

ETV Endowment of South Carolina, Inc.

Financial Statements and Supplemental Schedules as
of June 30, 2018 and 2017 and for the Years Then
Ended and Independent Auditors' Report

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

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Independent Auditors' Report

Board of Trustees
ETV Endowment of South Carolina, Inc.
Spartanburg, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of ETV Endowment of South Carolina, Inc. which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 ETV Endowment of South Carolina, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of temporarily restricted net assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dixon Hughes Goodman LLP

**Greenville, South Carolina
November 2, 2018**

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Statements of Financial Position

June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 172,085	\$ 244,840
Money market funds	1,685,514	1,481,198
Total cash and cash equivalents	1,857,599	1,726,038
Receivables:		
Grants, net	33,769	15,657
Contributions, net	441,059	26,844
Other, net	143,798	188,234
Other current assets	53,664	43,244
Investments	22,808,120	21,165,418
Equipment, net of accumulated depreciation of \$198,240 in 2018 and \$189,155 in 2017	91,066	94,205
Land rights, net of accumulated amortization of \$371,864 in 2018 and \$355,696 in 2017	274,873	291,041
Total assets	\$ 25,703,948	\$ 23,550,681
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 256,580	\$ 212,207
Due to South Carolina ETV Commission	384,841	78,351
Due to South Carolina Educational Communications, Inc.	341,454	407,011
Reimbursable project expenses due to South Carolina Educational Communications, Inc.	23,850	15,207
Deferred revenue	88,977	107,244
Total liabilities	1,095,702	820,020
Net assets:		
Unrestricted net assets	889,771	689,234
Board designated for endowment	18,706,969	17,623,166
Board designated for production fund	250,450	183,604
Board designated for South Carolina ETV Commission	710,674	710,675
Total unrestricted net assets	20,557,864	19,206,679
Temporarily restricted net assets	4,050,382	3,523,982
Total net assets	24,608,246	22,730,661
Total liabilities and net assets	\$ 25,703,948	\$ 23,550,681

The accompanying notes are an integral part of these financial statements.

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Statement of Activities

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenue and other support:			
Memberships	\$ 5,967,587	\$ -	\$ 5,967,587
Grants and contributions	-	1,090,270	1,090,270
Friends of the Endowment events	336,561	-	336,561
In-kind revenue	357,619	-	357,619
Contributions	203,413	-	203,413
Matching contributions	38,423	-	38,423
Underwriting	754,099	-	754,099
Investment income, net	1,107,865	-	1,107,865
Net assets released from restrictions	563,870	(563,870)	-
Total operating revenue and other support	<u>9,329,437</u>	<u>526,400</u>	<u>9,855,837</u>
Operating expenses:			
Support provided on behalf of South Carolina ETV Commission			
Program production	4,286,716	-	4,286,716
Underwriting	754,099	-	754,099
<u>SCENE</u> publication	109,709	-	109,709
Advertising and professional fees	387,954	-	387,954
Program development	118,000	-	118,000
Facilities expense	60,595	-	60,595
Contractual services	150,607	-	150,607
Internships	16,067	-	16,067
Miscellaneous	58,138	-	58,138
Friends of the Endowment events	251,861	-	251,861
General and administrative	639,356	-	639,356
Member benefits	393,635	-	393,635
Fundraising	751,515	-	751,515
Total operating expenses	<u>7,978,252</u>	<u>-</u>	<u>7,978,252</u>
Change in net assets	1,351,185	526,400	1,877,585
Net assets, beginning of year	19,206,679	3,523,982	22,730,661
Net assets, end of year	<u>\$ 20,557,864</u>	<u>\$ 4,050,382</u>	<u>\$ 24,608,246</u>

The accompanying notes are an integral part of these financial statements.

