

RHODE ISLAND PBS FOUNDATION

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Financial Statements

June 30, 2017

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

Mullen Scorpio Cerilli

RHODE ISLAND PBS FOUNDATION

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Independent Auditor's Report

The Board of Directors of
Rhode Island PBS Foundation

We have audited the accompanying financial statements of Rhode Island PBS Foundation (a Rhode Island nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of revenue, expenses and other changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

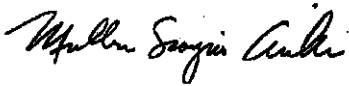
Mullen Scorpio Cerilli

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rhode Island PBS Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Rhode Island PBS Foundation's 2016 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated January 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 9, 2017
Providence, Rhode Island

RHODE ISLAND PBS FOUNDATION
Statement of Financial Position
June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 136,931	\$ 314,050
Pledges receivable, current (Note 3)	7,692	23,084
Accounts receivable	523,518	525,811
Contribution receivable, use of facility (Note 4)	19,919	19,324
Inventory	5,239	8,824
Prepaid expenses	33,759	31,512
Total current assets	727,058	922,605
Noncurrent assets:		
Contribution receivable, use of facility (Note 4)	337,387	357,306
Property and equipment, net (Note 5)	2,593,399	2,788,219
Program rights, net (Note 6)	54,957	52,464
Total noncurrent assets	2,985,743	3,197,989
Total assets	\$ 3,712,801	\$ 4,120,594
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 359,024	\$ 40,416
Current portion of notes payable (Note 7)	218,000	218,000
Accrued expenses	37,823	116,508
Unearned revenue	58,801	60,200
Accrued compensated absences	77,621	82,677
Total current liabilities	751,269	517,801
Long-term liabilities:		
Notes payable, net of current portion (Note 7)	1,526,000	1,744,000
Total liabilities	2,277,269	2,261,801
Net assets:		
Unrestricted	1,078,226	1,482,163
Temporarily restricted (Note 8)	357,306	376,630
Total net assets	1,435,532	1,858,793
Total liabilities and net assets	\$ 3,712,801	\$ 4,120,594

The notes are an integral part of these financial statements.

RHODE ISLAND PBS FOUNDATION
Statement of Revenues, Expenses and Other Changes in Net Assets
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		2016	
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Subscription and membership	\$ 599,693	\$ -	\$ 599,693	\$ 667,787
Auction and special events	71,190	-	71,190	81,419
Contributions and grants	865,117	-	865,117	1,108,456
PEG Access fees	1,801,121	-	1,801,121	1,820,331
Corporate underwriting and other	301,594	-	301,594	307,882
In-kind	17,329	-	17,329	17,874
Total support and revenue	<u>3,656,044</u>	<u>-</u>	<u>3,656,044</u>	<u>4,003,749</u>
Reclassification - net assets released from restrictions by satisfaction of program restrictions (Note 9)	<u>19,324</u>	<u>(19,324)</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>3,675,368</u>	<u>(19,324)</u>	<u>3,656,044</u>	<u>4,003,749</u>
Expenses:				
Program services	2,968,107	-	2,968,107	2,979,185
Management and general	787,240	-	787,240	823,730
Fundraising	541,958	-	541,958	552,357
Total expenses	<u>4,297,305</u>	<u>-</u>	<u>4,297,305</u>	<u>4,355,272</u>
Changes in net assets from operations	<u>(621,937)</u>	<u>(19,324)</u>	<u>(641,261)</u>	<u>(351,523)</u>
Other changes:				
Forgiveness of debt	<u>218,000</u>	<u>-</u>	<u>218,000</u>	<u>218,000</u>
Total other changes	<u>218,000</u>	<u>-</u>	<u>218,000</u>	<u>218,000</u>
Changes in net assets	<u>(403,937)</u>	<u>(19,324)</u>	<u>(423,261)</u>	<u>(133,523)</u>
Net assets, beginning of year	<u>1,482,163</u>	<u>376,630</u>	<u>1,858,793</u>	<u>1,992,316</u>
Net assets, end of year	<u>\$ 1,078,226</u>	<u>\$ 357,306</u>	<u>\$1,435,532</u>	<u>\$1,858,793</u>

The notes are an integral part of these financial statements.

