ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

with
INDEPENDENT AUDITORS' REPORT

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Atlanta Educational Telecommunications Collaborative, Inc.

We have audited the accompanying financial statements of Atlanta Educational Telecommunications Collaborative, Inc. ("AETC") (a nonprofit 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.

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 audits to obtain reasonable assurance about whether the financial statements are free of 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 AETC'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 AETC'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 AETC as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

January 11, 2018

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 3,003,391	$ 3,008,022
Receivables	803,704	742,711
Investments	3,450,947	3,284,471
Prepaid expenses	385,044	135,736
Investments held under nonqualified retirement agreement	279,300	236,375
Note receivable	1,977,286	1,656,809
Property and equipment, net	1,399,859	1,507,546
TOTAL ASSETS	$ 11,299,531	$ 10,571,670
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 732,436	$ 420,650
Accrued salaries and fringe benefits	745,250	562,821
Deferred revenues	35,604	193,021
Obligations under nonqualified retirement agreement	277,224	236,375
Total Liabilities	1,790,514	1,412,867
Net Assets:		
Unrestricted:		
Undesignated	7,613,686	7,581,287
Board Designated	1,673,154	1,515,592
Temporarily Restricted:		
Temporarily Restricted for programs	183,099	9,820
Temporarily Restricted for capital projects	39,078	52,104
Total Net Assets	9,509,017	9,158,803
TOTAL LIABILITIES AND NET ASSETS	$ 11,299,531	$ 10,571,670

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Changes in Unrestricted Net Assets:		
Public Support and Revenues:		
Public broadcasting entities	$ 1,380,269	$ 1,433,120
Contributions, subscription membership fees	7,824,145	7,304,499
Underwriting contributions	4,785,555	4,659,185
In-kind contributions	868,528	900,827
Rental income	204,104	210,697
Other revenues	209,854	72,005
Total Unrestricted Public Support and Revenues	15,272,455	14,580,333
Net Assets Released from Restrictions:	93,247	148,365
Total Public Support, Revenues and Reclassifications	15,365,702	14,728,698
Expenses		
Program Services:		
Programming and Production	5,263,823	4,944,797
Broadcasting	2,038,137	1,772,100
Program Information	1,033,082	722,706
Total Program Service Expenses	8,335,042	7,439,603
Support Services:		
Management and general	3,019,783	3,370,784
Underwriting	1,507,772	1,421,496
Fundraising	1,924,817	1,791,365
Depreciation	388,327	393,174
Total Support Services Expenses	6,840,699	6,976,819
Total Expenses	15,175,741	14,416,422
Changes in Unrestricted Net Assets	189,961	312,276

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Activities, Continued
Years Ended June 30, 2017 and 2016

	2017	2016
Changes in Temporarily Restricted Net Assets:		
Contributions and Grants	253,500	38,820
Net Assets Released from Restrictions	(93,247)	(148,365)
Changes in Temporarily Restricted Net Assets	160,253	(109,545)
Change in Total Net Assets	350,214	202,731
Net Assets, Beginning of Year	9,158,803	8,956,072
NET ASSETS, END OF YEAR	$ 9,509,017	$ 9,158,803

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

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Cash received from contributors, members and grants	$ 14,025,059	$ 13,658,095
Other receipts	301,328	348,105
Cash paid to suppliers and employees	(13,858,437)	(13,552,486)
Net cash provided by operating activities	467,950	453,714
Cash Flows from Investing Activities:		
Acquisitions of capital assets	(96,182)	(221,051)
Purchases of investments	(352,253)	(276,806)
Sales of investments	296,331	189,230
Increase in note receivable	(320,477)	(320,477)
Net cash used in investing activities	(472,581)	(629,104)
Decrease in Cash and Cash Equivalents	(4,631)	(175,390)
Cash and Cash Equivalents:		
Beginning of Year	3,008,022	3,183,412
END OF YEAR	$ 3,003,391	$ 3,008,022

Non-Cash Investing Activity:
At June 30, 2017, accounts payable and accrued expenses included $184,458 of property and equipment purchases.