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Statement of Activities

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenue and other support:			
Memberships	\$ 5,476,288	\$ -	\$ 5,476,288
Grants and contributions	-	1,032,550	1,032,550
Friends of the Endowment events	554,029	-	554,029
In-kind revenue	483,770	-	483,770
Contributions	207,751	-	207,751
Matching contributions	44,709	-	44,709
Underwriting	754,157	-	754,157
Investment income, net	1,959,364	-	1,959,364
Net assets released from restrictions	616,944	(616,944)	-
Total operating revenue and other support	<u>10,097,012</u>	<u>415,606</u>	<u>10,512,618</u>
Operating expenses:			
Support provided on behalf of South Carolina ETV Commission			
Program production	4,262,785	-	4,262,785
Underwriting	745,661	-	745,661
<u>SCENE</u> publication	81,410	-	81,410
Advertising and professional fees	415,961	-	415,961
Program development	113,574	-	113,574
Facilities expense	15,369	-	15,369
Contractual services	142,837	-	142,837
Internships	21,339	-	21,339
Miscellaneous	41,713	-	41,713
Friends of the Endowment events	423,373	-	423,373
General and administrative	566,331	-	566,331
Member benefits	403,736	-	403,736
Fundraising	735,188	-	735,188
Total operating expenses	<u>7,969,277</u>	<u>-</u>	<u>7,969,277</u>
Change in net assets	2,127,735	415,606	2,543,341
Net assets, beginning of year	17,078,944	3,108,376	20,187,320
Net assets, end of year	<u>\$ 19,206,679</u>	<u>\$ 3,523,982</u>	<u>\$ 22,730,661</u>

The accompanying notes are an integral part of these financial statements.

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,877,585	\$ 2,543,341
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,085	9,466
Amortization	16,168	16,168
Realized and unrealized gain on investments	(518,829)	(1,652,059)
Contributed securities	(57,463)	(177,997)
Changes in operating assets and liabilities:		
Receivables	(387,891)	(103,567)
Other current assets	(10,420)	(18,673)
Accounts payable and accrued expenses	44,373	69,628
Due to South Carolina ETV Commission	306,490	(38,212)
Due to South Carolina Educational Communications, Inc.	(65,557)	2,692
Reimbursable project expenses	8,643	(27,536)
Deferred revenue	(18,267)	68,888
Net cash provided by operating activities	<u>1,203,917</u>	<u>692,139</u>
Cash flows from investing activities:		
Purchases of investments	(4,947,886)	(2,954,104)
Sales of investments	3,881,476	2,360,782
Purchases of property and equipment	(5,946)	(1,083)
Net cash used in investing activities	<u>(1,072,356)</u>	<u>(594,405)</u>
Increase in cash and cash equivalents	131,561	97,734
Cash and cash equivalents, beginning of year	<u>1,726,038</u>	<u>1,628,304</u>
Cash and cash equivalents, end of year	<u>\$ 1,857,599</u>	<u>\$ 1,726,038</u>

The accompanying notes are an integral part of these financial statements.

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Notes to Financial Statements

June 30, 2018 and 2017

1. **Significant Accounting Policies**

General - The ETV Endowment of South Carolina, Inc. (the “Organization”) provides ancillary support to the South Carolina ETV Commission (the “Commission”). The purpose of the Organization is to support and promote South Carolina educational public media activities. Its primary source of revenues is from memberships and grants. Membership contributions are received primarily from individuals and corporations located in the area served by the Commission. The Organization's activities are overseen by a self-perpetuating, independent Board of Trustees.

South Carolina Educational Communications, Inc. (“Communications”) supports and promotes South Carolina educational public media activities, including the development and use of all communications media for educational purposes and for support of the performing arts. The activities of Communications have been established in order to assist and further the purposes of the Organization, as well as engage in entrepreneurial activities. Communications’ activities are overseen by a self-perpetuating, independent Board of Directors. The Organization provides substantial support to Communications; however, the Organization does not control Communications. Therefore, Communications is not included in the financial statements of the Organization. During the years ended June 30, 2018 and 2017, the Organization paid approximately \$398,000 and \$520,000, respectively, for program production costs to Communications.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets are grouped into the following three classes:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets - Net assets whose use by the Organization is subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

The Organization's net assets are classified only as unrestricted and temporarily restricted; there are no permanently restricted net assets at June 30, 2018 and 2017.

Gifts received by the Organization in which the net asset classification is uncertain or has not been determined by the donor at the time of the gift are subsequently reclassified to the appropriate net asset category based on the clarification of the donor intent.

Expenses are reported as decreases in unrestricted net assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. The Organization was awarded a Google AdWords grant for in-kind advertising on Google searches. Revenue is recognized based on the market value of "cost per click" as calculated by Google. During the years ended June 30, 2018 and 2017, the Organization recognized \$329,579 and \$441,770 respectively.

Grants - The Organization records all grants as temporarily restricted until the restrictions under the grant have been met; at that time the amounts are reclassified to unrestricted net assets. There are no conditional contributions at June 30, 2018 and 2017. Grants are generally for use in the production of programs. Grants are primarily received from foundations, corporations and governmental entities. Certain grants are subject to review and audit.

