

**UPPER CUMBERLAND BROADCAST  
COUNCIL, INC.**

**JUNE 30, 2020 and 2019**

**TAMARA L. BECKMAN  
CERTIFIED PUBLIC ACCOUNTANT**

**UPPER CUMBERLAND BROADCAST COUNCIL, INC.**  
**TABLE OF CONTENTS**  
**JUNE 30, 2020 and JUNE 30, 2019**

Independent Auditor's Report	.....	1-2
Statement of Financial Position	.....	3
Statement of Activities	.....	4
Statement of Functional Expenses	.....	5-6
Statement of Cash Flows	.....	7
Notes to the Financial Statements	.....	8-20

# TAMARA L. BECKMAN, CPA

P.O. Box 405, 103 N. 3<sup>rd</sup> Street, Smithville, TN 37166  
Phone: (615) 318-1821 Fax: (931) 899-1222

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Tamara L. Beckman, CPA, MBA  
[beckmancpa.tamara@gmail.com](mailto:beckmancpa.tamara@gmail.com)

Sabrina Cantrell, Auditor  
[scantrell79@gmail.com](mailto:scantrell79@gmail.com)

To the Board of Directors of  
Upper Cumberland Broadcast Council, Inc.  
Cookeville, Tennessee

## **INDEPENDENT AUDITOR'S REPORT**

I have audited the accompanying financial statements of Upper Cumberland Broadcast Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. All 2019 information presented was audited by the predecessor auditor.

### **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 misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Cumberland Broadcast Council, Inc. as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Tamara L. Beckman, CPA*

December 16, 2020  
Smithville, Tennessee

**UPPER CUMBERLAND BROADCAST COUNCIL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020 and JUNE 30, 2019**

ASSETS

	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>
<u>Current Assets</u>		
Cash	\$ 402,392	\$ 246,850
Accounts Receivable	29,907	24,858
Grants Receivable	30,582	7,018
Prepaid Expenses	12,764	31,238
Investments	<u>232,665</u>	<u>46,949</u>
Total Current Assets	<u>708,310</u>	<u>356,913</u>
<u>Fixed Assets</u>		
Land	23,300	23,300
Buildings	94,950	94,950
Leasehold Improvements	38,515	38,515
Equipment	6,565,631	6,554,240
Vehicles	<u>54,614</u>	<u>54,614</u>
Total Fixed Assets	6,777,011	6,765,619
Less: Accumulated Depreciation	<u>(5,584,404)</u>	<u>(5,446,156)</u>
Net Fixed Assets	<u>1,192,607</u>	<u>1,319,464</u>
<u>Other Assets</u>		
Deposits	<u>12,600</u>	<u>12,600</u>
Total Other Assets	<u>12,600</u>	<u>12,600</u>
Total Assets	<u>\$ 1,913,517</u>	<u>\$ 1,688,977</u>

