

EDUCATIONAL VIDEO CENTER, INC.

INDEPENDENT AUDITORS' REPORT
ON
FINANCIAL STATEMENTS

AS OF AUGUST 31, 2015

AND

FOR THE YEAR THEN ENDED
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2014)

EDUCATIONAL VIDEO CENTER, INC.

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Educational Video Center, Inc.
New York, New York

We have audited the accompanying financial statements of Educational Video Center, Inc., which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Educational Video Center, Inc. as of August 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Educational Video Center, Inc.'s financial statements, and our report dated February 23, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Wm & Co., P.C." with a flourish above the "W".

New York, New York
February 17, 2016

EDUCATIONAL VIDEO CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2015
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2014)

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash	\$ 320,275	\$ 257,273
Accounts receivable	11,409	8,493
Grants and contributions receivable - Notes 2 and 3	120,500	63,460
Prepaid expenses	<u>5,435</u>	<u>1,595</u>
Total Current Assets	457,619	330,821
Non-Current Assets		
Grant receivable - Notes 2 and 3	37,797	74,995
Fixed assets, at cost, net of accumulated depreciation of \$16,312 and \$8,048 in 2015 and 2014, respectively - Notes 2 and 4	<u>9,376</u>	<u>17,640</u>
Total Assets	<u>\$ 504,792</u>	<u>\$ 423,456</u>
<u>LIABILITY AND NET ASSETS</u>		
Current Liability		
Accounts and accrued expenses payable	<u>\$ 24,980</u>	<u>\$ 19,275</u>
Total Liability	<u>24,980</u>	<u>19,275</u>
Net Assets		
Unrestricted	283,345	270,186
Temporarily restricted - Note 7	<u>196,467</u>	<u>133,995</u>
Total Net Assets	<u>479,812</u>	<u>404,181</u>
Total Liability and Net Assets	<u>\$ 504,792</u>	<u>\$ 423,456</u>

See accompanying notes to financial statements.

EDUCATIONAL VIDEO CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2014)

	2015	2014
<u>Changes in Unrestricted Net Assets</u>		
Public Support and Revenue		
Grants and contributions from:		
Foundations and trusts	\$ 105,500	\$ 111,500
Governmental agencies	17,450	18,325
Corporations	1,000	5,397
Individuals	7,797	7,806
In-kind contributions - Note 5	139,500	145,636
Contract services	80,945	76,329
Book and tape sales	4,122	5,514
Special projects income	-	12,500
Special events income	72,377	38,845
Interest income	205	216
Miscellaneous income	-	310
Net assets released from restrictions - Note 6	222,730	234,760
Total Unrestricted Public Support and Revenue	651,626	657,138
Expenses		
Program Services		
Professional Development	163,850	154,196
Documentary Workshops	158,758	168,202
New Media Arts Apprenticeship	79,767	79,521
Special Projects	38,364	69,750
Total Program Services	440,739	471,669
Supporting Services		
Administrative and general	61,825	72,602
Fund raising	135,903	136,708
Total Supporting Services	197,728	209,310
Total Expenses	638,467	680,979
Net Increase/(Decrease) in Unrestricted Net Assets	13,159	(23,841)
<u>Changes in Temporarily Restricted Net Assets</u>		
Grants and contributions from:		
Foundations and trusts	142,902	249,995
Governmental agencies	134,800	13,385
Corporation	7,500	-
Net assets released from restrictions - Note 6	(222,730)	(234,760)
Net Increase in Temporarily Restricted Net Assets	62,472	28,620
Net Increase in Net Assets	75,631	4,779
Net Assets at beginning of year	404,181	399,402
Net Assets at end of year	\$ 479,812	\$ 404,181

See accompanying notes to financial statements.

EDUCATIONAL VIDEO CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2014)

