ETV Endowment of South Carolina, Inc.

Financial Statements and Supplemental Schedules as of June 30, 2017 and 2016 and for the Years Then Ended and Independent Auditors’ Report

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

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June 30, 2017 and 2016

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, 2017 and 2016, 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.

DIXON HUGHES GOODMAN LLP

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, 2017 and 2016, 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
October 31, 2017

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Statements of Financial Position

June 30, 2017 and 2016

Assets	**2017**	**2016**
Cash and cash equivalents	$ 244,840	$ 347,379
Money market funds	1,481,198	1,280,925
Total cash and cash equivalents	1,726,038	1,628,304
Receivables:		
Grants, net	15,657	30,000
Contributions, net	26,844	27,646
Other, net	188,234	69,523
Other current assets	43,244	24,572
Investments	21,165,418	18,742,039
Equipment, net of accumulated depreciation of $189,155 in 2017 and $179,699 in 2016	94,205	102,587
Land rights, net of accumulated amortization of $355,696 in 2017 and $339,528 in 2016	291,041	307,209
Total assets	$ 23,550,681	$ 20,931,880

Liabilities and Net Assets	**2017**	**2016**
Accounts payable and accrued expenses	$ 212,207	$ 142,579
Due to South Carolina ETV Commission	78,351	116,563
Due to South Carolina Educational Communications, Inc.	407,011	404,319
Reimbursable project expenses due to South Carolina Educational Communications, Inc.	15,207	42,743
Deferred revenue	107,244	38,356
Total liabilities	820,020	744,560
Net assets:		
Unrestricted net assets	689,234	504,104
Board designated for endowment	17,623,166	15,750,766
Board designated for production fund	183,604	121,895
Board designated for South Carolina ETV Commission	710,675	702,179
Total unrestricted net assets	19,206,679	17,078,944
Temporarily restricted net assets	3,523,982	3,108,376
Total net assets	22,730,661	20,187,320
Total liabilities and net assets	$ 23,550,681	$ 20,931,880

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

	Unrestricted	Temporarily Restricted	Total
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	10,097,012	415,606	10,512,618
Operating expenses:			
Support provided on behalf of South Carolina ETV Commission			
Program production	4,262,785	-	4,262,785
Underwriting	745,661	-	745,661
SCENE 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	7,969,277	-	7,969,277
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	$ 19,206,679	$ 3,523,982	$ 22,730,661

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, 2016

	Unrestricted	Temporarily Restricted	Total
Operating revenue and other support:			
Memberships	$ 4,920,677	$ -	$ 4,920,677
Grants and contributions	-	1,173,476	1,173,476
Friends of the Endowment events	424,998	-	424,998
In-kind revenue	302,744	-	302,744
Contributions	196,136	-	196,136
Matching contributions	43,267	-	43,267
Underwriting	784,712	-	784,712
Investment income, net	(118,447)	-	(118,447)
Net assets released from restrictions	1,245,739	(1,245,739)	-
Total operating revenue and other support	7,799,826	(72,263)	7,727,563
Operating expenses:			
Support provided on behalf of South Carolina ETV Commission			
Program production	4,519,022	-	4,519,022
Underwriting	892,507	-	892,507
SCENE publication	121,405	-	121,405
Advertising and professional fees	386,537	-	386,537
Program development	109,780	-	109,780
Facilities expense	45,149	-	45,149
Contractual services	144,448	-	144,448
Internships	21,472	-	21,472
Miscellaneous	25,115	-	25,115
Friends of the Endowment events	347,470	-	347,470
General and administrative	487,028	-	487,028
Member benefits	445,786	-	445,786
Fundraising	648,764	-	648,764
Total operating expenses	8,194,483	-	8,194,483
Change in net assets	(394,657)	(72,263)	(466,920)
Net assets, beginning of year	17,473,601	3,180,639	20,654,240
Net assets, end of year	$ 17,078,944	$ 3,108,376	$ 20,187,320