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

ATLANTA EDUCATIONAL TELECOMMUNICATIONS COLLABORATIVE, INC.

Statements of Cash Flows, Continued
Years Ended June 30, 2017 and 2016

		2017		2016
Reconciliation of change in net assets to net cash provided by operating activities:				
Change in net assets	$	350,214	$	202,731
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		388,327		393,174
Net realized and unrealized (gain) loss on investments		(112,630)		65,403
Loss on disposal of property and equipment		-		60,081
Changes in assets and liabilities:				
Decrease (increase) in receivables		(60,993)		90,120
Decrease (increase) in prepaid expenses		(249,308)		(36,649)
Increase (decrease) in accounts payable and accrued expenses		127,328		(442,479)
Increase (decrease) in accrued salaries and fringe benefits		182,429		(11,018)
Increase (decrease) in deferred revenues		(157,417)		132,351
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	467,950	$	453,714

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

Note 1 - Background and Significant Accounting Policies

Organization

Atlanta Educational Telecommunications Collaborative, Inc. (AETC) was established for charitable and educational purposes including, but not limited to, enhancing public education of the Atlanta Independent School System (the "School System") primarily through broadcasting educational programs. To this end, AETC entered into a management and operation agreement (the "Agreement") with the School System, licensee of stations WPBA-TV and WABE-FM and Cable Channel 22, (collectively referred to as "Stations"), and owner of certain real and personal property and equipment (the "Broadcast Facilities" - see Note 4) associated with and related to the operation of the Stations. AETC manages and operates the respective stations in accordance with rules and regulations of the Federal Communications Commission, Corporation for Public Broadcasting, Public Broadcasting Service and National Public Radio. The Agreement set forth an initial term of five years from January 1, 2010 through December 31, 2014, with the option to renew for two additional three-year periods through December 31, 2020, subject to the mutual agreement of both parties. In the absence of the mutual exercise of the renewal periods, the Agreement automatically renewed for one-year periods from January 1, 2015 through December 31, 2017. During 2017, AETC was informed by the School System that it wanted to explore a new agreement with AETC. The parties agreed to a contract amendment extending the term of the Agreement through June 30, 2018. AETC is currently working with the School System to renew the agreement.

Basis of Presentation

AETC follows the provisions of Financial Accounting Standards Board (“FASB”), Accounting Standards Codification (“ASC”) Number 958 – “Not-for-Profit Entities” (ASC 958). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

The financial statements are reported using the accrual basis accounting.

Net Assets

Net asset activities and their defined purposes used by AETC are as follows:

> *Temporarily restricted net assets* - Consist of net assets with constraints placed on the use by external groups, such as creditors, grantors and contributors. When the related purpose or program is accomplished, whether by use of temporarily restricted net assets or unrestricted net assets, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction.

Note 1 - Background and Significant Accounting Policies, continued

Net Assets (Continued)

Unrestricted net assets – Consist of the board designated fund and all other net assets that are available for support of AETC's operations.

Investments

Investments consist of marketable equity securities and mutual funds with original maturities greater than three months. Investments are carried at fair values determined at the date of the Statements of Financial Position, based on quoted market prices.

Realized and unrealized gains (losses) on investments for the years ended June 30, 2017 and 2016 were $112,630 and ($65,403), respectively. Interest and dividends for the years ended June 30, 2017 and 2016 were $70,865 and $97,262, respectively. Investment income has been included within other income in the accompanying Statements of Activities.

Fair Value Measurements

ASC No. 820 "Fair Value Measurements" ("ASC 820") defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

AETC had no Level 3 investments as of June 30, 2017 and 2016.

The carrying value of financial instruments such as cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value because of the terms and relative short maturity of the financial instruments. AETC believes the carrying values of its financial instruments are reasonable estimates of their values, unless otherwise noted.

