

**UPPER CUMBERLAND BROADCAST
COUNCIL, INC.**

JUNE 30, 2021 and 2020

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

UPPER CUMBERLAND BROADCAST COUNCIL, INC.
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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, 2021 and 2020, and the related statement of activities, functional expenses, 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 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, 2021 and 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

February 13, 2022
Smithville, Tennessee

UPPER CUMBERLAND BROADCAST COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 and JUNE 30, 2020

ASSETS

	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
<u>Current Assets</u>		
Cash	\$ 1,643,553	\$ 402,392
Accounts Receivable	30,530	29,907
Grants Receivable	68,614	30,582
Prepaid Expenses	14,452	12,764
Prepaid Payroll Deductions	667	-
Investments	<u>272,342</u>	<u>232,665</u>
Total Current Assets	<u>2,030,158</u>	<u>708,310</u>
<u>Fixed Assets</u>		
Land	23,300	23,300
Buildings	94,950	94,950
Leasehold Improvements	38,515	38,515
Equipment	6,591,614	6,565,631
Vehicles	<u>32,193</u>	<u>54,614</u>
Total Fixed Assets	6,780,573	6,777,011
Less: Accumulated Depreciation	<u>(5,691,568)</u>	<u>(5,584,404)</u>
Net Fixed Assets	<u>1,089,005</u>	<u>1,192,607</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>\$ 3,131,763</u>	<u>\$ 1,913,517</u>

LIABILITIES & NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	\$ 34,922	\$ 16,414
Accrued Payroll	43,740	49,081
Payroll Deductions Payable	155	3,599
Payroll Taxes Payable	3,089	-
Accrued Compensated Absences	48,735	45,174
Accrued Interest	298	542
Unearned Grant Revenue	85,083	25,415
Unearned Event Revenue	31,675	33,450
Notes Payable - PPP Loan	157,429	157,429
Unearned Rental Income - Current	3,715	3,715
Current Portion of Long-Term Debt	<u>20,049</u>	<u>32,028</u>
Total Current Liabilities	<u>428,890</u>	<u>366,847</u>
<u>Long-Term Liabilities</u>		
Note Payable - Equipment (net of current portion)	-	5,763
SBA - EIDL Loan (all long-term)	149,900	-
Noninterest Bearing Note - COMARK \$268,000 less unamortized discount of \$32,304 (net of current portion)	158,232	178,282
Unearned Rental Income - Deferred	<u>40,866</u>	<u>44,582</u>
Total Long-Term Liabilities	<u>348,999</u>	<u>228,627</u>
Total Liabilities	777,889	595,473
<u>NET ASSETS</u>		
With Donor Restrictions	816,702	279,388
Without Donor Restrictions, Board Reserved	6,461	1,915
Without Donor Restrictions	<u>1,530,711</u>	<u>1,036,741</u>
Total Net Assets	<u>2,353,874</u>	<u>1,318,044</u>
Total Liabilities and Net Assets	<u>\$ 3,131,763</u>	<u>\$ 1,913,517</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, 2021 and JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	June 30, 2021 Total	Without Donor Restrictions	With Donor Restrictions	June 30, 2020 Total
Revenues Gains and Other Support						
State of Tennessee - Appropriation	\$ 430,793	\$ -	\$ 430,793	\$ 430,793	\$ -	\$ 430,793
Corp. for Public Broadcasting:	-	-	-	-	-	-
Community Service Grant	687,343	-	687,343	638,726	-	638,726
Interconnection Grant	13,001	-	13,001	12,414	-	12,414
Cares Act	-	483,611	483,611	-	-	-
Healthy Station Grant	-	-	-	260,205	-	260,205
Universal Service Support Grant	136,080	-	136,080	134,788	-	134,788
Ready-to-Learn Grant	20,055	-	20,055	91,791	-	91,791
Other Grants	595,464	9,500	604,964	501,113	15,474	516,586
Local Government	60,000	-	60,000	38,250	-	38,250
In-Kind	19,460	-	19,460	56,660	-	56,660
Fundraising Revenue	54,869	-	54,869	79,373	-	79,373
Development Event Revenue	37,804	-	37,804	80,326	-	80,326
Royalties	28,451	-	28,451	6,411	-	6,411
Membership Revenue	284,921	-	284,921	287,465	-	287,465
Membership Endowment Income	31,851	20,000	51,851	32,151	-	32,151
Contributions	6,938	19,620	26,559	11,532	-	11,532
Guide Ads	3,390	-	3,390	1,250	-	1,250
Underwriting Revenue	102,186	-	102,186	84,469	-	84,469
Productions	111	-	111	25,000	-	25,000
Broadcast Revenue	71,761	-	71,761	67,061	-	67,061
Engineering Services	12,000	-	12,000	11,000	-	11,000
Creative Services	91,926	-	91,926	28,432	-	28,432
Station Data Casting Revenue	-	-	-	27,500	-	27,500
Rental Revenues	3,715	-	3,715	10,048	-	10,048
Interest Income	4,655	-	4,655	-	-	-
Net Realized and Unrealized Gains/(Losses)						
on Investments	-	30,936	30,936	5,232	-	5,232
Miscellaneous Income	1,901	-	1,901	952	-	952
Net Assets Released from Restrictions or Reclassifications of Net Assets	26,353	(26,353)	-	(196,712)	196,712	-
Total Revenues, Gains and Other Support	2,725,028	537,314	3,262,342	2,726,231	212,186	2,938,416
Expenses						
Program Service						
Production and Programming	754,131	-	754,131	1,159,185	-	1,159,185
Broadcast Engineering and Technical	453,214	-	453,214	427,367	-	427,367
Education and Outreach	98,299	-	98,299	193,114	-	193,114
Membership	129,244	-	129,244	108,836	-	108,836
Total Program Expenses	1,434,888	-	1,434,888	1,888,502	-	1,888,502
Support Expenses						
Development and Fundraising	241,329	-	241,329	198,866	-	198,866
Management and General	550,296	-	550,296	553,986	-	553,986
Total Support Expenses	791,625	-	791,625	752,852	-	752,852
Total Expenses	2,226,513	-	2,226,513	2,641,354	-	2,641,354
Increase/(Decrease) in Net Assets	498,515	537,314	1,035,829	84,876	212,186	297,062
Net Assets at Beginning of Year	1,038,656	279,388	1,318,044	950,980	67,202	1,018,182
Prior Period Adjustment	-	-	-	2,800	-	2,800
Net Assets at End of Year	\$ 1,537,171	\$ 816,702	\$ 2,353,874	\$ 1,038,656	\$ 279,388	\$ 1,318,044

