

# ***Board of Directors Regular Meeting***

**May 10<sup>th</sup>, 2021, at 6:00 pm  
via Zoom**

**Board of Directors in Attendance:** Greg Drew (GD), Curt Taylor (CT), Dirk Reith (DR)

**Staff in Attendance:** Kevin Christopher (KC)

**Guest:** Kevin Marchand from MGV Associates

**1. Call to Order by Vice Chair GD at 6:05 PM.**

**2. Approval of Agenda**

**Motion to approve the agenda by DR, second by CT, passed unanimously.**

**3. Public / Board Member / Staff Comments**

No comments

**4. Meeting with Kevin Marchand (KM), MGV Associates**

KC introduced KM as LCATV's accountant with the firm MGV Associates. DR had questions for KM as follows

- DR: How are capital fund balances provided and what are the numbers behind those balances?
  - KM: As LCATV received funds from ComCast some are for operating and some is for capital expenses. The funds are tagged as one or the other. Both capital and operating funds are kept in the same bank account, but the amounts are tracked by MGV. MGV provides three different cash flow statements: operating, capital and both operating and capital. If there is excess at the end of the fiscal year, the balances are kept separate and rolled into the next year with the same operating or capital tags.
- DR: What are the restrictions on capital funds?
  - KM: A lot depends on how the law and the cable company define capital. The cable companies have not been picky. Anything that lasts more than a year is potentially capital. The equipment LCATV buys can easily fit into the capital world. Most of LCATV's funds are tagged for operating expenses. LCATV can use operating funds for capital purchases but cannot use funds tagged as capital for operating expenses. That might run afoul of the cable company contract and the rules that limit LCATV.
- DR: How does depreciation work within LCATV's world?
  - KM: All depreciation fits within the capital world. When something is bought, its value is added to the balance sheet. The depreciation is the wearing away of that equipment.
- DR: What is the depreciation schedule?
  - KM: It varies. Most of it is on a seven or five year schedule. Much of the equipment can become obsolete fairly quickly.
- DR: How is that schedule used?
  - KM: Most of it is "straight line" in that there is a half year at the start and end and then even amounts during the middle years. Occasionally they will front load the first year, but the depreciation is still stretched out over five years. Because LCATV is a non-profit MGV is not trying to minimize taxes so the depreciation schedule is more oriented toward managing the assets.
- CT: How is that reflected on the balance sheet?

- KM: On the current (March 31<sup>st</sup>) statement there is about \$68k for vehicles and negative \$68k for the Accumulated Depreciation of those vehicles. The vehicles originally valued at \$68k have been fully depreciated. When the asset is sold or scrapped the line item will go away. After the purchase of a new vehicle the value of the assets will increase according to the cost of the vehicle. Each year after purchase the depreciated amount increases until the vehicle has been fully depreciated.
- DR: Is there an “Intrinsic Value” balance sheet for the equipment?
  - KM: No. Generally Accepted Accounting Principles (GAAP) do not let MGTV get into fair market value calculations. That’s because it would be too easy to manipulate the value of the assets for tax purposes.
- DR: When LCATV sells a capital asset, how are those funds tagged.
  - KM: They are tagged for capital uses and would be reflected in the Capital Income statement.
- GD: Would the gain from such a capital use the depreciated value or the value of the sale?
  - KM: Actually both. If a new vehicle is bought for \$10k with a five-year depreciation schedule it is losing \$2k in value each year. The vehicle’s depreciated value is \$6k after two years. If it is sold for \$7k, then the capital cash flow statement would show \$1k as a gain. If it is sold for \$5k after those same two years, the cash flow statement would show an expense of \$1k.

With those questions answered, KM turned to the talking points KC had provided him prior to the meeting.

- **How to look at statements**

Start with the Balance Sheet. This is a snapshot. The date on the sheet is the balance snapshot on that day. The numbers change with each date. This then is a very short-term picture. The top part of the balance sheet shows the total assets for that report date. Below that are two sections: total liability and the fund balance. The top part of the statement shows how much LCATV has and bottom part show who owns it.

The Income statement is more of a movie than a snapshot. This statement shows what has happened over a period of time. The statement shows the activity over the time period. This statement can be used to compare how LCATV is doing regarding following the year’s budget.

KC asked if DR as treasurer needed more information than what is currently shown on the statements. DR mentioned that he would like a better understanding of the regular periodic expenses, like insurance. His concern is that the cost is not reflected in the balance sheet until the check is written. KM mentioned that, if LCATV wants, they can show those expenses on a monthly basis. It is also possible to customize the statements to show that expenses are locked into one month if that is required.

- **Investment Strategies**

LCATV has a large amount of funds in what is essentially cash. Money markets and other bank account do not earn much interest. Banks can buy money from the government almost for free, so interest rates to buy money from people are more public relations than a way for banks to make money. The problem for directors of non-profits is that though the stock market may provide better interest rates, the boards task is to protect the assets of the organization, not to make a profit. KM does not know of any law or rule that says LCATV cannot take the risk and invest in equities. His recommendation is to not take the risk. However, LCATV could create a CD maturation ladder that spreads the interest income out over more years. CD’s with longer terms generally earn a high interest rate. This might increase LCATV’s income but there will also be some time spent maintaining the ladder. If LCATV wanted to earn more interest a brokerage firm could be used to look beyond the local banks LCATV currently uses to find better interest rates. KM says increasing our current \$5k or \$6k investment income to \$9k is a lot of work and probably not worth it.