LIABILITIES & NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	\$ 16,414	\$ 24,647
Accrued Payroll	49,081	47,122
Payroll Deductions Payable	3,599	3,632
Line of Credit	-	215,258
Accrued Compensated Absences	45,174	38,402
Accrued Interest	542	1,557
Unearned Grant Revenue	25,415	33,861
Unearned Event Revenue	33,450	-
Notes Payable - PPP Loan	157,429	-
Unearned Rental Income - Current	3,715	10,048
Current Portion of Long-Term Debt & Lease	<u>32,028</u>	<u>31,360</u>
Total Current Liabilities	<u>366,847</u>	<u>405,887</u>
<u>Long-Term Liabilities</u>		
Note Payable - Equipment (net of current portion)	5,763	15,311
Lease Payable - PMG (net of current portion)	-	3,432
Noninterest Bearing Note - COMARK \$268,000 less unamortized discount of \$32,304 (net of current portion)	178,282	197,868
Unearned Rental Income - Deferred	<u>44,582</u>	<u>48,297</u>
Total Long-Term Liabilities	<u>228,627</u>	<u>264,908</u>
Total Liabilities	595,473	670,795
<u>NET ASSETS</u>		
With Donor Restrictions	279,388	67,202
Without Donor Restrictions, Board Reserved	1,915	219,476
Without Donor Restrictions	<u>1,036,741</u>	<u>731,504</u>
Total Net Assets	<u>1,318,044</u>	<u>1,018,182</u>
Total Liabilities and Net Assets	<u>\$ 1,913,517</u>	<u>\$ 1,688,977</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**UPPER CUMBERLAND BROADCAST COUNCIL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR YEAR ENDED JUNE 30, 2020 and JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	June 30, 2020 Total	Without Donor Restrictions	With Donor Restrictions	June 30, 2019 Total
<b>Revenues Gains and Other Support</b>						
State of Tennessee - Appropriation	\$ 430,793	\$ -	\$ 430,793	\$ 471,243	\$ -	\$ 471,243
Corp. for Public Broadcasting:	-	-	-	-	-	-
Community Service Grant	638,726	-	638,726	620,465	-	620,465
Interconnection Grant	12,414	-	12,414	11,815	-	11,815
Healthy Station Grant	260,205	-	260,205	75,000	-	75,000
Universal Service Support Grant	134,788	-	134,788	132,556	-	132,556
Ready-to-Learn Grant	91,791	-	91,791	41,449	-	41,449
Other Grants	501,113	15,474	516,586	261,960	34,885	296,845
Local Government	38,250	-	38,250	36,000	-	36,000
Donated Facilities	-	-	-	54,960	-	54,960
In-Kind	56,660	-	56,660	32,957	-	32,957
Fundraising Revenue	79,373	-	79,373	90,510	-	90,510
Development Event Revenue	80,326	-	80,326	108,776	-	108,776
Royalties	6,411	-	6,411	1,268	-	1,268
Membership Revenue	287,465	-	287,465	198,782	-	198,782
Membership Endowment Income	32,151	-	32,151	79,680	-	79,680
Contributions	11,532	-	11,532	17,534	30,274	47,808
Guide Ads	1,250	-	1,250	-	-	-
Underwriting Revenue	84,469	-	84,469	83,298	-	83,298
Productions	25,000	-	25,000	23,650	-	23,650
Broadcast Revenue	67,061	-	67,061	57,061	-	57,061
Engineering Services	11,000	-	11,000	2,000	-	2,000
Creative Services	28,432	-	28,432	-	-	-
Station Data Casting Revenue	27,500	-	27,500	5,000	-	5,000
Rental Revenues	10,048	-	10,048	10,048	-	10,048
Net Realized and Unrealized Gains/(Losses)						
on Investments	5,232	-	5,232	1,038	-	1,038
Miscellaneous Income	952	-	952	2,304	-	2,304
Net Assets Released from Restrictions or Reclassifications of Net Assets	(196,712)	196,712	-	32,439	(32,439)	-
<b>Total Revenues, Gains and Other Support</b>	<b>2,726,231</b>	<b>212,186</b>	<b>2,938,416</b>	<b>2,451,793</b>	<b>32,720</b>	<b>2,484,513</b>
<b>Expenses</b>						
<b>Program Service</b>						
Production and Programming	1,159,185	-	1,159,185	916,531	-	916,531
Broadcast Engineering and Technical	427,367	-	427,367	465,077	-	465,077
Education and Outreach	193,114	-	193,114	173,782	-	173,782
Membership	108,836	-	108,836	114,336	-	114,336
<b>Total Program Expenses</b>	<b>1,888,501</b>	<b>-</b>	<b>1,888,501</b>	<b>1,669,726</b>	<b>-</b>	<b>1,669,726</b>
<b>Support Expenses</b>						
Development and Fundraising	198,866	-	198,866	218,935	-	218,935
Management and General	553,986	-	553,986	603,385	-	603,385
<b>Total Support Expenses</b>	<b>752,853</b>	<b>-</b>	<b>752,853</b>	<b>822,320</b>	<b>-</b>	<b>822,320</b>
<b>Total Expenses</b>	<b>2,641,354</b>	<b>-</b>	<b>2,641,354</b>	<b>2,492,046</b>	<b>-</b>	<b>2,492,046</b>
Increase/(Decrease) in Net Assets	84,876	212,186	297,062	(40,253)	32,720	(7,533)
Net Assets at Beginning of Year	950,980	67,202	1,018,182	991,233	34,482	1,025,715
Prior Period Adjustment	2,800	-	2,800	-	-	-
<b>Net Assets at End of Year</b>	<b>\$ 1,038,656</b>	<b>\$ 279,388</b>	<b>\$ 1,318,044</b>	<b>\$ 950,980</b>	<b>\$ 67,202</b>	<b>\$ 1,018,182</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**UPPER CUMBERLAND BROADCAST COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTALS	
	Production & Programming	Broadcast Engineering & Digital	Education & Outreach	Membership	Total Program Services	Development & Fundraising	Management & General	2020
Compensation & Related Expenses								
Compensation	\$ 170,336	\$ 161,026	\$ 94,305	\$ 24,309	\$ 449,976	\$ 97,741	\$ 110,493	\$ 658,211
Employee Benefits	21,544	20,622	6,804	4,861	53,831	11,381	20,685	85,896
Payroll Taxes	9,578	11,561	6,866	1,690	29,695	7,133	10,986	47,815
Total Compensation & Related Expenses	201,458	193,210	107,975	30,860	533,502	116,255	142,164	791,922
Supplies	8,870	5,202	8,019	56	22,147	18,156	4,701	45,003
Minor Equipment	-	2,014	499	-	2,513	528	485	3,526
Gas & Auto Expenses	664	257	813	-	1,734	99	569	2,402
Items Purchased	-	-	-	-	-	-	-	-
Purchased and Professional Services	353,762	93,505	63,054	61,647	571,967	18,509	93,951	684,427
Printing & Publications	14,846	48	2,341	8	17,243	3,162	256	20,661
Communications & Utilities	2,234	122,145	640	-	125,018	4,121	11,052	140,192
Special Events	-	-	-	459	459	8	601	1,068
Programming	460,251	-	-	-	460,251	-	-	460,251
Rent	60,111	8,415	5,789	-	74,315	20,822	9,292	104,429
Maintenance	467	1,757	-	-	2,223	-	-	2,223
Membership Fees & Dues	8,213	-	-	99	8,312	666	42,263	51,241
Meetings, Conferences & Travel	10,288	378	3,914	15	14,595	-	4,386	18,982
Postage & Shipping	6,229	322	71	566	7,189	974	1,900	10,062
Premium Expense	-	-	-	15,125	15,125	-	-	15,125
Insurance	7,277	-	-	-	7,277	-	33,749	41,026
In-Kind Donations	-	-	-	-	-	-	58,239	58,239
Advertising	17,331	-	-	-	17,331	2,069	225	19,625
Uncollectible Accounts	-	-	-	-	-	750	25	775
Interest	-	-	-	-	-	-	11,096	11,096
Depreciation Expense	-	-	-	-	-	-	138,248	138,248
Miscellaneous	788	114	-	-	902	-	785	1,687
Royalties & Commissions	6,397	-	-	-	6,397	-	-	6,397
Agency Account Fees	-	-	-	-	-	2,034	-	2,034
Commissions	-	-	-	-	-	10,713	-	10,713
Total Expenses	\$ 1,159,185	\$ 427,367	\$ 193,114	\$ 108,836	\$ 1,888,501	\$ 198,866	\$ 553,986	\$ 2,641,354