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, 2021

	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	\$ 134,831	\$ 168,198	\$ 28,920	\$ 26,663	\$ 358,612	\$ 116,477	\$ 150,112	\$ 625,200
Employee Benefits	17,348	21,208	5,361	5,337	49,255	13,108	19,870	82,233
Payroll Taxes	8,342	11,854	1,601	1,863	23,661	9,215	11,763	44,639
Total Compensation & Related Expenses	160,522	201,261	35,882	33,863	431,527	138,800	181,745	752,072
Supplies	1,285	4,853	5,801	69	12,007	3,315	4,025	19,348
Minor Equipment	2,460	12,588	728	161	15,937	630	-	16,567
Gas & Auto Expenses	40	1,854	85	54	2,033	516	262	2,811
Purchased and Professional Services	59,504	99,707	46,584	68,557	274,351	58,114	114,097	446,563
Printing & Publications	14,349	-	18	104	14,471	3,519	1,830	19,820
Communications & Utilities	1,944	112,722	621	-	115,287	2,921	11,201	129,408
Special Events	-	-	805	1,000	1,805	1,153	-	2,958
Programming	493,000	-	-	-	493,000	-	-	493,000
Rent	12,483	7,219	5,937	-	25,638	15,058	2,048	42,744
Maintenance	1,322	10,174	-	-	11,496	-	5,577	17,073
Membership Fees & Dues	393	1,988	9	339	2,729	1,308	39,934	43,971
Meetings, Conferences & Travel	1,941	363	934	2,452	5,690	302	5,279	11,270
Postage & Shipping	3,940	56	43	120	4,159	469	840	5,468
Premium Expense	-	-	-	22,357	22,357	-	-	22,357
Insurance	-	-	-	-	-	-	33,456	33,456
In-Kind Donations	-	-	-	-	-	-	13,410	13,410
Advertising	-	-	-	-	-	1,746	492	2,238
Interest	-	-	-	-	-	25	4,130	4,155
Depreciation Expense	-	-	-	-	-	-	129,886	129,886
Miscellaneous	949	430	853	167	2,400	158	1,418	3,976
Royalties & Commissions	-	-	-	-	-	13,294	-	13,294
Agency Account Fees	-	-	-	-	-	-	667	667
Total Expenses	\$ 754,131	\$ 453,214	\$ 98,299	\$ 129,244	\$ 1,434,888	\$ 241,329	\$ 550,296	\$ 2,226,513

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
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	10,713	-	17,110
Agency Account Fees	-	-	-	-	-	2,034	-	2,034
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 CASH FLOWS
FOR YEAR ENDED JUNE 30, 2021 and JUNE 30, 2020

