

**Minor & Associates, P.A.**

**ATTACHMENT 3**

**Certified Public Accountants**

3325 Chapel Hill Boulevard

Suite 200

Durham, North Carolina 27707

25

**Memberships:**

American Institute of Certified Public Accountants

North Carolina Association of Certified Public Accountants

Dan E. Minor, CPA

Kim E. Anglin, CPA

January 30, 2002

Board of Directors  
The Peoples Channel  
Chapel Hill, North Carolina

Dear Ladies and Gentlemen:

In planning and performing our audit of the financial statements of The Peoples Channel for the year ended June 30, 2001, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening controls and operating efficiency. This letter does not affect our report dated January 30, 2002, on the financial statements of The Peoples Channel.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. Perpetual inventory list of equipment should be maintained and reconciled periodically to the general ledger.

Computer programs, spreadsheets, and databases may be used to maintain a perpetual list. The items coded to the general ledger account 1500 Fixed Assets must be included.

2. Vendor invoices should be stamped. Then fill in the date paid, check number, and check amount.

This procedure reduces duplicate payments to vendors. Vendors will return duplicate payments. However, duplicate payments will place further strains on the organization's tight cash flow.

3. Vendors should be paid from invoices and not from statements. (26)

Statements frequently have timing problems. The organization has timely paid the invoice at its due date. However, the vendor has not processed the receipt before a new statement is printed and mailed. Vendors will return duplicate payments. However, duplicate payments will place further strains on the organization's tight cash flow.

We wish to thank the treasurer and the organization's personnel for their assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Minor + Associates, P.A.*

MINOR & ASSOCIATES, P.A.

27

THE PEOPLES CHANNEL  
FINANCIAL STATEMENTS

JUNE 30, 2001

THE PEOPLES CHANNEL

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes To Financial Statements	5-7
Independent Auditors' Report On Additional Information	8
Schedule of Functional Expenses	9

29  
**Minor & Associates, P.A.**

Certified Public Accountants

3325 Chapel Hill Boulevard

Suite 200

Durham, North Carolina 27707

Memberships:

American Institute of Certified Public Accountants

North Carolina Association of Certified Public Accountants

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, 2001, 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. 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, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

*Minor + Associates, P.A.*

January 30, 2002

(30)  
THE PEOPLES CHANNEL  
Statement of Financial Position  
June 30, 2001

ASSETS	
CURRENT ASSETS	
Cash	\$ 49,550
Advance	<u>500</u>
<b>Total Current Assets</b>	<b>50,050</b>
FIXED ASSETS - Net of Accumulated Depreciation	29,425
OTHER ASSETS	
Security Deposit	<u>2,454</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 81,929</u></b>
LIABILITIES AND NET ASSETS	
LONG-TERM LIABILITIES	
Security Deposit Held For Sub-Lessee	<u>870</u>
<b>TOTAL LIABILITIES</b>	<b><u>870</u></b>
NET ASSETS	
Unrestricted	
Undesignated	70,616
Temporarily Restricted Net Assets	
Equipment Purchased by Town of Chapel Hill	<u>10,443</u>
<b>TOTAL NET ASSETS</b>	<b><u>81,059</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 81,929</u></b>

See accompanying notes and auditors' report.

31  
 THE PEOPLES CHANNEL  
 Statement of Activities  
 For The Year Ended June 30, 2001

UNRESTRICTED NET ASSETS	
Unrestricted Revenues and Gains	
Contributions	\$ 538
Government Contracts	
Town of Chapel Hill	97,642
Orange County	18,700
Rent Income	5,857
Equipment Rental Income	18
Video Sales/Dubbing	2,190
Interest Income	1,733
Miscellaneous	2,485
	129,163
TOTAL UNRESTRICTED REVENUES AND GAINS	
EXPENSES	
Program Services	123,113
Supporting Services	
Management and General	3,034
	126,147
TOTAL EXPENSES	
Increase In Unrestricted Net Assets	3,016
TEMPORARILY RESTRICTED NET ASSETS	
Net Assets Released from Restrictions	
Depreciation of Restricted Equipment	(14,656)
	(14,656)
Increase (Decrease) in Net Assets	(11,640)
Net Assets - Beginning of Year	92,699
	92,699
Net Assets - End of Year	\$ 81,059
	81,059

See accompanying notes and auditors' report.

32  
THE PEOPLES CHANNEL  
Statement of Cash Flows  
For The Year Ended June 30, 2001

Cash Flows From Operating Activities	
Increase in net assets	\$ (11,640)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	14,656
(Increase) in cash advance	(500)
(Decrease) in accounts payable and accrued expenses	<u>(1,936)</u>
Net Cash Provided By Operating Activities	<u>580</u>
Increase in Cash	580
Cash - Beginning of Year	<u>48,970</u>
Cash - End of Year	<u><u>\$ 49,550</u></u>

See accompanying notes and auditors' report.



33  
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.

(34)  
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.

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, 2001 consist of the following:

Video equipment	\$98,982
Less: Accumulated Depreciation	(69,557)
Property and equipment - net	<u>\$29,425</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 \$ 15,820 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, 1998 and ending March 31, 2001. 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. The organization has no leases with a minimum period of at least one year as of June 30, 2001.

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.

(36)

**Minor & Associates, P.A.**

Certified Public Accountants

3325 Chapel Hill Boulevard

Suite 200

Durham, North Carolina 27707

Memberships:

American Institute of Certified Public Accountants

North Carolina Association of Certified Public Accountants

Dan E. Minor, CPA

Kim E. Anglin, CPA

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, 2001 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.*

January 30, 2002

(37)  
 THE PEOPLES CHANNEL  
 Schedule of Functional Expenses  
 For The Year Ended June 30, 2001

	<u>Program Services</u>	<u>Management and General</u>	<u>Totals</u>
Salaries	\$ 53,536	\$ 2,818	\$ 56,354
Payroll taxes	4,095	216	4,311
Advertising	649		649
Bank service charges	137		137
Conferences	483		483
Insurance	3,101		3,101
Internet Access	133		133
Occupancy	39,464		39,464
Professional fees	995		995
Services	6,133		6,133
Small office equipment	2,065		2,065
Supplies	6,507		6,507
Personnel advertising	173		173
Postage	205		205
Equipment repairs	2,512		2,512
Dues and Subscriptions	415		415
Telephone	2,234		2,234
Travel	276		276
Depreciation	14,656	-	14,656
Total	<u>\$ 137,769</u>	<u>\$ 3,034</u>	<u>\$ 140,803</u>

See auditors' report on additional information.