Membership and Contribution Revenues - The Organization records unconditional promises to give as receivables and revenues within the appropriate net assets category. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at fair value at the date of the promise, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is recorded as contribution revenue in accordance with donor restrictions on the contributions. An allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

Cash and Cash Equivalents - Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased. Short-term investments that are considered cash equivalents include repurchase agreements collateralized by U.S. Government obligations that have original maturities of three months or less. These short-term investments are valued at fair market value.

Investments - Investments in equity securities and mutual funds are stated at fair market value. Investments in certificates of deposit are stated at cost. Realized and unrealized gains and losses are reflected in the statements of activities. Income and gains and losses on investments are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

The Board of Trustees designated \$13,253,616 of unrestricted net assets as board-designated endowment funds. Only a portion of the Organization's cumulative investment return on the board-designated funds will support current operations. The remainder is retained to support operations of future years and to offset potential market declines. The Organization's board-designated endowment spending rate is not to exceed 5% in any given year. During the year ended June 30, 2017, the Organization spent approximately \$75,000 of the investment earnings on the endowment funds. The Organization did not spend investment earnings in the year ended June 30, 2018.

Property and Equipment - Expenditures for property and equipment are capitalized at cost. Property and equipment costing in excess of \$1,000 is capitalized. Donated assets are capitalized at fair market value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to 15 years. Upon disposition of the property and equipment, the cost and related accumulated depreciation are removed from the accounts, and the resulting gains or losses are reflected in the statements of activities. Repairs and maintenance costs are charged to operating expenses.

Fundraising - Costs of special fundraising events are recorded as an expense in fundraising expenses and the related revenue, if any, is included as memberships, contributions or other income in the statements of activities.

Concentrations of Credit Risk - The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Tax Status - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization determined that there are no material unrecognized tax benefits or obligations as of June 30, 2018 and 2017.

Functional Expenses - The cost of providing various programs and supporting services has been reported on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the program initiatives and supporting services based on estimates made by management.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. Investments

Investments held as of June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 4,007,698	\$ 3,506,208
Cash and cash equivalents	102,982	96,418
Equity securities and mutual funds	15,550,343	14,772,949
Exchange traded funds	3,147,097	2,789,843
	<u>\$ 22,808,120</u>	<u>\$ 21,165,418</u>

Investment income and gains and losses for all investments of the Organization are comprised of the following for the years ending June 30:

	<u>2018</u>	<u>2017</u>
Investment interest and dividend income, net	\$ 589,036	\$ 307,305
Realized and unrealized gains	518,829	1,652,059
	<u>\$ 1,107,865</u>	<u>\$ 1,959,364</u>

Interest and dividend income is reported net of custodial and investment management fees approximating \$56,000 and \$52,000 for the years ended June 30, 2018 and 2017, respectively.

3. Fair Value Disclosures

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. The Organization has characterized its financial assets and liabilities, which are measured at fair value and recorded in the statements of financial position, based on a three-level fair value hierarchy based on the inputs to valuation techniques as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Equity securities

These investments are valued at the closing price reported on the active market on which the individual securities are traded. These are classified within Level 1 of the valuation hierarchy.

Mutual funds and exchange traded funds

These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlining assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

The following table sets forth by level the fair value hierarchy of the Organization's assets accounted for at fair value on a recurring basis as of June 30, 2018 and 2017:

	Fair value at June 30, 2018	Fair value measurements at June 30, 2018 using:		
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Assets measured at fair value:</u>				
Equity securities and mutual funds:				
Equity Securities:				
Consumer discretionary	\$ 345,179	\$ 345,179	\$ -	\$ -
Consumer staples	235,527	235,527	-	-
Energy	199,933	199,933	-	-
Financials	626,665	626,665	-	-
Healthcare	464,868	464,868	-	-
Industrials	178,956	178,956	-	-
Information technology	821,582	821,582	-	-
Materials	46,671	46,671	-	-
Telecommunications	72,278	72,278	-	-
Utilities	48,439	48,439	-	-
Other	57,571	57,571	-	-
Total equity securities	<u>3,097,669</u>	<u>3,097,669</u>	<u>-</u>	<u>-</u>
Mutual Funds:				
Multi-sector bond	5,011,617	5,011,617	-	-
Global multi-asset	1,712,300	1,712,300	-	-
International small/ mid value	2,020,699	2,020,699	-	-
International large value	1,938,270	1,938,270	-	-
Large-cap blend	41,076	41,076	-	-
Mid-cap value	3,096	3,096	-	-
Mid-cap growth	892,753	892,753	-	-
Small-cap growth	832,863	832,863	-	-
Total mutual funds	<u>12,452,674</u>	<u>12,452,674</u>	<u>-</u>	<u>-</u>
Exchange traded funds	<u>3,147,097</u>	<u>3,147,097</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 18,697,440</u>	<u>\$ 18,697,440</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fair value measurements at June 30, 2017 using:</u>			
	<u>Fair value at June 30, 2017</u>	<u>Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)</u>	<u>Quoted prices for similar assets and liabilities (Level 2 inputs)</u>	<u>Significant unobservable inputs (Level 3 inputs)</u>
<i><u>Assets measured at fair value:</u></i>				
Equity securities and mutual funds:				
Equity Securities:				
Consumer discretionary	\$ 340,177	\$ 340,177	\$ -	\$ -
Consumer staples	270,819	270,819	-	-
Energy	153,600	153,600	-	-
Financials	404,229	404,229	-	-
Healthcare	476,498	476,498	-	-
Industrials	210,857	210,857	-	-
Information technology	635,433	635,433	-	-
Materials	76,526	76,526	-	-
Telecommunications	74,932	74,932	-	-
Utilities	40,638	40,638	-	-
Other	58,712	58,712	-	-
Total equity securities	<u>2,742,421</u>	<u>2,742,421</u>	<u>-</u>	<u>-</u>
Mutual Funds:				
Multi-sector bond	5,000,420	5,000,420	-	-
Global multi-asset	1,677,268	1,677,268	-	-
International small/ mid value	1,952,896	1,952,896	-	-
International large value	1,874,258	1,874,258	-	-
Large-cap blend	6,279	6,279	-	-
Mid-cap value	523	523	-	-
Mid-cap growth	753,683	753,683	-	-
Small-cap growth	765,201	765,201	-	-
Total mutual funds	<u>12,030,528</u>	<u>12,030,528</u>	<u>-</u>	<u>-</u>
Exchange traded funds	<u>2,789,843</u>	<u>2,789,843</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 17,562,792</u>	<u>\$ 17,562,792</u>	<u>\$ -</u>	<u>\$ -</u>

Investments, described in Note 2, are held at fair value and included in the tables above except certificates of deposit and cash and cash equivalents totaling \$4,110,680 and \$3,602,626 at June 30, 2018 and 2017, respectively. These investments are carried at cost.

4. Memberships and Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Pledge payments scheduled to be received after one year are discounted using Treasury Bill rates for similar term investments. The applicable rates at June 30, 2018 ranged from 1.7% to 2.9%, depending on the date the unconditional promise to give was expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. No discount was calculated in 2017 as there were no pledges expected to be received past one year.

Unconditional promises to give include the following at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Currently due	\$ 48,568	\$ -	\$ 48,568
In one year or less	5,159	133,250	138,409
One year to five years	-	315,833	315,833
	<u>53,727</u>	<u>449,083</u>	<u>502,810</u>
Less discount	-	(27,174)	(27,174)
Less allowance for doubtful accounts	(21,104)	(13,473)	(34,577)
	<u>\$ 32,623</u>	<u>\$ 408,436</u>	<u>\$ 441,059</u>

Unconditional promises to give include the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Currently due	\$ 59,113	\$ -	\$ 59,113
In one year or less	9,246	-	9,246
	<u>68,359</u>	<u>-</u>	<u>68,359</u>
Less allowance for doubtful accounts	(41,515)	-	(41,515)
	<u>\$ 26,844</u>	<u>\$ -</u>	<u>\$ 26,844</u>

5. Land Rights

The Organization has rights to parking revenue generated at the Commission's location. The value assigned to the land rights approximates the present value of estimated income to be generated over the life of the agreement. The land rights are amortized over a 40-year life, using the straight-line method. Revenues generated from the Organization's parking rights were \$114,335 and \$112,176 for the years ended June 30, 2018 and 2017, respectively. Amortization expense was \$16,168 for each of the years ended June 30, 2018 and 2017.

6. **Board-Designated Net Assets**

The Board of Trustees elected to set aside surplus underwriting revenues less program management fees as board-designated for use by the Commission in future years. These designated funds will continue to be maintained and invested by the Organization until such time as the Commission requests the funds.

In 2015, the Board of Trustees elected to set aside 25% of the balance of unrestricted net surplus, not including underwriting net surplus and board-designated endowment net surplus, for a local production fund every year. The funds will be used to support local production efforts.

7. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
National television	\$ 364,519	\$ 402,499
National/local radio	268,653	292,354
Local television	2,691,947	2,036,070
Non-broadcast education	83,905	91,106
Capital campaign	641,358	701,953
	<u>\$ 4,050,382</u>	<u>\$ 3,523,982</u>

Net assets were released from donor temporary restrictions by incurring expenses satisfying the restriction purposes as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
National television	\$ 127,160	\$ 230,794
National/local radio	90,200	72,160
Local television	184,132	134,934
Non-broadcast education	101,783	163,687
Capital campaign	60,595	15,369
	<u>\$ 563,870</u>	<u>\$ 616,944</u>

8. **Program Production**

Program production support provided to the Commission, excluding capital campaign, consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Grant or donor-restricted program expenses	\$ 503,276	\$ 601,575
Program expenses funded by the Organization	3,783,440	3,661,210
	<u>\$ 4,286,716</u>	<u>\$ 4,262,785</u>

9. **Retirement Plan**

The Organization participates in a Salary Reduction Savings Plan (the “Plan”) under Section 401(k) of the Internal Revenue Code. The Plan provides participants with the opportunity to make voluntary contributions within IRS limits. The Organization matches the participant contributions at a rate of 100% not to exceed 5% of total compensation. Employer matching contributions under the Plan were \$30,251 and \$25,826 for the years ended June 30, 2018 and 2017, respectively.

10. **Commitments**

The Organization leases office space under a non-cancelable operating lease, which was renewed by the Organization on April 17, 2015 for a period of seven years and expires on April 30, 2022. A portion of the lease expense is allocated to Communications on an annual basis. Lease expense totaled \$38,720 and \$38,400 for the years ended June 30, 2018 and 2017, respectively. Allocated lease expense was \$9,680 and \$9,600 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments for the office space under lease are as follows for the years June 30:

2019	\$ 50,400
2020	50,400
2021	50,400
2022	42,000
	<hr/>
	\$ 193,200

11. **Board-Designated Endowment Funds**

The Organization’s endowment consists of board-designated endowment funds established by the Board of Trustees to support the operations of the Organization. There are no donor-restricted endowment funds at June 30, 2018 or 2017.

The Board of Trustees of the Organization has interpreted the “Uniform Prudent Management of Institutional Funds Act” (“UPMIFA”) as requiring the preservation of the original gift as of the gift date absent explicit donor stipulations to the contrary. Board-designated funds held by the Organization are classified as unrestricted net assets. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization
- (3) General economic conditions
- (4) The expected total return from income and the appreciation of investments
- (5) Other resources of the Organization
- (6) The investment policies of the Organization

Endowment net asset composition as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated for endowment	<u>\$ 18,706,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,706,969</u>

Endowment net asset composition as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated for endowment	<u>\$ 17,623,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,623,166</u>

Changes in endowment net assets for the years ended June 30 consists of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ 15,750,766	\$ -	\$ -	\$ 15,750,766
Investment income	296,447	-	-	296,447
Net appreciation	1,650,953	-	-	1,650,953
Total investment loss	1,947,400	-	-	1,947,400
Appropriation	(75,000)	-	-	(75,000)
Endowment net assets, June 30, 2017	17,623,166	-	-	17,623,166
Investment income	566,799	-	-	566,799
Net appreciation	517,004	-	-	517,004
Total investment gain	1,083,803	-	-	1,083,803
Appropriation	-	-	-	-
Endowment net assets, June 30, 2018	\$ 18,706,969	\$ -	\$ -	\$ 18,706,969

Return Objectives and Risk Parameters - The Organization has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Investment Objectives - To achieve its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives - The Board of Trustees of the Organization determines the method to be used to appropriate endowment funds for expenditure. Only a portion of the cumulative investment return on the board-designated funds will support current operations. The remainder is retained to support operations of future years and offset potential market declines. The Organization's board-designated spending rate is not to exceed 5% in any given year. In establishing this policy, the Board considered the expected long-term rate of return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow annually, consistent with its intention to maintain the endowment assets as well as to provide additional growth through new gifts.