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**UPPER CUMBERLAND BROADCAST COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	PROGRAM SERVICES					SUPPORTING SERVICES		TOTALS
	Production & Programming	Broadcast Engineering & Digital	Education & Outreach	Membership	Total Program Services	Development & Fundraising	Management & General	2019
Compensation & Related Expenses								
Compensation	\$ 191,371	\$ 158,339	\$ 79,280	\$ 24,967	\$ 453,957	\$ 91,566	\$ 113,495	\$ 659,018
Employee Benefits	23,485	20,739	5,076	4,202	53,502	11,843	23,903	89,248
Payroll Taxes	11,452	11,367	5,977	1,771	30,567	6,649	11,326	48,542
Total Compensation & Related Expenses	226,308	190,445	90,333	30,940	538,026	110,058	148,724	796,808
Supplies	10,020	4,763	9,877	482	25,142	22,234	8,372	55,748
Minor Equipment	101	2,959	180	43	3,283	608	105	3,996
Gas & Auto Expenses	1,352	438	324	-	2,114	404	1,576	4,094
Items Purchased	-	-	-	-	-	3,895	-	3,895
Purchased and Professional Services	126,621	105,008	56,068	60,024	347,721	21,996	103,864	473,581
Printing & Publications	18,457	-	2,717	1,065	22,239	9,424	1,281	32,944
Communications & Utilities	2,200	147,303	47	-	149,550	4,235	11,687	165,472
Special Events	-	-	30	3,067	3,097	1,417	152	4,666
Programming	445,899	-	-	-	445,899	-	-	445,899
Rent	23,718	4,330	90	-	28,138	18,217	11,143	57,498
Maintenance	1,096	7,379	-	-	8,475	23	69	8,567
Membership Fees & Dues	7,731	237	30	260	8,258	1,749	40,832	50,839
Meetings, Conferences & Travel	6,291	847	13,895	215	21,248	2,804	18,552	42,604
Postage & Shipping	3,691	631	45	403	4,770	2,003	987	7,760
Premium Expense	-	-	-	17,837	17,837	-	-	17,837
Insurance	-	-	-	-	-	1,877	33,394	35,271
In-Kind Donations	-	-	-	-	-	-	87,917	87,917
Advertising	600	737	66	-	1,403	2,931	968	5,302
Uncollectible Accounts	-	-	-	-	-	1,320	-	1,320
Interest	-	-	-	-	-	-	12,806	12,806
Depreciation Expense	-	-	-	-	-	-	120,296	120,296
Miscellaneous	1,303	-	80	-	1,383	593	660	2,636
Independent Productions	41,143	-	-	-	41,143	-	-	41,143
Agency Account Fees	-	-	-	-	-	2,587	-	2,587
Commissions	-	-	-	-	-	10,560	-	10,560
Total Expenses	\$ 916,531	\$ 465,077	\$ 173,782	\$ 114,336	\$ 1,669,726	\$ 218,935	\$ 603,385	\$ 2,492,046