Note 1 - Background and Significant Accounting Policies, continued

Federal and State Income Taxes

AETC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recorded on the accompanying financial statements. In addition, AETC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). GAAP requires AETC's management to evaluate tax positions taken and recognize a tax liability (or asset) if AETC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). AETC's management has analyzed the tax positions taken and has concluded that, as of June 30, 2017 and 2016, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. AETC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. AETC's management believes it is no longer subject to income tax examinations for years prior to June 30, 2014.

Contributions

AETC accounts for contributions in accordance with GAAP. Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions, which limit the use of the donated assets. Underwriting contributions consist of advertising revenue and are recognized when earned. Subscription membership fees are recorded as revenue when received.

In-kind Contributions

Donated services, materials and supplies, as further described in Note 6, are recorded at fair market value at the time of the donation and are recognized as both contributions and expenses.

Compensated Absences

Compensated absences relative to vacation leave are accrued as a liability as earned by employees up to a maximum of 80 hours. No accrual is recorded for sick leave since employees are only eligible to receive compensation for legitimate illnesses and do not receive payment for unused sick leave.

Property and Equipment

Property and equipment acquired for $5,000 or more is capitalized at cost. Property and equipment is depreciated over the estimated useful life, ranging from 5 to 20 years, using the straight-line method.

Note 1 - Background and Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instrument purchases with an original maturity of three months or less are considered cash and/or cash equivalents.

Concentration of Credit Risk

AETC's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, receivables, and investments. At times, cash and cash equivalent balances exceed federally insured amounts. AETC believes it reduces risks associated with balances in excess of federal insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires AETC to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

Note 2 - Receivables

A summary of receivables as of June 30, 2017 and 2016 are as follows:

	2017	2016
Accounts/pledges receivable	$ 785,355	$ 682,162
Grants receivable	1,250	2,500
Other receivables	17,099	58,049
Total Receivables	$ 803,704	$ 742,711

Note 2 - Receivables, continued

AETC also has a long-term note receivable that is a result of the Welfare Benefit Plan (see Note 8) for the former Chief Executive Officer. The value of the long-term receivable as of June 30, 2017 is $1,977,286 including $54,424 cumulative interest. The value of the long-term receivable as of June 30, 2016 was $1,656,809. In 2015, per the terms of the agreement, interest stopped accumulating due to distributions to the former Chief Executive Officer.

Note 3 - Investments

A summary of aggregate fair value of investments are as follows as of June 30:

2017

Types of Investments:	Fair Value	Level 1	Level 2	Level 3
Equity securities [a]:				
US large cap	$ 608,623	$ 608,623	$ -	$ -
US mid cap	202,049	202,049	-	-
US small cap	26,824	26,824	-	-
International	381,150	381,150	-	-
Fixed income securities [b]:	2,232,301	1,971,989	260,312	-
Total	$ 3,450,947	$ 3,190,635	$ 260,312	$ -

2016

Types of Investments:	Fair Value	Level 1	Level 2	Level 3
Equity securities [a]:				
US large cap	$ 587,966	$ 587,966	$ -	$ -
US mid cap	190,519	190,519	-	-
International	384,458	384,458	-	-
Fixed income securities [b]:	2,121,528	1,931,754	189,774	-
Total	$ 3,284,471	$ 3,094,697	$ 189,774	$ -

[a] Equity securities are comprised of the following investment types: common stock and mutual funds.

[b] Fixed income securities are comprised of the following investment types: bonds, bond mutual funds, treasury notes and corporate bonds.

Note 4 – Property and Equipment

Property and equipment balances as of June 30, 2017 and 2016 are as follows:

	2017	2016
Equipment and furniture	$ 2,635,199	$ 2,571,043
Intellectual Property	50,000	50,000
Leasehold improvements	1,350,732	1,331,456
	4,035,931	3,952,499
Less: Accumulated depreciation	(2,636,072)	(2,444,953)
Property and Equipment	$ 1,399,859	$ 1,507,546

Depreciation expense for the years ended June 30, 2017 and 2016 was $388,327 and $393,174, respectively.