RHODE ISLAND PBS FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017					2016	
	Program Services			Management and General	Fundraising	Total Expenses	Total Expenses
	Programming and Production	Broadcasting	Total Program Services				
Salaries	\$ 348,690	\$ 1,219,087	\$ 1,567,777	\$ 184,196	\$ 245,250	\$ 1,997,223	\$ 2,035,560
Payroll taxes	31,979	109,485	141,464	14,227	22,090	177,781	183,272
Employee benefits	63,792	269,266	333,058	67,384	35,724	436,166	459,878
Occupancy		247,649	247,649	2,000	2,300	251,949	249,704
Utilities	49,008	65,921	114,929	7,410	12,208	134,547	148,614
Insurance	10,679	23,314	33,993	1,615	7,833	43,441	49,480
Premiums		-	-	-	83,650	83,650	78,712
Repairs and maintenance	2,900	2,507	5,407	439	722	6,568	42,855
Maintenance/ support contracts	9,733	11,521	21,254	3,323	18,101	42,678	52,272
Equipment and site maintenance	42	14,194	14,236	6	11	14,253	-
Merchandise purchased		-	-	-	1,412	1,412	840
Equipment purchase		-	-	-	-	-	3,676
Equipment rental		-	-	7,404	16,101	23,505	20,865
Postage	36	188	224	323	6,268	6,815	9,112
Freight	112	602	714	2,135	652	3,501	5,214
Printing		-	-	-	23,221	23,221	9,931
Internet access	14,696	-	14,696	-	-	14,696	14,402
Cable monitoring		341	341	-	-	341	328
Cable TV feed		2,400	2,400	-	-	2,400	2,400
Computer expense		2,781	2,781	2,960	2,836	8,577	13,548
Talent fees	9,588	-	9,588	-	-	9,588	11,959
Supplies	1,013	1,938	2,951	3,215	323	6,489	9,308
Temporary help		-	-	-	-	-	1,420
Dues & subscriptions	10,263	-	10,263	93,129	470	103,862	119,173
Travel, staff and meeting expenses		15,748	15,748	287	1,341	17,376	18,521
Telephone	2,835	18,548	21,383	2,122	10,610	34,115	32,648
Accounting and legal fees		-	-	27,609	-	27,609	44,618
Other professional fees		-	-	51,279	-	51,279	17,179
Program tape	3,721	-	3,721	-	-	3,721	4,018
Licensing fee	6,000	-	6,000	-	-	6,000	-
Advertising and marketing		-	-	384	1,461	1,845	2,005
Outside services	83,729	27,916	111,645	30,009	27,474	169,128	104,828
Engineering expense		5,077	5,077	-	-	5,077	10,287
Producer/present service fee	720	-	720	-	-	720	4,780
Meals and entertainment		121	121	1,273	2,148	3,542	6,870
Taxes		12,418	12,418	1,367	-	13,785	11,966
In-kind expense		-	-	33,584	3,069	36,653	36,621
Bad debt expense		-	-	1,500	-	1,500	-
Refunds		-	-	-	1,908	1,908	431
Miscellaneous expense	486	7,705	8,191	5,216	1,862	15,269	(863)
Bank and credit card fees		66	66	4,169	12,913	17,148	21,429
Total expenses before depreciation and amortization	650,022	2,058,793	2,708,815	548,565	541,958	3,799,338	3,837,860
Depreciation and amortization	193,893	65,399	259,292	238,675	-	497,967	517,412
Total expenses	\$ 843,915	\$ 2,124,192	\$ 2,968,107	\$ 787,240	\$ 541,958	\$ 4,297,305	\$ 4,355,272

The notes are an integral part of these financial statements.

RHODE ISLAND PBS FOUNDATION

Statement of Cash Flows

For the Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Net cash flows from operating activities:		
Changes in net assets	\$ (423,261)	\$ (133,523)
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	497,967	517,412
Forgiveness of debt	(218,000)	(218,000)
Changes in assets and liabilities:		
Pledges receivable	15,392	(19,137)
Accounts receivable	2,293	(5,433)
Contribution receivable	19,324	18,747
Inventory	3,585	(1,509)
Prepaid expenses	(2,247)	21,632
Accounts payable	318,608	386
Accrued expenses	(78,685)	31,694
Unearned revenue	(1,399)	29,049
Accrued compensated absences	(5,056)	1,571
Net cash provided by operating activities	<u>128,521</u>	<u>242,889</u>
Net cash flows from investing activities:		
Purchase of program rights	(196,386)	(221,949)
Purchase of building and equipment	(109,254)	(86,178)
Net cash used in investing activities	<u>(305,640)</u>	<u>(308,127)</u>
Net cash flows from financing activities:		
Proceeds from note payable	-	-
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(177,119)	(65,238)
Cash and cash equivalents, beginning of year	<u>314,050</u>	<u>379,288</u>
Cash and cash equivalents, end of year	<u>\$ 136,931</u>	<u>\$ 314,050</u>
Additional disclosure:		
Interest paid	\$ -	\$ -
Taxes paid	\$ 13,785	\$ 11,966

The notes are an integral part of these financial statements.