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS



**UPPER CUMBERLAND BROADCAST COUNCIL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED JUNE 30, 2020 and JUNE 30, 2019**

	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash received for operating	\$ 2,904,571	\$ 2,508,053
Cash paid to/for employees for operating	(781,534)	(790,017)
Cash paid to vendors for operating	<u>(1,685,894)</u>	<u>(1,567,065)</u>
Total Cash Flows Provided by/(Used by) Operating Activities	<u>437,143</u>	<u>150,971</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of Equipment	(11,391)	(152,648)
Transfer to Investments	<u>(180,484)</u>	<u>-</u>
Total Cash Flows Provided by/(Used by) Investing Activities	<u>(191,875)</u>	<u>(152,648)</u>
<b><u>Cash Flows From Financing Activities</u></b>		
Borrowing from Line of Credit	272,500	364,258
Payment on Line of Credit	(487,758)	(272,000)
Proceeds from PPP Loan	157,429	-
Payment on Noninterent bearing loan (net of unamortized discount)	(19,135)	(18,693)
Payments on Long-term Debt	<u>(12,763)</u>	<u>(8,783)</u>
Total Cash Flows Provided by/(Used by) Financing Activities	<u>(89,727)</u>	<u>64,782</u>
Net Increase/(Decrease) in Cash Flows	155,542	63,105
Cash and Cash equivalents - Beginning of Year	<u>246,850</u>	<u>183,745</u>
Cash and Cash equivalents - End of Year	<u>\$ 402,392</u>	<u>\$ 246,850</u>
<b><u>Reconciliation of Net Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operating Activities</u></b>		
Increase (Decrease) in Net Assets	\$ 297,062	\$ (7,533)
Depreciation Expense	138,248	120,296
Net Investment (Gains)/Losses (net of fees)	(5,232)	(797)
Other Non-Cash Transactions	-	(11,213)
	-	-
(Increase) Decrease in Net Assets:	-	-
Receivables	(25,813)	22,386
Prepaid Expenses	18,474	(31)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(8,233)	(13,938)
Accrued Compensated Absences	6,772	1,130
Accrued Payroll	1,959	5,163
Accrued Interest	(1,015)	1,148
Unearned Revenues	14,956	33,861
Payroll Deductions Payable	<u>(34)</u>	<u>499</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$ 437,143</u>	<u>\$ 150,971</u>

**Supplemental Disclosure of Cash Flow Information:**

Cash paid during the year for interest was \$11,096 and \$11,657 respectively, none of which was capitalized.