Related Party Transactions

As part of the Agreement with the School System for the Stations mentioned in Note 1, all real and personal property and equipment that comprised the Broadcast Facilities of the Stations at the time of the initial contract with AETC or property acquired by the School System for the Broadcast Facilities since that time remain the property of the School System. AETC, in turn, leases the Broadcast Facilities from the School System for $1.00 a year. The property is not included in AETC's financial statements. The following is a summary of the Broadcast Facilities reported, at cost, as part of the capital assets in the School System's financial statements:

Land and land improvements	$ 1,553,112
Building and building improvements	675,437
Equipment and Furnishings	936,739
Towers and Transmitters	3,751,100
	$ 6,916,388

Note 5 – Net Assets

Temporarily restricted net assets released from restrictions during the years ended June 30 are as follows:

	2017	2016
Programs	$ 80,221	$ 107,670
Capital projects	13,026	40,695
Total	$ 93,247	$ 148,365

Note 6 – Donated Goods and Services

The value of donated goods and services included as in-kind contribution revenues and the corresponding program expenses, included in operating expenses in the accompanying Statements of Activities are as follows for the years ended June 30:

	2017		
	Television	Radio	Total
Broadcast Facilities	$ 341,491	$ 342,277	$ 683,768
Goods and Services	86,980	86,980	173,960
Food and Beverage	5,400	5,400	10,800
Total	$ 433,871	$ 434,657	$ 868,528

	2016		
	Television	Radio	Total
Broadcast Facilities	$ 357,055	$ 372,672	$ 729,727
Goods and Services	54,400	101,700	156,100
Food and Beverage	7,500	7,500	15,000
Total	$ 418,955	$ 481,872	$ 900,827

Note 7 – Retirement Plans

AETC has a Tax Deferred or 403(b) retirement plan (the "Plan"). All full-time employees are eligible to participate in the Plan. The Plan may be terminated at any time at AETC's sole discretion. After completing six months of employment, AETC contributes 100% of the first 3% of compensation deferred plus 50% of the next 2% of compensation deferred, which can vary from plan year to plan year. Contributions to the Plan on behalf of Plan participants are made on a bi-weekly basis. Employees may contribute on a tax deferred basis any amount up to the lesser of 100% of their compensation or the IRS allowed limit. AETC's contributions amounted to $146,771 and $125,998 for the years ended June 30, 2017 and 2016, respectively.

AETC has a Nonqualified Deferred Compensation or 457(b) retirement plan. Director level and above employees are eligible to participate in the 457(b) plan. The 457(b) plan may be terminated at any time, at AETC's sole discretion. AETC does not contribute to the 457(b) plan. At June 30, 2017, the 457(b) plan has $279,300 in Plan Assets, and $277,224 in Plan Liabilities.

Note 8 – Welfare Benefit Plan

AETC sponsors a welfare benefit plan under ERISA for the benefit of an executive that authorized the purchase of life insurance policies as a means of providing post-employment benefits. The life insurance policies are established on the life of the executive and his spouse as joint insured. To minimize the risk of non-payment, the value of the life insurance was distributed between two highly rated insurers.

Each premium contribution provided by AETC on behalf of the executive is treated for legal, tax and financial purposes as a loan from AETC to the executive. These premium loans are established as a long-term note receivable on the financial statements of AETC. The receivable is required to be repaid by the executive, including cumulative interest at a rate established by the IRS. Accordingly, AETC retains a permanent and primary irrevocable interest in the death benefit of the life insurance policies that will provide a full repayment of the accumulated loan receivable at the death of the individuals insured under the policies to AETC. Based upon actuarial tables, it is projected that the life insurance policies held by the executive and his spouse will generate additional death benefits to AETC over and beyond the loan repayment and contractually agreed upon interest.

Note 9 – Related Party Transactions

AETC has one vendor where a member of the Board of Directors is a partner or an owner. This vendor provided services to AETC in the amounts of approximately $96,000 and $104,000 for the years ended June 30, 2017 and 2016, respectively.