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THE PEOPLES CHANNEL
FINANCIAL STATEMENTS
JUNE 30, 2003

THE PEOPLES CHANNEL

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Dan E. Minor, CPA
Kim E. Anglin, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Peoples Channel
Chapel Hill, North Carolina

We have audited the accompanying statement of financial position of The Peoples Channel (a North Carolina non-profit organization) as of June 30, 2003, and the related statements of activities and of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of The Peoples Channel as of June 30, 2003, 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.

Minor & Associates, P.A.

May 1, 2004

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THE PEOPLES CHANNEL
Statement of Financial Position
June 30, 2003

ASSETS

CURRENT ASSETS	
Cash	\$ 52,329
	<hr/>
Total Current Assets	52,329
FIXED ASSETS - Net of Accumulated Depreciation	13,771
OTHER ASSETS	
Security Deposit	2,454
	<hr/>
TOTAL ASSETS	\$ 68,554
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

NET ASSETS	
Unrestricted	
Undesignated	68,554
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 68,554
	<hr/> <hr/>

See accompanying notes and auditors' report.

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THE PEOPLES CHANNEL
Statement of Activities
For The Year Ended June 30, 2003

UNRESTRICTED NET ASSETS	
Unrestricted Revenues and Gains	
Contributions	\$ 2,963
Government Contracts	
Town of Carrboro	2,600
Town of Chapel Hill	108,992
Orange County	15,300
Other	75
Course Fees	2,634
Equipment Insurance Reimbursement	3,700
Program Fees	40
Video Sales/Dubbing	2,337
Interest Income	496
Miscellaneous	<u>1,092</u>
TOTAL UNRESTRICTED REVENUES AND GAINS	<u>140,229</u>
EXPENSES	
Program Services	<u>133,473</u>
Supporting Services	
Management and General	21,807
Fundraising	<u>1,186</u>
TOTAL SUPPORTING SERVICES	<u>22,993</u>
TOTAL EXPENSES	<u>156,466</u>
Increase (Decrease) in Unrestricted Net Assets	(16,237)
Net Assets - Beginning of Year	<u>84,791</u>
Net Assets - End of Year	<u>\$ 68,554</u>

See accompanying notes and auditors' report.

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THE PEOPLES CHANNEL
Statement of Cash Flows
For The Year Ended June 30, 2003

Cash Flows From Operating Activities	
Decrease in net assets	\$ (16,237)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	12,221
Decrease in grants receivable	14,400
(Decrease) in	
Accounts payables and accrued expenses	(90)
Securtity deposit held for other	<u>(870)</u>
Net Cash Provided By Operating Activities	9,424
Cash Flows From Investing Activities	
Purchase of equipment	<u>(9,229)</u>
Increase in Cash	195
Cash - Beginning of Year	<u>52,134</u>
Cash - End of Year	<u>\$ 52,329</u>

See accompanying notes and auditors' report.

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THE PEOPLES CHANNEL
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description

The Peoples Channel (TPC) is a non-profit organization organized under Chapter 55A of the General Statutes of North Carolina. The organization was established to serve viewers and aid producers in producing programs representing producer's opinion and choice in subject matter with regular scheduling. The organization's objective is to increase awareness of what community access television has to offer the citizens of Chapel Hill and Orange County. The organization operates in Orange County, North Carolina.

The organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements of TPC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Non-Profit Organizations*. Under SFAS No. 117, the organization 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 assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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THE PEOPLES CHANNEL
NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are recorded at cost. Equipment is capitalized and depreciated on a straight-line basis over their estimated useful lives of 5-to-9 years.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets 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 temporarily restricted net assets to unrestricted net assets at that time.

Other Assets

Other assets include security deposits received from an organization subleasing office space from TPC.

Donated Services

No amounts have been reflected in the financial statements for donated services. The organization pays for most services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the organization with specific assistance programs, general operations, and various committee assignments.

Expense Allocation

The costs of providing program services and other activities are reflected on the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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THE PEOPLES CHANNEL
NOTES TO FINANCIAL STATEMENTS

Revenue from Major Contract

The major government contract revenue is from the Town of Chapel Hill. Loss of the contract would require the organization to obtain alternative revenue to maintain operations.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2003 consist of the following:

Video equipment	\$121,591
Less: Accumulated Depreciation	(107,820)
Property and equipment - net	<u>\$ 13,771</u>

The organization has purchased property and equipment with funds provided by the Town of Chapel Hill. The title to the property and equipment remains with the Town of Chapel Hill. The organization to comply with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, has reported the cash received as temporarily restricted net assets. The use of the equipment is recorded over the estimated useful lives by reclassifying temporarily restricted net assets to unrestricted net assets annually. This use is reflected on the Statement of Activities as depreciation.

During the year, the organization has purchased \$ 9,229 in property and equipment with funds from sources other than the Town of Chapel Hill. Title to the property and equipment remains with The Peoples Channel.

NOTE C - LEASE

The organization leases office space in Chapel Hill, North Carolina beginning March 17, 2001 and ending March 31, 2004. The organization pays for janitorial services, utilities, and pro-rata share of real estate taxes and hazard insurance. At tenant's option, the lease term may be extended for one additional three-year term.

NOTE D - RESTRICTED REVENUES

The organization has restricted grants. The grants are reported as unrestricted support if the restrictions are met in the reporting period, the policy is followed consistently, and the organization has a similar policy for reporting donor-restricted investment income and gains.

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INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

Board of Directors
The Peoples Channel
Chapel Hill, North Carolina

Our report on the basic financial statements of The Peoples Channel (a non-profit organization) for June 30, 2003 appears on Page 1. We conducted our audit in accordance with generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Minor & Associates, P.A.

May 1, 2004

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 THE PEOPLES CHANNEL
 Schedule of Functional Expenses
 For the Year Ended June 30, 2003

	Program Services	Management and General	Fund- raising	Totals
Salaries	\$ 58,826	\$ 9,689	\$ 692	\$ 69,207
Payroll taxes	5,364	883	63	6,310
Advertising	850	283		1,133
Bank service charges	30	10		40
Depreciation	11,607	611		12,218
Dues and subscriptions	146	49		195
Equip repairs	1,339	446		1,785
Insurance	2,637	879		3,516
Internet access	151	50		201
Occupancy	36,608	6,030	431	43,069
Postage	14	1		15
Printing	3			3
Professional services	8,594	1,476		10,070
Supplies	2,837	847		3,684
Telephone	2,348	290		2,638
Travel	36	5		41
Miscellaneous	2,083	258		2,341
TOTAL EXPENSES	<u>\$ 133,473</u>	<u>\$ 21,807</u>	<u>\$ 1,186</u>	<u>\$ 156,466</u>

See auditors' report on additional information.