**UPPER CUMBERLAND BROADCAST COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 and 2019**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities**

The Upper Cumberland Broadcast Council, Inc. (the Council) is a PBS affiliated television station serving the Upper Cumberland region. On January 16, 1986, the Tennessee State Board of Education transferred to the Council all its rights to the Federal Communication Broadcast License in accordance with Chapter 514 of the Tennessee Public Broadcast Act of 1983. No value was assigned by the Council. The Council serves the citizens of the Upper Cumberland region by providing diversified programming and quality instructional programs. The Council's support comes primarily from federal and state government grants and various corporate and individual donors.

**Program Services**

**Production & Programming** – WCTE has an advisory board which aids the production and programming departments in producing and selecting the programming that will be aired on WCTE and additional media platforms.

**Broadcast Engineering & Digital** – Deals with the technical side of broadcasting including keeping the equipment running and seeing that the programming is on schedule.

**Education & Outreach** – “WCTE’s educational mission is to make sure all children enter school, graduate and develop a love of learning so they can become life-long learners.”

**Development & Membership** – WCTE encourages viewers to become members. There are two ways to become a member. One is to sign up and pledge a monthly amount of at least \$5 (known as a sustainer) or by making a one-time contribution (with the option to renew annually). Anyone who contributes \$35 or more receives a bi-monthly program guide. Other memberships come with extra benefits including the option of selecting various DVD/Blue Ray CDs. WCTE also hosts special events for support. Companies can support WCTE through program sponsorships.

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require Upper Cumberland Broadcast Council, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.
- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of Upper Cumberland Broadcast Council, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with

- donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

### **Estimates**

The preparation of financial statement in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Accordingly, actual results could differ from those estimates.

### **Public Support and Revenues**

**Contributions** received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Contributed property and equipment** are recorded at fair value at the date of donation.

Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

### **Income Taxes**

The Organization is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Upper Cumberland Broadcast Council, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

### **Cash and Cash Equivalents**

Upper Cumberland Broadcast Council, Inc.'s cash consists of cash on deposit with banks. For purpose of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### **Receivables and Uncollectible Accounts**

Receivables consist of amounts due currently from members and sponsors and grantor.

Management uses the direct write-off method for bad debts in which the bad debt is written off when it is determined to be uncollectible.

### **Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

**Advertising**

Advertising is expensed as incurred. Advertising expense as of June 30, 2020 and 2019 was \$2,294 and \$5,302, respectively.

**Property and Equipment**

It is the Council’s policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassified net assets with restrictions to net assets without restrictions at that time.

Depreciation is calculated using the straight-line method and half-year convention over the following estimated useful lives:

Buildings	30 years
Leasehold Improvements	10 years
Vehicles	5 years
Furniture, Fixtures and Equipment	3-30 years

**Compensated Absences**

Employees of the Organization are entitled to be paid for unused vacation days upon termination and retirement. The Organization accrues a liability for vacation at fiscal year-end.

**Fair Value Measures**

The Organization reports its fair value measures using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under GAAP are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, inputs supported by little or no market activity).

**Investments**

Investments in marketable securities are stated at fair value in the statements of financial position. The fair value of equity securities is determined based upon quoted prices in active markets

(Level 1 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statements of activities as net realized and unrealized gains (losses) on investments. Estimated fair value has not decreased substantially from reported value as of the report date.

**Pension**

The Council contributes to a pension plan that is administered by the State of Tennessee. The plan is a component of the Public Employee Retirement Plan, an agent, multiple employer defined benefit pension plan. In 1989, the station was transferred to a community licensee and was governed by a local board of directors. At that time, the state of Tennessee, passed a bill that provided for the continuation of certain benefits (pension plan) for employees of publicly owned educational television stations. Currently there is one employee remaining on the plan that the Council makes pension contributions for. The plan is not permitted to accept new participants. The Council’s participation in the plan has the following aspects:

- A) Assets contributed to a multiple employer plan by one employer may be used to provide benefits to employees of other participating employers.
- B) If the one covered employee who is active in the plan continues to work for WCTE and the Council continues to make contributions on that employee’s covered payroll, then once that employee leaves the employment of the Council, the Council will have no further obligations to make any sort of payments to the plan regardless of how underfunded it may become in the future.
- C) In this particular situation, under GASB 68, the Council is considered to be a defined contribution employer. Each year, the employer recognizes a pension expenses equal to the contributions and/or credits that the plan requires in return for employee services in that year. A pension liability would only need to be recorded if the pension expense exceeds the pension contributions. The Council records the pension expense equal to the employer’s pension contributions and therefore, no liability is recorded in these financial statements.