	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
<u>Cash Flows From Operating Activities</u>		
Cash received for operating	\$ 3,187,072	\$ 2,904,571
Cash paid to/for employees for operating	(754,207)	(781,534)
Cash paid to vendors for operating	<u>(1,234,436)</u>	<u>(1,685,894)</u>
Total Cash Flows Provided by/(Used by) Operating Activities	<u>1,198,429</u>	<u>437,143</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Equipment	(25,983)	(11,391)
Transfer to Investments	<u>(39,677)</u>	<u>(180,484)</u>
Total Cash Flows Provided by/(Used by) Investing Activities	<u>(65,660)</u>	<u>(191,875)</u>
<u>Cash Flows From Financing Activities</u>		
Borrowing from Line of Credit	-	272,500
Payment on Line of Credit	-	(487,758)
Proceeds from PPP Loan	-	157,429
Proceeds from SBA Loan	150,000	-
Payment on SBA Loan	(100)	-
Payment on Non-interest bearing loan (net of unamortized discount)	(32,029)	(19,135)
Payments on Long-term Debt	<u>(9,479)</u>	<u>(12,763)</u>
Total Cash Flows Provided by/(Used by) Financing Activities	<u>108,392</u>	<u>(89,727)</u>
Net Increase/(Decrease) in Cash Flows	1,241,161	155,542
Cash and Cash equivalents - Beginning of Year	<u>402,392</u>	<u>246,850</u>
Cash and Cash equivalents - End of Year	<u>\$ 1,643,553</u>	<u>\$ 402,392</u>
<u>Reconciliation of Net Increase (Decrease) in Net Assets to Net Cash Provided by (Used by) Operating Activities</u>		
Increase (Decrease) in Net Assets	\$ 1,035,829	\$ 297,062
Depreciation Expense	129,886	138,248
Net Investment (Gains)/Losses (net of fees)	(30,936)	(5,232)
Other Non-Cash Transactions	30,638	-
	-	-
(Increase) Decrease in Net Assets:	-	-
Receivables	(38,655)	(25,813)
Prepaid Expenses	(2,355)	18,474
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	18,508	(8,233)
Accrued Compensated Absences	3,561	6,772
Accrued Payroll	(5,342)	1,959
Accrued Interest	(244)	(1,015)
Unearned Revenues	57,893	14,956
Payroll Deductions Payable	<u>(355)</u>	<u>(34)</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$ 1,198,429</u>	<u>\$ 437,143</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest was \$4,130 and \$11,096 respectively, none of which was capitalized.

UPPER CUMBERLAND BROADCAST COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

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 based on location and time spent.

Advertising

Advertising is expensed as incurred. Advertising expense as of June 30, 2021 and 2020 was \$2,238 and \$2,294, 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 expense 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, 2021 and 2020 were \$10,136 and \$10,033, respectively.

Note 3 – Property & Equipment

The following is a summary of property & equipment as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</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	6,591,615	6,565,631
Vehicles	<u>32,193</u>	<u>54,614</u>
	6,780,573	6,777,011
Accumulated Depreciation	<u>(5,691,568)</u>	<u>(5,584,404)</u>
Total Property & Equipment	<u>\$ 1,089,005</u>	<u>\$1,192,607</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 \$0.00. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Beginning of Year Balance	\$ -	\$ 215,258
Additional Borrowings	-	272,500
Repayments	<u>-</u>	<u>(487,758)</u>
Ending of Year Balance	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Concentration of Credit Risk

The Council receives approximately 74% 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, 2021, deposits at First Horizon Bank exceeded the FDIC limit in the amount of \$1,318,862.**

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 the Geer Production Grant and the USDA Equipment Grant.

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, 2021 and 2020 were \$3,715 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. In October 2020, Arcade Properties donated storage space in the amount of \$200/month.

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 \$5,810, and \$18,784 in donated services in the years ended June 30, 2021 and 2020, 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, 2021:

Note payable to Hitachi Kokusai Electric Comark LLC, non-interest 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>
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	1,989	22,011	24,000
2027-2030	2,812	73,188	76,000
Totals	<u>\$ 17,718</u>	<u>\$ 178,282</u>	<u>\$ 196,000</u>

Changes to Long-Term Debt during the current fiscal year are summarized as follows:

	Beginning Balance <u>6/30/2020</u>	New Loans <u>Issued</u>	Principle <u>Paid</u>	Ending Balance <u>6/30/2021</u>	Current <u>Portion</u>
Progressive - Note Payable - Equipment	\$ 15,317	\$ -	\$ 15,317	\$ -	\$ -
Comark - Note Payable	197,868	-	19,587	178,282	20,049
PMG - Lease Payable	2,887	-	2,887	-	-
Unearned Rent - Clear Channel	48,297	-	3,715	44,582	3,715
	<u>\$ 264,369</u>	<u>\$ -</u>	<u>\$ 41,506</u>	<u>\$ 222,863</u>	<u>\$ 23,764</u>

Interest expense totaled \$4,130 for the year ended June 30, 2021.

