

**READING COMMUNITY
TELEVISION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

READING COMMUNITY TELEVISION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reading Community Television, Inc.
557 Main Street,
Reading, Massachusetts 01867

Report on the Financial Statements

We have audited the accompanying financial statements of Reading Community Television, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended June 30, 2020, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading Community Television, Inc. as of June 30, 2020, 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.

Jesson, Oslin & Associates, LLP
Certified Public Accountants

Milton, Massachusetts
January 29, 2021

READING COMMUNITY TELEVISION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 191,883
Accounts receivable	140,338
Total current assets	332,221

Property and equipment:

Equipment and furnishings	905,464
Leasehold improvements	237,339
	1,142,803
Less: accumulated depreciation	818,462
Net property and equipment	324,341

Other assets:

Commercial lease deposit	12,142
Cash designated by the Board for commercial lease commitment	150,000
Total other assets	162,142
	\$ 818,704

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 2,030
Total liabilities	2,030

Net assets:

Without donor restrictions:	
Designated by the Board for commercial lease commitment	150,000
Undesignated	666,674
Total net assets without donor restrictions	816,674
	\$ 818,704

See accompanying notes and independent auditor's report.

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**READING COMMUNITY TELEVISION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

WITHOUT DONOR RESTRICTIONS

Support and revenues:	
Cable subscriber revenues	\$ 559,143
Cable capital fund revenues	32,550
Membership dues	1,305
Workshop income	12,209
In-kind contributions	599
Other revenues	1,710
Investment income	85
Total revenues	<u>607,601</u>
Expenses:	
Program costs	561,076
General and administrative	99,141
Total expenses	<u>660,217</u>
Decrease from continuing operations in net assets without donor restrictions	(52,616)
PPP loan forgiveness	<u>64,421</u>
Increase in net assets without donor restrictions	11,805
Net assets, beginning of year	<u>804,869</u>
Net assets, end of year	<u>\$ 816,674</u>

See accompanying notes and independent auditor's report.

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READING COMMUNITY TELEVISION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Decrease in net assets from operations	\$ (52,616)
Adjustments to reconcile decrease in net assets from operations to net cash provided by operating activities:	
Depreciation	90,222
Change in:	
Accounts receivable	7,346
Accounts payable	<u>1,491</u>
Net cash provided by operating activities	<u>46,443</u>
Cash flows from investing activities:	
Cash payments for property and equipment	<u>(16,046)</u>
Net cash used for investing activities	<u>(16,046)</u>
Cash flows from financing activities:	
PPP Loan proceeds	<u>64,421</u>
Net cash provided by financing activities	<u>64,421</u>
Increase in cash and cash equivalents	<u>94,818</u>
Cash and cash equivalents, beginning of year	<u>97,065</u>
Cash and cash equivalents, end of year	<u><u>\$ 191,883</u></u>

See accompanying notes and independent auditor's report.

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**READING COMMUNITY TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Costs</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 267,431	\$ 47,194	\$ 314,625
Employee benefits and taxes	43,363	7,652	51,015
Contract labor	7,543	-	7,543
Professional development	613	-	613
Payroll processing	5,051	891	5,942
Rent	95,513	16,855	112,368
Utilities	11,703	2,065	13,768
Building maintenance	10,046	1,773	11,819
Depreciation	76,689	13,533	90,222
Telecommunications	5,228	923	6,151
Member promotions	6,825	-	6,825
Production supplies	10,533	-	10,533
Insurance	10,811	1,908	12,719
Office supplies	6,133	1,082	7,215
Dues and subscriptions	347	61	408
Professional fees	125	5,065	5,190
Equipment repairs	2,337	-	2,337
Other	785	139	924
Total	<u>\$ 561,076</u>	<u>\$ 99,141</u>	<u>\$ 660,217</u>

See accompanying notes independent auditor's report.

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READING COMMUNITY TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - NATURE OF ACTIVITIES

Reading Community Television, Inc. (RCTV) was incorporated in 1998 as a non-profit organization in Massachusetts pursuant to cable television renewal license agreements for the town of Reading, Massachusetts. RCTV's purpose is to operate Public, Educational, and Governmental (PEG) access channels, manage the annual funding thereof, conduct training programs in the skills necessary to produce quality PEG access programming, establish rules, procedures and guidelines for the use of PEG access channels, provide publicity, fund raising, outreach, and other support services to PEG access users, and produce or assist PEG access users in the production of original, noncommercial use video programming of interest to subscribers focusing on town issues, events and activities. RCTV's cable revenues are 97% of total revenues for the year ended June 30, 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on an accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants.

Basis of presentation

RCTV is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

Revenue recognition

Revenues are recorded based on accrual basis.

Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

READING COMMUNITY TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. RCTV provides for losses on accounts receivable using the allowance method. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. In the opinion of management, substantially all the accounts receivable is considered to be realizable at the amounts stated in the accompanying balance sheet and no allowance for doubtful accounts is considered necessary.

Fair value

The carrying amounts reflected in the Statement of Financial Position for cash, cash equivalents, receivables, and payables, approximate the respective fair values due to the short maturities of these instruments.