**Note 2 – Savings Incentive Match**

WCTE offers up to a 3% match of employee wage contribution for a simple IRA fund if the employee is eligible. To be eligible, the employee must have earned at least \$5,000 in the prior two years and must be expected to earn \$5,000 in the current year. The Council’s contributions for the year ended June 30, 2020 and 2019 were \$10,033 and \$5,724, respectively.

**Note 3 – Property & Equipment**

The following is a summary of property & equipment as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Property and Equipment:		
Assets not being depreciated:		
Land	\$ 23,300	\$ 23,300
Assets being depreciated:		
Building & Leasehold Improvements	133,465	133,465
Broadcast Equipment	6,565,631	6,554,241
Vehicles	<u>54,614</u>	<u>54,614</u>
	6,777,011	6,765,620
Accumulated Depreciation	<u>(5,584,404)</u>	<u>(5,446,156)</u>
Total Property & Equipment	<u>\$ 1,192,607</u>	<u>\$1,319,464</u>

**Note 4 – Line of Credit**

The Council has a \$250,000 unsecured bank line of credit with First Horizon Bank National Association. Total interest paid and accrued on the loan during the year amounted to \$1,153.79. The line of credit bears interest at 1% above the lender’s base commercial rate index. The following is a table of activity for the years ending June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning of Year Balance	\$ 215,258	\$ 123,000
Additional Borrowings	272,500	319,258
Repayments	<u>(487,758)</u>	<u>(227,000)</u>
Ending of Year Balance	<u>\$ 0</u>	<u>\$ 215,258</u>

**Note 5 - Concentration of Credit Risk**

The Council receives approximately 65% of its revenues from grant funding sources. The Council must make an annual application for these funds and no guarantees exist that these funds will be received.

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash, marketable securities, and receivables.

The Council maintains its cash accounts in commercial banks located in Tennessee. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Amounts on deposit at various times through the year in a single financial institution exceeded the \$250,000 federally insured limit. **On June 30, 2020, deposits at First Horizon Bank exceeded the FDIC limit in the amount of \$103,350.80.**

The Organization’s investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Accounts and other receivables are due from a variety of sources concentrated primarily within Tennessee. The grant receivable is amounts due from CPB and PBS.

Management believes that the Council is not exposed to any significant credit risk related to the above accounts and therefore, does not require any collateral or other security.

**Note 6 – Unearned Rental Income**

The Council entered into a couple of leases, over the years, in which the rent was paid with a lump-sum-up-front payment. The Council has shown these amounts as liabilities and has been recognizing the income ratable over the years. Rental income recognized for the fiscal year ending June 30, 2020 and 2019 were \$10,048 and \$10,048, respectively.

**Note 7 – Donated Materials, Facilities and Services**

Contributions received are recorded as net assets with restrictions or net assets without restrictions depending on the existence or nature of any donor restrictions.

The Council utilizes facilities from The Arcade Building. These facilities consist of office and studio space. All rent and utilities are paid for except \$500 per month which is donated to the Organization.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recorded \$18,784 and \$6,415 in donated services in the years ended June 30, 2020 and 2019, respectively, all of which was charged to management and general expenses. Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but those services did not meet the criteria for recognition and have not been recognized in these financial statements.

**Note 8 – Long-Term Debt**

Long-term debt consists of the following on June 30, 2020:

Note payable to Progressive Savings Bank due in monthly installments of \$837, including interest at 4.25%, expiring in January 2022. The note is secured by a Harmonic encoding system with a book value of \$9,000.