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 2,543,341	$ (466,920)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,466	9,826
Amortization	16,168	16,168
Realized and unrealized (gain) loss on investments	(1,652,059)	499,567
Contributed securities	(177,997)	(40,289)
Changes in operating assets and liabilities:		
Receivables	(103,566)	265,620
Other current assets	(18,672)	(2,457)
Accounts payable and accrued expenses	69,628	18,726
Due to South Carolina ETV Commission	(38,212)	(95,071)
Due to South Carolina Educational Communications, Inc.	2,692	(76,090)
Reimbursable project expenses	(27,536)	(10,634)
Deferred revenue	68,888	(24,599)
Net cash provided by operating activities	692,141	93,847
Cash flows from investing activities:		
Purchases of investments	(2,954,104)	(9,629,060)
Sales of investments	2,360,781	10,517,791
Purchases of property and equipment	(1,084)	(46,259)
Net cash (used in) provided by investing activities	(594,407)	842,472
Increase in cash and cash equivalents	97,734	936,319
Cash and cash equivalents, beginning of year	1,628,304	691,985
Cash and cash equivalents, end of year	$ 1,726,038	$ 1,628,304

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

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, 2017 and 2016, the Organization paid approximately $520,000 and $1,074,000, 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, 2017 and 2016.

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, 2017 and 2016, the Organization recognized $441,770 and $278,244 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, 2017 and 2016. 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 exchange traded funds, 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 years ended June 30, 2017 and 2016, the Organization spent approximately $75,000 and $376,000 of the investment earnings on the endowment funds, respectively.

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 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, 2017 and 2016.

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:

	2017	2016
Certificates of deposit	$ 3,506,208	$ 3,000,000
Cash and cash equivalents	96,418	64,202
Equity securities and mutual funds	14,772,949	13,246,210
Exchange traded funds	2,789,843	2,431,627
	$ 21,165,418	$ 18,742,039

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

	2017	2016
Investment interest and dividend income, net	$ 307,305	$ 381,120
Realized and unrealized gains (losses)	1,652,059	(499,567)
	$ 1,959,364	$ (118,447)

Interest and dividend income is reported net of custodial and investment management fees approximating $52,000 and $55,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

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 tables set 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, 2017 and 2016:

		Fair value measurements at June 30, 2017 using:		
	Fair value at June 30, 2017	**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)**
Assets measured at fair value:				
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	2,742,421	2,742,421	-	-
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	12,030,528	12,030,528	-	-
Exchange traded funds	2,789,843	2,789,843	-	-
Total assets at fair value	$ 17,562,792	$ 17,562,792	$ -	$ -

	Fair value at June 30, 2016	Fair value measurements at June 30, 2016 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)
Assets measured at fair value:				
Equity securities and mutual funds:				
Equity Securities:				
Consumer discretionary	$ 254,422	$ 254,422	$ -	$ -
Consumer staples	229,157	229,157	-	-
Energy	130,063	130,063	-	-
Financials	287,405	287,405	-	-
Healthcare	422,183	422,183	-	-
Industrials	179,509	179,509	-	-
Information technology	615,509	615,509	-	-
Materials	29,808	29,808	-	-
Telecommunications	88,744	88,744	-	-
Utilities	35,208	35,208	-	-
Other	49,548	49,548	-	-
Total equity securities	2,321,556	2,321,556	-	-
Mutual Funds:				
Multi-sector bond	4,742,903	4,742,903	-	-
Global multi-asset	1,602,238	1,602,238	-	-
International small/ mid value	1,738,295	1,738,295	-	-
International large value	1,605,702	1,605,702	-	-
Mid-cap growth	619,748	619,748	-	-
Small-cap growth	615,768	615,768	-	-
Total mutual funds	10,924,654	10,924,654	-	-
Exchange traded funds	2,431,627	2,431,627	-	-
Total assets at fair value	$ 15,677,837	$ 15,677,837	$ -	$ -

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 $3,602,626 and $3,064,202 at June 30, 2017 and 2016, 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. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. No discount was calculated in 2017 or 2016 as there were no pledges expected to be received past one year.

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

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

Unconditional promises to give include the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Total
Currently due	$ 55,757	$ -	$ 55,757
In one year or less	9,255	-	9,255
	65,012	-	65,012
Less allowance for doubtful accounts	(37,366)	-	(37,366)
	$ 27,646	$ -	$ 27,646

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 $112,176 and $104,092 for the years ended June 30, 2017 and 2016, respectively. Amortization expense was $16,168 for each of the years ended June 30, 2017 and 2016.