Property and equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. The related useful lives are as follows:

Equipment and furnishing	5 to 7	years
Leasehold improvements	15 to 40	years

Net assets

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. RCTV reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are satisfied (that is, when a stipulation restriction ends, or purpose restriction is accomplished) in the

READING COMMUNITY TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions (continued)

reporting period in which the contribution is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

READING COMMUNITY TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

RCTV is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable Massachusetts' state law.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the RCTV may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the RCTV, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2020.

Annually, RCTV files its form 990 to the Internal Revenue Service and files its Massachusetts Public Charity form to the office of the Massachusetts' Attorney General. The Organization is generally no longer subject to examination by either the Internal Revenue Service or the Massachusetts' Attorney General for years before 2017.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

1. RCTV maintains its cash balances at both a local bank and at major brokerage institution. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and the balances above the FDIC limits are insured in full by Share Insurance Fund (SIF). RCTV has not experienced any losses and believes it is not exposed to any significant risk.
2. Accounts receivable as of June 30, 2020, represent amounts due from cable subscriber revenues.

READING COMMUNITY TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the RCTV's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year end	\$ 494,363
Less those unavailable for general expenditures within one year:	
Board designated for commercial lease commitment	<u>(150,000)</u>
Financial assets available to meet cash needs	
for general expenditure within one year	<u><u>\$ 344,363</u></u>

RCTV manages its liquidity and reserves following three guided principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operation needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of its liquidity management plan, RCTV invests cash in excess of daily requirements in money market and saving account.

NOTE 5 - DONATED SERVICES

No amounts have been reflected in the financial statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to RCTV's program and supporting services.

NOTE 6 – PPP LOAN FORGIVENESS

RCTV received a \$64,421 PPP loan granted by the SBA under the CARES Act. RCTV considered the PPP loan to be a conditional contribution, with a right of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs/employee headcount and other qualifying expenses incurred following receipt of the funds.

RCTV recognized the amount received as grant revenue at year-end as qualified expenses were incurred and the barrier to entitlement had been met. A proper application for forgiveness of the loan has been made. However, at the time of issuance of the financial statements, notice of forgiveness had not been received. All indications are that the loan will be forgiven. However, if a portion of the loan must be repaid, the terms are such that RCTV has sufficient liquidity to repay the unforgiven portion.

READING COMMUNITY TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 – COMMERCIAL LEASE

RCTV rents commercial space for its business location at 553-557 Main Street, Reading MA, under an operating lease agreement through September 30, 2024, which provide for minimum annual rentals plus their proportional share of real estate taxes and other operating expenses. Rental expenses amounted to \$112,368 for the year ended June 30, 2020.

Minimum future rental payments under this non-cancelable operating lease are:

<u>June 30,</u>	<u>Total</u>
2021	\$ 106,979
2022	110,724
2023	114,599
2024	118,610
2025	<u>30,512</u>
	<u>\$ 481,424</u>

RCTV's Board of Directors has designated \$150,000 of its cash for this commercial lease commitment as of June 30, 2020.

NOTE 8 – DEFINED CONTRIBUTION RETIREMENT PLAN

RCTV sponsors a 401(k) defined contribution plan. Essentially all full-time employees that meet specific eligibility requirements can elect to participate. Participants may contribute up to a maximum of 25% of pretax annual compensation, up to and not exceeding \$19,000 for under age 50 participants and \$25,000 for over age 50 participants. The Organization elected to make 3% matching contributions to the plan. Employer matching contribution to the plan for the year ended June 30, 2020 was \$3,829.

READING COMMUNITY TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – PEG ACCESS AGREEMENT WITH THE TOWN OF READING

On June 20, 2019, RCTV entered into a new PEG grant agreement with the Town of Reading as the designated PEG access corporation for the Town of Reading, through June 30, 2025. A provision in the agreement requires the Town to perform an annual review of RCTV's compliance with this agreement. This grant agreement also includes seven (7) conditions that RCTV must adhere to including quarterly reporting of services provided and offered to the Reading community. The Town of Reading have appointed three (3) board members.

The Town of Reading has cable license agreements with both Comcast Cable and Verizon.

The Town renewed Comcast Cable's cable license agreement with a term from November 24, 2018 to November 23, 2028. Comcast Cable required to submit 5% of its annual gross revenues to fund the designated PEG access corporation and pay \$195,000 as capital equipment and facilities fund. The following is capital fund payment schedule:

\$97,500 within 45 days of renewal
\$32,500 by February 15, 2020
\$32,500 by February 15, 2021
\$32,500 by February 15, 2022

Verizon is required to submit 5% of its annual gross revenues to fund RCTV, the designated PEG access corporation. The Town's cable license agreement with Verizon was set to expire in January 2021, however the contract has been extended to March 2021. The Town is in the process of negotiating a new 5-year contract with Verizon.

NOTE 10 – COVID-19 – RISKS, UNCERTAINTIES AND RESPONSES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities leading to an overall decline in economic activity. At this stage, the limited impact to the RCTV resulted in adverse effects to the Agency's financial position, results of operations, and cash flows. As described in Note 6, RCTV received a PPP loan. Further, RCTV's liquidity as of June 30, 2020 is documented at Note 4.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the RCTV has evaluated events and transactions for potential recognition or disclosure through January 29, 2021, the date the financial statements were available to issued.