Note 10 – Operating Lease Commitments

The Council is obligated under various non-cancelable leases for office equipment from R.J. Young in approximate annual amounts. Minimum lease commitments under these leases are as follows:

For the year ending June 30, 2021	<u>\$4,029</u>
Total	<u>\$4,029</u>

Minimum lease expense was \$4,029 and \$9,292 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020 were \$0 and \$25,415, respectively. Other unearned grant revenue related to the Geer Grant for the fiscal year ending June 30, 2021 and 2020 were \$85,082.99 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,

2022	26,061
2023	26,061
2024	26,061
	<u>\$ 78,183</u>

Note 14 – Liquidity

The following represents Upper Cumberland Broadcast Council, Inc.'s financial assets at June 30, 2021:

	<u>June 30, 2021</u>
<u>Financial assets at yearend:</u>	
Cash and cash equivalents	\$ 1,643,553
Investments	272,342
Receivables	82,477
Prepaid expenses	14,452
Total financial assets	<u>2,012,825</u>
 <u>Less: Amounts not available to be used within one year:</u>	
Cash (Board Reserve)	6,461
Net assets with donor restrictions	816,702
Total Amounts not available	<u>823,163</u>
<u>Financial assets available to meet general expenditures</u> <u>over the next twelve months:</u>	<u>\$ 1,189,662</u>

The Strategic Fund money market account in the amount of \$6,460.71 is board reserved. The Schwab money market account consists of a restricted donation for education in the amount of \$31,248.90, a restricted endowment donation of \$20,000 and an unrestricted amount of \$16,982. Investments include the rest of the endowment in the amount of \$246,450.37 and temporarily restricted donations to a building fund in the amount of \$25,891.76.

Other restricted donations include \$8,000 from the Dollar General Literacy Fund and \$1,500 from SSIC. CPB gave the Organization a Cares Act Stimulus Grant in the amount of \$483,611, which remains unspent. The board reserve and other 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, 2021 and 2020 was \$4,130 and \$11,096, 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, 2021 and 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2021</u>			
U.S. Corporate Equities	\$ 55,228	\$ -	\$ -
Mutual Funds	115,769	-	-
Exchange Traded Funds (ETF)	48,525	-	-
Bond Funds	33,029	-	-
Cash & Cash Alternatives	19,792	-	-
Total	<u>\$ 272,342.13</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2020</u>			
U.S. Corporate Equities	\$ 51,186	\$ -	\$ -
Mutual Funds	104,699	-	-
Exchange Traded Funds (ETF)	32,573	-	-
Bond Funds	27,920	-	-
Cash & Cash Alternatives	16,287	-	-
Total	<u>\$ 232,665</u>	<u>\$ -</u>	<u>\$ -</u>

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

Investments earned the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 4,629	\$ 3,864
Unrealized gains (losses)	31,104	5,374
Realized gains (losses)	2,289	(3,120)
	<u>\$ 38,022</u>	<u>\$ 6,117</u>

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 2nd 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, 2021 and 2020 to the Closed State and Higher Education Employee Pension Plan were \$14,971 and \$15,650 which is 18.67% and 19.66% of covered payroll respectively for 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020, the Council recognized a pension expense (negative pension expense) of \$14,971 and \$15,650, respectively.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2021 and 2020, the Council reported no deferred outflows of resources or deferred inflows of resources related to pensions.

Note 18 – Subsequent Events

Subsequent events have been evaluated for accrual and/or disclosure through February 13, 2022, the date in which the financial statements were available to be released.

Note 19—Net Assets Classifications

The following is the breakdown of Net Assets as of June 30, 2021:

Permanently Restricted

Investments - Endowment for Education (up to \$1M Fully Funded Amount)	\$ 246,450.37
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Temporarily Restricted

Schwab MM - Donation for Education	\$ 31,248.90
Schwab MM - Endowment Donation	20,000.00
Building Fund	25,891.76
CPB Cares Act Grant	483,611.00
Dollar General Adult Literacy Grant	8,000.00
SSIC Grant	<u>1,500.00</u>

570,251.66

Total Restricted Funds	816,702.03
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Unrestricted Board Reserved

Strategic Funds MM - Donations	6,460.71
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Other Unrestricted Funds	<u>1,514,044.43</u>
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Total Net Assets	<u><u>\$ 2,337,207.17</u></u>
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