	PROGRAM SERVICES				SUPPORTING SERVICES			Total Program and Supporting Services	
	Professional Development	Documentary Workshops	New Media Arts Apprenticeship	Special Projects	Administrative and General	Fund Raising	Total	2015	2014
								\$	\$
Salaries	\$ 97,264	\$ 86,221	\$ 42,243	\$ 7,044	\$ 25,619	\$ 76,732	\$ 102,351	\$ 335,123	\$ 370,731
Payroll taxes and employee benefits	15,330	13,590	6,658	1,110	4,038	12,094	16,132	52,820	68,893
Total Salaries and Related Expenses	112,594	99,811	48,901	8,154	29,657	88,826	118,483	387,943	439,624
Professional and consultants fees (including donated services of \$9,180 in 2014)	4,314	12,638	1,897	297	11,081	16,998	28,079	47,225	47,462
Travel, meetings and conferences	1,541	1,539	620	335	419	721	1,140	5,175	3,845
Telephone and communications	2,407	2,407	1,445	1,445	963	963	1,926	9,630	7,822
Donated facilities - Note 5	30,000	30,000	18,000	18,000	12,000	12,000	24,000	120,000	121,456
Insurance	3,144	3,144	1,886	1,886	1,257	1,257	2,514	12,574	10,867
Supplies and tapes (including donated supplies of \$1,324 in 2014)	603	2,479	1,701	620	414	509	923	6,326	7,205
Postage and mailing	9		16		906	83	989	1,014	921
Printing and publications	790		49		585	592	1,177	2,016	161
Event expenses (including donated space and goods of \$4,031 and \$15,897 in 2015 and 2014, respectively - Note 5)									
Stipends	1,300	80	675	1,830		7,772	7,772	7,772	18,606
Other program expenses				1,800		1,425	1,425	5,310	2,900
Dues, fees and subscriptions	160					175	175	1,975	1,351
Bank and credit card service charges					848	1,089	1,937	2,097	2,491
Advertising	80		80		64	462	526	526	335
Moving and renovation costs								160	7,280
Equipment rental, repairs and maintenance (including in-kind contributions of \$16,000 in 2015 - Note 5)	4,594	4,594	3,257	2,757	2,538	1,838	4,376	19,578	1,513
Miscellaneous	248				267	367	634	882	460
Total Expenses Before Depreciation	161,784	156,692	78,527	37,124	60,999	135,077	196,076	630,203	674,299
Depreciation	2,066	2,066	1,240	1,240	826	826	1,652	8,264	6,680
Total Expenses 2015	\$ 163,850	\$ 158,758	\$ 79,767	\$ 38,364	\$ 61,825	\$ 135,903	\$ 197,728	\$ 638,467	
Total Expenses 2014	\$ 154,196	\$ 168,202	\$ 79,521	\$ 69,750	\$ 72,602	\$ 136,708	\$ 209,310	\$ 680,979	

See accompanying notes to financial statements.

EDUCATIONAL VIDEO CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2015
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2014)

	2015	2014
<u>Cash Flows from Operating Activities</u>		
Changes in Net Assets	\$ 75,631	\$ 4,779
Adjustments to reconcile changes in Net Assets to net cash provided by/(used in) operating activities		
Depreciation	8,264	6,680
Change in assets and liabilities:		
Increase in accounts receivable	(2,916)	(4,483)
Increase in grants and contributions receivable	(19,842)	(33,080)
(Increase)/decrease in prepaid expenses	(3,840)	3,199
Increase/(decrease) in accounts and accrued expenses payable	5,705	(1,149)
Net Cash Provided by/(Used in) Operating Activities	63,002	(24,054)
<u>Cash Flows from Investing Activities</u>		
Acquisition of fixed assets	-	(16,188)
Net Increase/(Decrease) in Cash	63,002	(40,242)
Cash balance at beginning of year	257,273	297,515
Cash balance at end of year	\$ 320,275	\$ 257,273

See accompanying notes to financial statements.

**EDUCATIONAL VIDEO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015**

NOTE 1 ORGANIZATION

Educational Video Center, Inc. ("EVC") is a non-profit youth media organization dedicated to teaching documentary video as a means to develop the artistic, critical literacy and career skills of young people, while nurturing their idealism and commitment to social change. Founded in 1984, EVC has evolved from a single video workshop for teenagers from Manhattan's Lower East Side to become an internationally acclaimed leader in youth media education. EVC's teaching methodology brings together the powerful traditions of student-oriented progressive education and independent community documentary.

EVC is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) The accompanying financial statements have been prepared on the accrual basis of accounting.
- b) Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as 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 included in contribution revenue.

All contributions are considered to be available for unrestricted use unless specifically restricted by donor. Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. EVC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- c) Program revenue is recognized as income when earned.
- d) Cash consists of cash held in checking and money market accounts. EVC maintains its cash in four bank accounts in a high quality financial institution, which at times, may exceed federally insured limits. EVC has not experienced any losses in such accounts.

