

Minor & Associates, P.A.

Certified Public Accountants
3329 Durham-Chapel Hill Blvd.
Suite 101
Durham, North Carolina 27707

ATTACHMENT 2

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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, 2004, 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, 2004, 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.

June 2, 2005

THE PEOPLES CHANNEL
Statement of Financial Position
June 30, 2004

(24)

ASSETS

CURRENT ASSETS	
Cash	\$ 36,712
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Total Current Assets	36,712
FIXED ASSETS - Net of Accumulated Depreciation	9,311
OTHER ASSETS	
Security Deposit	2,454
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TOTAL ASSETS	\$ 48,477
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LIABILITIES AND NET ASSETS

NET ASSETS	
Unrestricted	
Undesignated	48,477
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TOTAL LIABILITIES AND NET ASSETS	\$ 48,477
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See accompanying notes and auditors' report.

THE PEOPLES CHANNEL
Statement of Activities
For The Year Ended June 30, 2004

(25)

UNRESTRICTED NET ASSETS	
Unrestricted Revenues and Gains	\$ 4,151
Contributions	
Government Contracts:	
Town of Carrboro	1,300
Town of Chapel Hill	112,592
Orange County	26,450
Course Fees	3,255
Equipment Insurance Reimbursement	19,053
Program Fees	100
Special Event	500
Video Sales/Dubbing	85
Interest Income	2,139
Miscellaneous	608
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TOTAL UNRESTRICTED REVENUES AND GAINS	170,233
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EXPENSES	
Program Services	158,631
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Supporting Services	
Management and General	30,316
Fundraising	1,363
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TOTAL SUPPORTING SERVICES	31,679
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TOTAL EXPENSES	190,310
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Increase (Decrease) in Unrestricted Net Assets	(20,077)
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Net Assets - Beginning of Year	68,554
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Net Assets - End of Year	\$ 48,477
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See accompanying notes and auditors' report.

THE PEOPLES CHANNEL
Statement of Cash Flows
For The Year Ended June 30, 2004

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Cash Flows From Operating Activities	
Decrease in net assets	\$ (20,077)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	<u>4,460</u>
Net Cash (Used) By Operating Activities	<u>(15,617)</u>
Decrease in Cash	(15,617)
Cash - Beginning of Year	<u>52,329</u>
Cash - End of Year	<u>\$ 36,712</u>

See accompanying notes and auditors' report.

THE PEOPLES CHANNEL
NOTES TO FINANCIAL STATEMENTS

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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.

THE PEOPLES CHANNEL
NOTES TO FINANCIAL STATEMENTS

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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.

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, 2004 consist of the following:

Video equipment	\$121,591
Less: Accumulated Depreciation	(112,280)
Property and equipment - net	<u>\$ 9,311</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.

NOTE C - LEASE

The organization leases office space in Chapel Hill, North Carolina beginning April 1, 2005 and ending March 31, 2008. 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, 2004 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.

June 2, 2005

THE PEOPLES CHANNEL
 Schedule of Functional Expenses
 For the Year Ended June 30, 2004

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	Program Services	Management and General	Fund- raising	Totals
Salaries	\$ 56,538	\$ 9,312	\$ 666	\$ 66,516
Payroll taxes	17,981	2,962	212	21,155
Advertising	643	114		757
Bank service charges	49	17		66
Depreciation	4,460			4,460
Dues and subscriptions	146	49		195
Equipment repairs	19,915	6,639		26,554
Insurance	3,349	591		3,940
Internet access	316			316
Occupancy	37,942	6,249	447	44,638
Postage	146	16		162
Professional services	5,072	2,228	9	7,309
Seminars and conferences	272			272
Supplies	6,024	1,149		7,173
Telephone	2,480	408	29	2,917
Miscellaneous	3,298	582		3,880
	<u>\$ 158,631</u>	<u>\$ 30,316</u>	<u>\$ 1,363</u>	<u>\$ 190,310</u>
TOTAL EXPENSES				

See auditors' report on additional information.