RHODE ISLAND PBS FOUNDATION

Notes to Financial Statements

June 30, 2017

Note 1 - Nature of Activities

The Rhode Island PBS Foundation (the "Foundation") is organized as a nonprofit corporation under the laws of the State of Rhode Island. It is licensed by the Federal Communications Commission to operate a TV station (WSBE-TV) from Providence, Rhode Island. The Foundation also operates and manages the PEG (Public, Education and Government) Access program which is regulated by the Rhode Island Division of Public Utilities and Carriers.

Revenue is received through contributions, grants, fees and underwriting.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

- Unrestricted net assets include revenues and expenses and contributions pledged which are not subject to any donor-imposed restrictions.
- Temporarily restricted net assets include gifts and promises to give for which time restrictions or donor-imposed restrictions have not yet been met. When the restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues, Expenses and Other Changes in Net Assets as net assets released from restrictions.
- Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions. As of June 30, 2017 and 2016, the Foundation has no permanently restricted net assets.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of reporting cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts and Pledges Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Foundation does not recognize conditional promises to give as revenue until the condition is met.

The Foundation uses the direct write-off method for accounts and pledges receivable that may be uncollectible. Under this method, an allowance for doubtful accounts is not maintained, but receivables are written off when they become uncollectible.

Generally accepted accounting principles require an allowance for doubtful accounts receivable whenever it can be reasonably estimated and is a material amount. The effect of using the direct write-off method instead of the reserve method is not material to these financial statements.

Inventory

Inventory is valued at the lower of cost or fair market value on a specific identification basis.

Property and Equipment

The Rhode Island PBS Foundation capitalizes property and equipment that costs \$5,000 or more and has a useful life of more than one year. This property and equipment is recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment.

	<u>Years</u>
Building	39.5
Broadcast and transmission equipment	4-15
Furniture and office equipment	5
Computer equipment and software	5
Leasehold improvements	5-15

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. Maintenance and repairs are included as expenses in the statement of revenues, expenses and other changes in net assets.

Program Rights

The program rights acquired are being amortized on the straight-line basis over their expected usage of 2 to 5 years.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions.

Donated Services

Volunteer services were provided to the Foundation during the year. These services do not require specialized skills and would not be purchased if not provided by donation. No amounts have been reflected in the accompanying statements for donated services. More than 1,640 and 1,625 hours, however, were provided to the station in volunteer time for fundraising and administrative activities during the year ended June 30, 2017 and 2016, respectively.

Functional Allocation of Expenses

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

Income Taxes

The Rhode Island PBS Foundation is exempt from income taxes as a charitable organization under Section 501(c)(3) under the Internal Revenue Code and is not considered a private foundation.

The Foundation evaluates its uncertain tax positions using the guidance for contingencies as contained in generally accepted accounting principles. The Organization was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Organization annually files Internal Revenue Service Form 990 – *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. The tax return is subject to review by the taxing authorities generally for three years after filing. The Organization currently has no tax examinations in progress.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

Reclassification

Amounts for the June 30, 2016 financial statements have been reclassified to conform to the current year's presentation.

Note 3 - Pledges Receivable

Contributions receivable for unconditional promises to give are recorded at full value. These pledges have not been adjusted to the present value of their estimated future cash flows because it was considered immaterial. Management will continue to monitor the collection of these promises to give and make any necessary write-offs when it is determined that any amounts are uncollectible.

Pledges receivable at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Due in year ended June 30,		
2017	\$ 7,692	\$ 23,084
2016	-	-
Total pledges receivable	<u>\$ 7,692</u>	<u>\$ 23,084</u>

Note 4 - Contribution Receivable

On January 2002, the Foundation entered into a 30 year lease agreement for the use of the Tower at 89 Pine Street, Rehoboth, MA for \$1 per year. Management has estimates the approximate fair value of the rental over the remaining life of the lease to be \$431,206. A risk free rate of 3.08 (the ten year Treasury long term rate) was used to determine the present fair value. This unconditional promise has been recognized as temporarily restricted revenue and contribution receivable in fiscal 2013.

The change in contribution receivable is as follows at June 30:

	<u>2017</u>	<u>2016</u>
Total future lease and payment	\$ 376,630	\$ 395,377
Present value adjustment	-	-
Present value of in-kind rent at beginning of year	<u>376,630</u>	<u>395,377</u>
In-kind rent contribution received	10,676	11,253
Amount recognized as in-kind rent expense during the year	<u>(30,000)</u>	<u>(30,000)</u>
Total contribution receivable	<u>\$ 357,306</u>	<u>\$ 376,630</u>
In-Kind rental receivable (at net present value):		
Amounts due:		
Current:		
Less than one year	\$ 19,919	\$ 19,324
Noncurrent:		
Two years	20,532	19,919
Three years	21,165	20,532
Four years	21,817	21,165
Five and more	<u>273,873</u>	<u>295,690</u>
Total noncurrent	<u>337,387</u>	<u>357,306</u>
Total	<u>\$ 357,306</u>	<u>\$ 376,630</u>