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:

	2017	2016
National television	$ 402,499	$ 450,890
National/local radio	292,354	290,590
Local television	2,036,070	1,510,298
Non-broadcast education	91,106	139,276
Capital campaign	701,953	717,322
	$ 3,523,982	$ 3,108,376

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

	2017	2016
National television	$ 230,794	$ 782,414
National/local radio	72,160	102,268
Local television	134,934	215,456
Non-broadcast education	163,687	100,452
Capital campaign	15,369	45,149
	$ 616,944	$ 1,245,739

8. **Program Production**

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

	2017	2016
Grant or donor restricted program expenses	$ 601,575	$ 1,200,590
Program expenses funded by the Organization	3,661,210	3,318,432
	$ 4,262,785	$ 4,519,022

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 $25,826 and $22,897 for the years ended June 30, 2017 and 2016, 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 $38,400 for the years ended June 30, 2017 and 2016, respectively. Allocated lease expense was $9,600 for the years ended June 30, 2017 and 2016, respectively.

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

2018	$ 48,400
2019	50,400
2020	50,400
2021	50,400
2022	42,000
	$ 241,600

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, 2017 or 2016.

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, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated for endowment	$ 17,623,166	$ -	$ -	$ 17,623,166

Endowment net asset composition as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated for endowment	$ 15,750,766	$ -	$ -	$ 15,750,766

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ 16,249,057	$ -	$ -	$ 16,249,057
Investment income	377,026	-	-	377,026
Net depreciation	(499,567)	-	-	(499,567)
Total investment loss	(122,541)	-	-	(122,541)
Appropriation	(375,750)	-	-	(375,750)
Endowment net assets, June 30, 2016	15,750,766	-	-	15,750,766
Investment income	296,446	-	-	296,446
Net appreciation	1,650,954	-	-	1,650,954
Total investment gain	1,947,400	-	-	1,947,400
Appropriation	(75,000)	-	-	(75,000)
Endowment net assets, June 30, 2017	$ 17,623,166	$ -	$ -	$ 17,623,166

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 October 31, 2017, 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, 2017 and 2016

	2017	2016
National television		
A Chef's Life Season 4	$ 5,726	$ 29,695
America After Charleston	21,551	21,551
American Musical Theatre	7,847	7,847
American Road to Victory	1,474	1,474
Bringing the Fallen Home	3,500	3,500
Carvalho's Journey	3,000	3,000
Dispatches from the Gulf	4,500	4,000
Eclipse Coverage	29,346	-
Expeditions with Patrick McMillan	15,984	13,342
Fathers in America	14	4,414
Friends of *American Musical Theatre*	3,586	3,586
Friends of *Live at the Charleston Music Hall*	-	4,235
Gordon Getty: Let There Be Music	11,497	-
Great Projects - *Building of America*	17,925	17,925
Great Projects - *Orion*	30,819	30,819
Liberty and Slavery: The Paradox of our Founding Fathers	4,750	-
Lilly's Light	-	14,786
Live at the Charleston Music Hall	10,632	39,944
Living Lightly on Earth	125,000	125,000
Man and Moment - Vietnam	50,532	54,848
Mary Celestia	24,102	24,102
Return to Normandy	-	11,497
Reel South	10,796	-
Requiem for My Mother	8,897	-
Tales from the Vineyard	2,250	2,250
The Fade	-	1,000
Work-Family-Outreach	7,075	7,075
Yoga in Practice	1,696	25,000
	402,499	450,890

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Schedules of Temporarily Restricted Net Assets (continued)

June 30, 2017 and 2016

	2017	2016
National/local radio		
360: South Carolina's Military	$ 25,000	$ -
American Chamber Players Residency	4,634	4,634
CD-Christmas	14,821	14,821
CD-Portraits	13,150	13,150
Concord Royalties	43,976	43,606
Friends of *Piano Jazz*	109,043	117,360
Marian McPartland Memorial Concert	1,891	1,891
Minute with Miles	49,154	38,000
Sonatas and Soundscapes	302	302
Song Travels	18,958	18,624
Spoleto Chamber Music II '16	-	34,377
Spoleto Chamber Music II '17	5,546	-
Spoleto Concert Series	2,054	-
Walter Edgar's Journal	3,825	3,825
	292,354	290,590
Local television		
Beaufort Auction	7,017	7,017
Between the Waters	15,028	15,028
Bluegrass Express	1,979	1,979
Charlie's Place	7,063	-
The Education of Harvey Gantt	-	420
Georgia O'Keeffe: Exploring the Abstract	39,774	39,158
Gubernatorial Debate	-	14,560
Gullah Gone	6,033	-
Local Production Fund	1,645,394	1,137,091
Make It Happen	6,910	6,910
Making It Grow	207,878	184,641
More Making It Grow	2,961	2,961
Mr. Mayor	500	500
NatureScene Awards	18,316	18,316
NatureScene Production	11,630	11,630
Preserving the Palmetto State	2,460	2,460
The Southern Campaign of the American Revolution	17,447	22,447
WNSC (Rock Hill)	4,904	4,904
WRET (Spartanburg)	16,274	15,774
WRJA (Sumter)	24,502	24,502
	2,036,070	1,510,298

ETV ENDOWMENT OF SOUTH CAROLINA, INC.