CT asked if LCATV can amass as much money as it wants or are there rules that prevent a non-profit from making a profit. KM replied that there are no such rules. LCATV can amass as much money as it wants. The question is not so much how much money LCATV has but whether LCATV is providing the educational and public benefit services it is supposed to provide. There are rules that apply to investment amounts.

GD asked about the difference between a non-profit and a not-for-profit. KM responded that LCATV is set up as a regular corporation. The corporate format is the same as that of IBM or Amazon. LCATV is a C-Corporation. The difference is in who owns the corporation. Amazon is owned by shareholders, so money that is earned is owned by the shareholders. With LCATV, there is a board of directors, but the directors cannot just take the money for themselves. There are a lot of rules about what happens if LCATV were to go out of business or merge with another entity. LCATV is a 501(c)(3) designated non-profit or not-for-profit. As a 501(c)(3) a donation to LCATV is tax deductible.

GD raised the issue of LCATV seeking sponsors for events in order to pay expenses. KM responded that LCATV is allowed run a business operation within our current structure. His example was the Lynn theater or such groups that are 501(c)(3)s. Advertising in their handout program is not tax deductible. The government does not want non-profits (with their tax status) competing with for-profits that are in the same business. When LCATV is thinking of additional revenue the directors must make sure LCATV is not unfairly competing with another business for those revenues.

The term used when discussing what kind of income generating activity is allow is **UBIT: Unrelated Business Income Taxation**. We pay no income tax on our profits, however, if some of our profits came from making commercials (which would compete with other commercial makers) then LCATV would pay takes on the income from that activity. The UBIT definition is used is used to determine if an activity is taxable. KM went through each letter of the UBIT acronym. Is the activity **Unrelated** to LCATV's non-profit purpose? If so, the income may be taxable. The second word is **Business**. Is this a one-time event or is LCATV does this as a business? If girls scouts sold cookies year round than that would be an unrelated business and the income may be taxable. The next word is **Income**. If the activity resulted in a loss, then there is no **Unrelated Business Income** and no taxes. LCATV could rent out equipment and if there were other expenses (storage, depreciation, staff-time) that could be deducted from the income to make a loss then there would be no taxes. If LCATV did happen to make a little money with an Unrelated Business, the organization would not lose its non-profit status. LCATV would just have to pay some taxes.

KC asked about using LCATV equipment purchased with ComCast money to create commercial that compete with other businesses. KM stated that he would have to look at the contract with ComCast and the law for information on that issue. There may be restrictions within the contract. KM was not sure how that would work out.

## **5. Approval of Minutes of March 22<sup>nd</sup> 2021**

**Motion to approve the minutes of 3/22/21 DR, second by CT, passed unanimously.**

## **6. Executive Director's Report**

KC reported that LCATV is in the middle of Spring sports coverage: baseball and Lacrosse primarily. LCATV will be coving three in-person graduations.

CT asked if there was internet at the CHS football field. KC responded that there is not, but there are ways around it using cell service. CT asked about spending funds to put in a wired internet connection to the CHS football field press box. KC thought it might be worth discussing with school officials.

This summer there will be several Parks and Rec camps in Colchester and Milton. LCATV will also be working with VAN on a crowdsourced film project. Concerts and dance recitals are starting to ask for coverage.

## **7. Treasurer's Report**

DR felt that we had already well covered what would be reported. KC added that LCATV recently received a check from ComCast. There has been no decline in revenue from that source. In fact, there was a 3% increase over last year. It was mentioned that LCATV's revenue is based on number of subscribers and the nature of the service provided not on the number of hours people watch cable stations.

## **8. Old Business**

### **a. Federal Communication Commission and Legislative Initiatives**

KC reported that oral arguments have been heard in the appeals court. Perhaps in late summer or fall there will be a response to those arguments. The new acting chair of the FCC tried to get the case thrown out because the FCC's position has changed, but the appeals court did not dismiss the case.

On the legislative front VAN is connecting with legislators to craft the legislation that might result from the PEG financing report. VAN is also talking to the Legislature about providing coverage of committees as well as floor sessions.

CT gave introduction to H.360, a broadband bill working its way through the legislative process.

### **b. Cable line Extension Fund Update**

Dick Pecor was not present to give an update.

## **9. New Business**

### **a. Investment Strategy Discussion**

DR thought that after some time for thinking about what KM said, the board could revisit the issue. His initial thoughts are that the laddering of bonds might be a good start.

### **b. Field production restructuring**

KC reported nothing new on this but will be bring something before the board soon.

### **c. Retreat**

At several times during the meeting there was mention of a possible retreat. KC is looking into it.

### **d. Board Membership**

Bob Schea has resigned his position for health reasons. The board needs new members and will discuss the issue at a later meeting. A full board would have 12 members.

### **e. Employee Support**

LCATV has contracted with an Employee Assistance provider. For \$900 a year InvestEAP provides a service whereby employees can call for assistance with a wide variety of issues: mental health, childcare, etc. InvestEAP can also work with managers on how to deal with the complex needs of employees.

## **10. Executive Session (if needed)**

Not needed

## **11. Adjournment**

**Motion to adjourn at 7:35 PM by DR, 2<sup>nd</sup> by CT, passed unanimously**

Respectfully submitted on July 19<sup>th</sup>, 2021 (DRAFT) by Curt Taylor – Secretary

Approved at July 22<sup>nd</sup>, 2021 meeting