTIONS**

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

The Organization received the following in-kind contributions during the year ended December 31, 2018:

Theatre tickets and rentals	\$	149,771
Data analytics		<u>11,578</u>
	\$	<u><u>161,349</u></u>

**NOTE 10. COSTS OF ACTIVITIES THAT INCLUDE FUNDRAISING**

The Organization follows FASB ASC 958-720-50-2. The Organization incurred joint costs of \$279,961 during 2018 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	\$	207,973
Support services		-
Fundraising		<u>71,988</u>
	\$	<u><u>279,961</u></u>

**PARENTS TELEVISION COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 11. ADVERTISING**

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, 2018.

**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, 2018.

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, 2018 amounted to \$20,332.

**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:

	<u>Amount</u>
Cash and cash equivalents	\$ 221,103
Marketable securities, at fair value	<u>36,458</u>
Total	\$ <u>257,561</u>

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, 2018, the financial assets available for general expenditures totaled \$257,561.

**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, 2018.

**PARENTS TELEVISION COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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 rent. 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.

ASU 2016-14

In August 2016, the FASB issued ASU 2016-14. *Not-for-Profit Entities* (Topic 958). The main provisions of this update, which amend the requirements for financial statements and notes in topic 958, Not-for-Profit Entities, which are anticipated to impact the Organization require a not-for-profit to:

- 1) Present net assets and the changes in net assets for two classes of net assets, net assets with restrictions and net assets without restrictions, rather than for the currently required three classes.
- 2) Provide enhanced disclosures regarding: the amounts and purposes of governing board designations that result in self-imposed limits on the use of resources, the composition of net assets with restrictions and how the restrictions affect the use of resources, qualitative information that communicates how the not-for-profit manages its liquid resources available to meet cash needs within one year of the statement of financial position date, and the methods used to allocate costs among program and support functions.

This amendment is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early application of the amendments in this update is permitted. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. Iridescent is currently evaluating the impact of this new accounting standard on the financial statements.

**NOTE 16. SUBSEQUENT EVENTS**

In accordance with FASB ASC Topic 855, subsequent events were evaluated through September 30, 2019, the date of these financial statements. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. There were no material subsequent events that required recognition or additional disclosure in these financial statements.