Note 5 - Property and Equipment

Property and equipment for the years ended June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Building	\$ 2,180,000	\$ 2,180,000
Building improvements	14,000	-
Leasehold improvements	697,446	697,446
Furniture, fixtures and equipment	31,024	31,024
Broadcast and transmission equipment	1,979,203	1,883,948
Computer software and equipment	<u>238,878</u>	<u>238,878</u>
Total property and equipment	5,140,551	5,031,296
Accumulated depreciation	<u>(2,547,152)</u>	<u>(2,243,077)</u>
Net property and equipment	<u>\$ 2,593,399</u>	<u>\$ 2,788,219</u>

Note 6 - Program Rights

Program rights consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program rights	\$ 5,129,137	\$ 4,932,750
Less accumulated amortization	<u>(5,074,180)</u>	<u>(4,880,286)</u>
Total	<u>\$ 54,957</u>	<u>\$ 52,464</u>

Note 7 - Note Payable

	<u>2017</u>	<u>2016</u>
Note payable to the State of Rhode Island for ten years. Interest is the "mid-term applicable rate" published by the Internal Revenue Service. Interest accrues and is payable only if there is a sale of building or noncompliance with other terms of the note. Principal payments will be forgiven 1/10 of the total principal each year if the Organization complies with the terms of the note.	\$ 1,744,000	\$ 1,962,000
Current portion	<u>218,000</u>	<u>218,000</u>
Long-term note payable	<u>\$ 1,526,000</u>	<u>\$ 1,744,000</u>

Note 7 continued on the next page.

Note 7 - Note Payable (continued)

Future loan payments for the next five years are as follows:

Years ended June 30,	
2018	\$ 218,000
2019	218,000
2020	218,000
2021	218,000
2022	218,000
2023 and beyond	436,000
	<u>\$ 1,526,000</u>

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Long term lease	<u>\$ 357,306</u>	<u>\$ 376,630</u>
Total temporarily restricted net assets	<u>\$ 357,306</u>	<u>\$ 376,630</u>

Note 9 - Net Assets Released from Restrictions - Operating

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or any occurrence of events specified by the donors. For the years ended June 30, 2017 and 2016, expenses released from restrictions were incurred for the use of the tower.

Note 10 - Donated In-Kind Services and Facilities Expense

During the years ended June 30, 2017 and 2016, the Foundation received in-kind services and materials that directly enhanced its delivery of program services. The valuation of in-kind services and materials has been determined based upon the estimated fair market value of such items. The donated services and material can be summarized as follows:

	<u>2017</u>	<u>2016</u>
Professional services	\$ 3,584	\$ 3,584
Donated facility – tower	30,000	30,000
Other	<u>3,069</u>	<u>3,037</u>
Total donated services	<u>\$ 36,653</u>	<u>\$ 36,621</u>

Note 11 - Operating Lease

The Foundation leases space for the operation of five PEG Access studios from five landlords. During the year ending June 30, 2016, lease payments of \$249,704 were made.

Future lease payments are as follows:

Year ended June 30, 2018	\$ 248,489
Year ended June 30, 2019	191,798
Year ended June 30, 2020	201,121
Year ended June 30, 2021	131,459
Year ended June 30, 2022	131,459
Year ended June 30, 2023 and after	734,445

Note 12 - Retirement Plan

Defined Benefit Plan

The Foundation makes safe harbor matching contributions to a defined contribution annuity plan qualified under Section 403(b) of the Internal Revenue Code equal to 100% of employee's pre-tax savings contributions that do not exceed 6% of the plan participant's total compensation.

The Foundation contributed \$95,071 and \$88,414 to the plan for the year ended June 30, 2017 and 2016, respectively.

Note 13 - Concentration of Credit Risk

The Foundation maintains its cash balances at banks in Rhode Island and Massachusetts. Accounts at the financial institution are insured by the Federal Deposit Insurance Foundation. At June 30, 2017 and 2016 the Foundation's uninsured cash balances totaled approximately \$0 and \$64,052.

Note 14 - Related Parties

A partner in a law firm that provided legal services is related to the Foundation's President and CEO. For the year ended June 30, 2017 and 2016, expenses relating to these services total \$35 and \$84.

A related party provided advisory services for the Foundation's 403(b) Plan. During the year ending June 30, 2017 and 2016, no fees were paid and no amounts are payable to this party.

Note 15 - Subsequent Events

The Foundation participated in the Federal Communications Commission's Broadcast Incentive Auction and received compensation to move its channel from its current location to a location lower in the television spectrum. Management of the proceeds from the auction have been professionally employed and additionally will cover the significant expenses associated with the channel move.

Management has evaluated all subsequent events through January 9, 2017, the date the financial statements were available to be issued.