12. **Subsequent Events**

The Organization evaluated the effect subsequent events would have on the financial statements through November 2, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Schedules of Temporarily Restricted Net Assets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
National television		
<i>A Chef's Life Season 4</i>	\$ -	\$ 5,726
<i>A Chef's Life Season 5</i>	6,603	-
<i>America After Charleston</i>	15,973	21,551
<i>American Musical Theatre</i>	7,847	7,847
<i>American Road to Victory</i>	-	1,474
<i>Bringing the Fallen Home</i>	-	3,500
<i>Carvalho's Journey</i>	3,000	3,000
<i>Dispatches from the Gulf</i>	-	4,500
<i>Eclipse Coverage</i>	-	29,346
<i>Expeditions with Patrick McMillan</i>	20,158	15,984
<i>Fathers in America</i>	-	14
<i>Friends of American Musical Theatre</i>	3,586	3,586
<i>Gordon Getty: Let There Be Music</i>	-	11,497
<i>Great Projects - Building of America</i>	17,925	17,925
<i>Great Projects - Orion</i>	30,819	30,819
<i>Jewish American Soldiers: Stories from WWII</i>	2,150	-
<i>Liberty and Slavery: The Paradox of our Founding Fathers</i>	-	4,750
<i>Live at the Charleston Music Hall</i>	31,870	10,632
<i>Living Lightly on Earth</i>	125,000	125,000
<i>Man and Moment - Vietnam</i>	20,254	50,532
<i>Mary Celestia</i>	24,102	24,102
<i>Reel South</i>	18,679	10,796
<i>Requiem for My Mother</i>	-	8,897
<i>Slavery at Middleton Place</i>	700	-
<i>Tales from the Vineyard</i>	2,250	2,250
<i>Work-Family-Outreach</i>	7,075	7,075
<i>Yoga in Practice</i>	26,528	1,696
	<hr/>	<hr/>
	364,519	402,499

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Schedules of Temporarily Restricted Net Assets (continued)

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
National/local radio		
<i>360: South Carolina's Military</i>	\$ 6,000	\$ 25,000
American Chamber Players Residency	4,634	4,634
CD-Christmas	-	14,821
CD-Portraits	-	13,150
Concord Royalties	-	43,976
Friends of <i>Piano Jazz</i>	90,061	109,043
Marian McPartland Memorial Concert	-	1,891
<i>Minute with Miles</i>	62,507	49,154
<i>Sonatas and Soundscapes</i>	-	302
<i>Song Travels</i>	18,958	18,958
<i>Spoletto Chamber Music II '17</i>	-	5,546
<i>Spoletto Chamber Music II '18</i>	86,068	-
<i>Spoletto Concert Series</i>	-	2,054
<i>Walter Edgar's Journal</i>	425	3,825
	<hr/> 268,653 <hr/>	<hr/> 292,354 <hr/>
 Local television		
Beaufort Auction	7,017	7,017
<i>Between the Waters</i>	3,928	15,028
<i>Bluegrass Express</i>	1,979	1,979
<i>Charlie's Place</i>	1,008	7,063
<i>Georgia O'Keeffe: Exploring the Abstract</i>	39,774	39,774
<i>Gullah Gone</i>	5,673	6,033
Local Production Fund	1,669,533	1,645,394
<i>Make It Happen</i>	6,910	6,910
<i>Making It Grow</i>	233,621	207,878
<i>More Making It Grow</i>	2,961	2,961
<i>Mr. Mayor</i>	-	500
<i>NatureScene Awards</i>	18,316	18,316
<i>NatureScene Production</i>	11,630	11,630
<i>One State, Many Voices Campaign</i>	622,837	-
<i>Preserving the Palmetto State</i>	2,460	2,460
<i>The Southern Campaign of the American Revolution</i>	17,447	17,447
WNSC (Rock Hill)	4,904	4,904
WRET (Spartanburg)	17,447	16,274
WRJA (Sumter)	24,502	24,502
	<hr/> 2,691,947 <hr/>	<hr/> 2,036,070 <hr/>

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Schedules of Temporarily Restricted Net Assets (continued)

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Non-broadcast education		
<i>America's Test Kitchen</i> Screening	\$ 2,572	\$ -
<i>Between the Waters</i> Website	8,000	9,000
Endowment 40 th Anniversary	8,971	22,450
Input '17	-	1,129
Input '18	75	-
Input for SC Conference	-	7,287
Input Station Fund	-	70
Interns - Shafto	45,781	46,104
John Crockett Memorial Internship	5,341	5,066
Reconstruction 360 Website	5,800	-
<i>Tell Them We Are Rising</i> Screenings	7,365	-
	83,905	91,106
Capital campaign		
Telecommunications Center	344,466	405,061
South Carolina Public Radio Studios	296,892	296,892
	641,358	701,953
	\$ 4,050,382	\$ 3,523,982