Schedules of Temporarily Restricted Net Assets (continued)

June 30, 2017 and 2016

	2017	2016
Non-broadcast education		
Between the Waters Website	$ 9,000	$ 67,344
Endowment 40th Anniversary	22,450	-
Input '17	1,129	-
Input for SC Conference	7,287	11,357
Input Station Fund	70	70
Interns - Shafto	46,104	60,505
John Crockett Memorial Internship	5,066	-
	91,106	139,276
Capital campaign		
Telecommunications Center	405,061	416,971
South Carolina Public Radio Studios	296,892	300,351
	701,953	717,322
	$ 3,523,982	$ 3,108,376

Report to the Board of Trustees

ETV Endowment of South Carolina, Inc.

June 30, 2017

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Communication with Those Charged with Governance

October 31, 2017

To the Board of Trustees
ETV Endowment of South Carolina, Inc.

We have audited the financial statements of ETV Endowment of South Carolina, Inc. (the "Organization") for the year ended June 30, 2017, and have issued our report thereon dated October 31, 2017. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Valuation of investments

Management's estimate of the fair value of investments is based on current market value and other observable and unobservable inputs depending on the type of investment. We reviewed management's method related to valuing the investments and determined that they are reasonable in relation to the financial statements taken as a whole.

Allocation of functional expenses

Management's estimate of functional expense allocations is based on a review of the natural expenses and an allocation of these expenses among the programs and supporting services that benefited. We evaluated the key factors and assumptions used to develop the functional expense allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

DIXON HUGHES GOODMAN LLP

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter included in Appendix A.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of ETV Endowment of South Carolina, Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Greenville, South Carolina

Appendix A
Management Representation Letter

ETV ENDOWMENT

ETV ENDOWMENT OF SOUTH CAROLINA
401 EAST KENNEDY STREET, SUITE B-1 SPARTANBURG, SOUTH CAROLINA 29302
PHONE 864.591.0046 TOLL-FREE 877.253.2092 www etvendowment.org

October 31, 2017

Dixon Hughes Goodman LLP
11 Brendan Way, Suite 200
Greenville, SC 29616

This representation letter is provided in connection with your audits of the financial statements of ETV Endowment of South Carolina, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 30, 2017 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. We acknowledge our responsibility for 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. The following have been properly accounted for and disclosed in the financial statements:
   a. Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties.
   b. Guarantees, whether written or oral, under which the Organization is contingently liable.
   c. Other liabilities or gains or loss contingencies.

5. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

7. There are no uncorrected misstatements or omitted disclosures.

8. We represent to you the following for the Organization's fair value measurements and disclosures:
   a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
   b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
   c. The disclosures related to fair values are complete, adequate and in conformity with U.S. GAAP.
   d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

10. We have provided you with:
    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

11. All transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud affecting the Organization involving (a) management, (b) employees who have significant roles in internal controls or (c) others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements received in communications from employees, former employees, regulators or others.

15. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

16. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

18. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

19. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.

ETV ENDOWMENT

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21. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

22. We acknowledge our responsibility for presenting the supplementary schedules of temporarily restricted net assets in accordance with U.S. GAAP, and we believe that the schedules of temporarily restricted net assets, including its form and content, are fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the schedules of temporarily restricted net assets have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

23. The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities, of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

24. The Organization recognizes tax benefits only to the extent that the Organization believes it is more-likely-than-not (i.e. greater than 50 percent) that its tax positions will be sustained upon examination. We have evaluated the Organization's tax positions, including its not-for-profit status and unrelated business income, and have determined that the Organization does not have any material uncertain tax positions.

25. In regards to the IRS form 990 preparation services performed by you, we have:
    a. Assumed all management responsibilities.
    b. Overseen the service, by designating an individual, within senior management, who possess suitable skill, knowledge or experience.
    c. Evaluated the adequacy and results of the services performed.
    d. Accepted responsibility for the results of the services.
    e. Evaluated and maintained internal controls, including monitoring ongoing activities.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Coby Q. Hennecy

(Coby Q. Hennecy, Executive Director)

Lauren Chivers

(Lauren Chivers, Financial Officer)

Lori Tolbert

(Lori Tolbert, Accounting Manager)