Principal and interest requirements to maturity are as follows:

Years ending			Total
<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Payment</u>
2021	466	9,554	10,020
2022	82	5,763	5,845
Totals	<u>\$ 548</u>	<u>\$ 15,317</u>	<u>\$ 15,866</u>

Note payable to Hitachi Kokusai Electric Comark LLC, noninterest bearing note issued in connection with acquisition of equipment, due August 2029 (discount is based on imputed interest rate of 2.336%)

Maturities of the note payable are as follows:

Years ending <u>June 30,</u>	Unamortized <u>Discount</u>	<u>Principal</u>	Total <u>Payment</u>
2021	4,413	19,587	24,000
2022	3,951	20,049	24,000
2023	3,477	20,523	24,000
2024	2,993	21,007	24,000
2025	2,497	21,503	24,000
2026-2030	4,801	95,199	100,000
Totals	<u>\$ 22,132</u>	<u>\$ 197,868</u>	<u>\$ 220,000</u>

**Note 9 – Capital Lease**

The Organization is leasing an encoder under a 24-month capital lease. The fair market value of the equipment is \$6,500. The balance on the Lease Payable on June 30, 2020 and 2019 was \$2,887 and \$6,500, respectively. The future minimum lease payments are:

Years Ending <u>June 30,</u>	Lease <u>Payment</u>	Portion Considered <u>Interest</u>	Net <u>Payments</u>
2021	<u>\$ 3,039</u>	<u>\$ 152</u>	<u>\$ 2,887</u>
Total Minimum Lease Payments	3,039	<u>152</u>	<u>2,887</u>
Less: Portion Considered Interest	<u>152</u>		
	<u>\$ 2,887</u>		

**Note 10 – Operating Lease Commitments**

The Council is obligated under various non-cancelable leases for office equipment and an automobile in approximate annual amounts. Minimum lease commitments under these leases are as follows:

For the year ending June 30, 2021	<u>\$8,261</u>
Total	<u>\$8,261</u>

Minimum lease expense was \$9,292 and \$5,741 for the fiscal years ended June 30, 2020 and 2019, respectively.



**Note 11 – Other Commitments and Contingencies**

Certain contracts and grants received by the Organization are subject to audit or review by the grantor/payer agencies. Because of these audits or reviews, the Organization may be required to repay a portion of grant or contract funds received. Management does not believe any liability related to its grants and contracts would be material and thus is only recorded when it is deemed an amount must be paid back. CPB Grant amount in current liabilities that must be repaid for fiscal year ending June 30, 2020 and 2019 were \$25,415 and \$0, respectively.

**Note 12 – Endowment Fund**

The Board of Directors established an Endowment Fund from the *Strategic Planning Fund* which is a “board reserve” account of net assets without restrictions. The endowment fund is permanently restricted up to a fully funded amount of \$1,000,000. It is the goal of this endowment to meet annual inflation plus a minimum of 5% per year, over a complete market cycle (usually 5-8 years), the fund’s overall annualized total return (income plus appreciation) after deducting for advisory, money management, and custodial fees, as well as total transaction costs. The endowment will also accept donor-restricted gifts of \$25,000 or more. These gifts may be classified as temporarily restricted unless the gift is given to increase the endowment balance itself.

**Note 13 – Tower Rental**

The Organization receives revenue for tower rental under two operating leases with remaining 17 months (with an option to extend for an additional two years) and 73 months (with an option for lessee to extend for an additional two terms of ten years each). Both leases allow for an increase in price based on an inflation index.

Future minimum rentals under the above leases for the next five years are as follows:

Years Ending  
June 30,

2021	\$	26,061
2022		26,061
2023		26,061
2024		<u>26,061</u>
	\$	<u>104,244</u>

**Note 14 – Liquidity**

The following represents Upper Cumberland Broadcast Council, Inc.'s financial assets at June 30, 2020:

	<u>June 30, 2020</u>
<b><u>Financial assets at yearend:</u></b>	
Cash and cash equivalents	\$ 402,392
Investments	232,665
Receivables	60,489
Prepaid expenses	<u>12,764</u>
Total financial assets	<u>708,310</u>
 <b><u>Less: Amounts not available to be used within one year:</u></b>	
Cash (Board Reserve)	1,915
Net assets with donor restrictions	<u>279,388</u>
Total Amounts not available	<u>281,303</u>
 <b><u>Financial assets available to meet general expenditures over the next twelve months:</u></b>	
	<u>\$ 427,007</u>

The Strategic Fund money market account in the amount of \$1,914.93 is board reserved. The Schwab money market account consists of a restricted donation for education in the amount of \$31,248.90 and an unrestricted donation in the amount of \$15,877.22. Investments include the endowment in the amount of \$210,208.02 and temporarily restricted donations to a building fund in the amount of \$22,457.33. Other restricted donations in the amount of \$15,473.57 are included in accounts receivable. The board reserve and any restricted amounts are not available to use for general operating expenditures. However, the board designated amounts may be made available, if necessary. As part of the Council's liquidity management plan, it structures its financial assets to be available as its obligations come due.