(Continue)

EDUCATIONAL VIDEO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- e) The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities. The classes of net assets are defined as follows:

Permanently Restricted- Net assets resulting from contributions and other inflows of assets whose use by EVC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of EVC.

Temporarily Restricted- Net assets resulting from contributions and other inflows of assets whose use by EVC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions EVC pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted- The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

- f) EVC capitalizes all significant expenditures for fixed assets. These assets are recorded at cost. Depreciation of furniture and equipment are provided for on a straight line basis over the estimated useful lives of the assets.
- g) Donated facilities and services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.
- h) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at August 31, 2015 and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from these estimates.
- i) These financial statements include certain prior year summarized information presented for comparative purposes and is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with EVC's financial statements for the year ended August 31, 2014 from which the summarized information was derived.

(Continue)

EDUCATIONAL VIDEO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- j) EVC adopted *Financial Accounting Standards Board* (“FASB”) guidance on uncertain income tax positions in its financial statements. EVC recognizes the effect of tax positions only when they are more likely than not of being sustained. Management is not aware of any violation of its tax status as an organization exempt from income taxes. EVC is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended August 31, 2012 and prior years.

NOTE 3 PROMISES TO GIVE

Unconditional promises to give as of August 31, 2015 are as follows:

Receivable in less than one year		\$ 120,500
Receivable in one to five years		<u>40,000</u>
Total unconditional promises to give		160,500
Less: net present value discount		(<u>2,203</u>)
Net unconditional promises to give		<u>\$ 158,297</u>
Current		\$ 120,500
Non-Current		<u>37,797</u>
Net unconditional promises to give		<u>\$ 158,297</u>

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 3.25%.

NOTE 4 FIXED ASSETS

As of August 31, 2015, the costs and accumulated depreciation were as follows:

Equipment		\$ 25,688
Less: accumulated depreciation		(<u>16,312</u>)
Net		<u>\$ 9,376</u>

Fully depreciated equipment of \$4,888 were disposed of during the year.

**EDUCATIONAL VIDEO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015**

NOTE 5 NON-CASH CONTRIBUTIONS

EVC occupies without charge, certain premises donated by City-As-School. The estimated value of the donated facilities is \$120,000 per year. EVC also received \$16,000 of donated equipment and furniture usage for its programs and \$3,500 of donated space for its fund raising event.

Total in-kind contributions received during the year consist of the following:

Donated facilities	\$ 120,000
Donated space for fund raising event	3,500
Donated equipment and furniture usage	<u>16,000</u>
Total	<u>\$ 139,500</u>

In addition, EVC received \$531 in donated food and beverages for its benefit held during the year. This amount was reported as support and expenses in the statement of activities.

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year ended August 31, 2015 were as follows:

Satisfaction of program restrictions:	
Documentary Workshops	\$ 95,000
New Media Arts Apprenticeship	53,100
Pre-Professional Digital Post-Production Workshop	13,000
Professional Development	4,000
Programmatic Support	<u>15,800</u>
	<u>180,900</u>
Satisfaction of purpose restrictions:	
Advanced Documentary Workshop Personnel	40,000
Judy Doctoroff Fund	<u>1,830</u>
	<u>41,830</u>
Total	<u>\$ 222,730</u>

EDUCATIONAL VIDEO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2015 are available for the following:

Advanced Documentary Workshop Personnel	\$ 77,797
Documentary Workshops	7,500
Judy Doctoroff Fund	9,170
New Media Arts Apprenticeship	15,000
Pre-Professional Digital Post-Production Workshop	26,000
Professional Development	36,000
Youth Voices and Critical Issues	<u>25,000</u>
Total	<u>\$ 196,467</u>

NOTE 8 FAIR VALUE MEASUREMENTS

EVC follows FASB guidance on *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. As defined in FASB *Accounting Standards Codification* (“ASC”) 820, fair value is 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 (exit price).

EVC utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. EVC’s assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

The three levels of fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability.

EDUCATIONAL VIDEO CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 8 FAIR VALUE MEASUREMENTS - (Continued)

The following methods and assumptions were used by EVC in estimating its fair value disclosures for financial instruments:

- Cash and short-term unconditional promises to give: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a discount rate of 3.25%, the prime rate as of August 31, 2015.

The estimated fair values of EVC's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash	\$ 320,275	\$ 320,275
Unconditional promises to give	158,297	158,297

NOTE 9 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 10 SUBSEQUENT EVENTS

EVC evaluated subsequent events through February 17, 2016, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.