**Note 15 – Interest Cost**

Total interest cost incurred during the fiscal year ending June 30, 2020 and 2019 was \$11,096 and \$12,806, respectively, none of which was capitalized.

**Note 16 – Fair Value Measurement**

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2020 and 2019:

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2020</u>			
U.S. Corporate Equities	\$ 136,576	\$ -	\$ -
Mutual Funds	45,332	-	-
Bond Funds	16,263		
Cash & Cash Alternatives	<u>34,494</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 232,665.35</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2019</u>			
U.S. Corporate Equities	\$ 19,635	\$ -	\$ -
Mutual Funds	22,820	-	-
Cash & Cash Alternatives	<u>4,494</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 46,949</u>	<u>\$ -</u>	<u>\$ -</u>

Investments earned the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 3,864	\$ 1,625
Unrealized gains (losses)	5,374	(587)
Realized gains (losses)	<u>(3,120)</u>	<u>-</u>
	<u>\$ 6,117</u>	<u>\$ 1,038</u>

Determinations of transfers between levels are made on June 30 of each fiscal year. There were no transfers during either year.

### **Note 17: Defined Benefit Pension Plan**

#### General Information about the Pension Plan

**Plan Description.** State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-InvestmentPolicies>.

**Benefits Provided.** Title 8, Chapters 34-37, *Tennessee Code Annotated* establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	X	1.50%	X	Years of Service	X	105%
PLUS:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	X	1.75%	X	Years of Service	X	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Contributions.** Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Council's employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the Council for the year ended June 30, 2020 and 2019 to the Closed State and Higher Education Employee Pension Plan were \$15,650 and \$14,828 which is 19.66% and 18.62% of covered payroll respectively for 2020 and 2019. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any liability.

**Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension liabilities (assets).** On June 30, 2020 and 2019, the Council did not report a liability (asset) because it will not accrue any liability if it continues to make its prescribed actuarially determined contributions into the plan. At the time the one employee retires that is covered by the TCRS pension plan, the Council will no longer be required to make any sort of contributions to the plan.

**Pension expense (negative pension expense).** For the years ended June 30, 2020 and 2019, the Council recognized a pension expense (negative pension expense) of \$15,650 and \$14,828, respectively.

**Deferred outflows of resources and deferred inflows of resources.** For the year ended June 30, 2020 and 2019, the Council reported no deferred outflows of resources or deferred inflows of resources related to pensions.

**Note 18 – Subsequent Events**

The capital lease was paid off in the amount of \$2,887. The PPP loan in the amount of \$157,429 is expected to be completely forgiven during the next fiscal year. Subsequent events have been evaluated for accrual and/or disclosure through December 16, 2020, the date in which the financial statements were available to be released.

**Note 19 – Prior Period Adjustment**

A prior period adjustment was made to Allowance for Uncollectible Accounts to remove the balance that had not been adjusted or used by management in several years. This resulted in an increase to Increase in Net Assets in the amount of \$2,800.

**Note 19—Net Assets Classifications**

The following is the breakdown of Net Assets as of June 30, 2020:

Permanently Restricted

Investments - Endowment for Education (up to \$1M Fully Funded Amount)	\$ 210,208.02
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Temporarily Restricted

Schwab MM - Donation for Education	\$ 31,248.90	
Building Fund	22,457.33	
A/R - PBS Digital Grant	8,000.00	
A/R - Washington Educational Telecom	<u>7,473.57</u>	
		<u>69,179.80</u>
Total Restricted Funds		279,387.82

Unrestricted Board Reserved

Strategic Funds MM - Donations	1,914.93
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Other Unrestricted Funds	<u>1,036,741.22</u>
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Total Net Assets	<u>\$ 1,318,043.97</u>
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