

**UPPER CUMBERLAND BROADCAST
COUNCIL, INC.**

JUNE 30, 2023 and 2022

**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

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Upper Cumberland Broadcast Council, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Upper Cumberland Broadcast Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Upper Cumberland Broadcast Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate, which raise substantial doubt about Upper Cumberland Broadcast Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Tamara L. Beckman, CPA

January 11, 2024
Smithville, Tennessee

UPPER CUMBERLAND BROADCAST COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 and JUNE 30, 2022

ASSETS

	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>
<u>Current Assets</u>		
Cash	\$ 1,442,038	\$ 1,543,816
Accounts Receivable	221,220	91,413
Grants Receivable	-	114,382
Other Receivables	-	4,288
Prepaid Expenses	16,812	26,814
Investments	581,318	298,399
Total Current Assets	<u>2,261,388</u>	<u>2,079,113</u>
<u>Fixed Assets</u>		
Land	23,300	23,300
Buildings	94,950	94,950
Leasehold Improvements	38,515	38,515
Equipment	6,730,269	6,730,269
Vehicles	68,526	32,193
Total Fixed Assets	6,955,560	6,919,227
Less: Accumulated Depreciation	<u>(5,953,393)</u>	<u>(5,823,170)</u>
Net Fixed Assets	<u>1,002,167</u>	<u>1,096,056</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>\$ 3,276,155</u>	<u>\$ 3,187,769</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	\$ 36,500	\$ 31,305
Accrued Payroll	26,914	21,040
Payroll Deductions Payable	172	1,884
Payroll Taxes Payable	1,936	1,543
Accrued Compensated Absences	41,217	48,732
Accrued Interest	599	644
Unearned Grant Revenue	108,913	112,756
Unearned Event Revenue	30,042	31,392
Unearned Rental Income - Current	3,704	3,532
Current Portion of Long-Term Debt	<u>24,529</u>	<u>23,958</u>
Total Current Liabilities	<u>274,525</u>	<u>276,786</u>
<u>Long-Term Liabilities</u>		
SBA - EIDL Loan	149,741	152,923
Noninterest Bearing Note - COMARK \$268,000 less unamortized discount of \$130,291 (net of current portion)	116,702	137,709
Unearned Rental Income - Deferred	<u>33,642</u>	<u>37,518</u>
Total Long-Term Liabilities	<u>300,085</u>	<u>328,150</u>
Total Liabilities	574,611	604,936
<u>NET ASSETS</u>		
With Donor Restrictions	406,651	371,433
Without Donor Restrictions, Board Reserved	25,231	4,640
Without Donor Restrictions	<u>2,269,662</u>	<u>2,206,759</u>
Total Net Assets	<u>2,701,544</u>	<u>2,582,833</u>
Total Liabilities and Net Assets	<u>\$ 3,276,155</u>	<u>\$ 3,187,769</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, 2023 and JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	June 30, 2023 Total	Without Donor Restrictions	With Donor Restrictions	June 30, 2022 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	740,692	-	740,692	700,089	-	700,089
Interconnection Grant	13,327	-	13,327	12,866	-	12,866
Universal Service Support Grant	142,921	-	142,921	142,001	-	142,001
Vaccine	-	-	-	20,000	-	20,000
Other Grants	442,709	-	442,709	439,350	23,624	462,974
Local Government	32,195	-	32,195	26,450	-	26,450
In-Kind	26,890	-	26,890	26,160	-	26,160
Fundraising Revenue	97,260	-	97,260	81,520	-	81,520
Development Event Revenue	14,750	-	14,750	30,296	-	30,296
Royalties	7,889	-	7,889	-	-	-
Membership Revenue	285,598	-	285,598	290,815	-	290,815
Membership Endowment Income	38,793	-	38,793	54,416	-	54,416
Contributions	2,375	-	2,375	-	15,000	15,000
Guide Ads	-	-	-	-	-	-
Underwriting Revenue	120,210	-	120,210	87,845	-	87,845
Productions	-	-	-	17,505	-	17,505
Broadcast Revenue	45,161	-	45,161	70,536	-	70,536
Engineering Services	-	-	-	-	-	-
Creative Services	109,662	-	109,662	114,437	-	114,437
Community Engagement	3,955	-	3,955	9,500	-	9,500
Rental Revenues	3,704	-	3,704	3,532	-	3,532
Interest Income	366	-	366	27	-	27
Net Realized and Unrealized Gains/(Losses)						
on Investments	34,228	-	34,228	(34,424)	-	(34,424)
Miscellaneous Income	2,500	-	2,500	-	-	-
Net Assets Released from Restrictions or Reclassifications of Net Assets	(35,218)	35,218	-	483,892	(483,892)	-
Total Revenues, Gains and Other Support	2,560,761	35,218	2,595,979	3,007,607	(445,269)	2,562,338
Expenses						
Program Service						
Production and Programming	764,690	-	764,690	754,574	-	754,574
Broadcast Engineering and Technical	550,650	-	550,650	497,238	-	497,238
Education and Outreach	315,959	-	315,959	162,669	-	162,669
Membership	164,204	-	164,204	139,204	-	139,204
Total Program Expenses	1,795,503	-	1,795,503	1,553,685	-	1,553,685
Support Expenses						
Development and Fundraising	158,508	-	158,508	210,109	-	210,109
Management and General	523,257	-	523,257	569,584	-	569,584
Total Support Expenses	681,765	-	681,765	779,693	-	779,693
Total Expenses	2,477,268	-	2,477,268	2,333,378	-	2,333,378
Increase/(Decrease) in Net Assets	83,493	35,218	118,711	674,229	(445,269)	228,960
Net Assets at Beginning of Year	2,211,400	371,433	2,582,833	1,537,171	816,702	2,353,873
Net Assets at End of Year	\$ 2,294,893	\$ 406,651	\$ 2,701,544	\$ 2,211,400	\$ 371,433	\$ 2,582,833

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, 2023

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTALS
	Production & Programming	Broadcast Engineering & Digital	Education & Outreach	Membership	Total Program Services	Development & Fundraising	Management & General	June 30 2023
Compensation & Related Expenses								
Compensation	\$ 132,770	\$ 228,485	\$ 69,562	\$ 37,655	\$ 468,472	\$ 86,188	\$ 119,791	\$ 674,451
Employee Benefits	16,882	19,920	3,003	5,269	45,073	9,713	10,810	65,597
Payroll Taxes	10,019	16,104	5,180	2,668	33,972	6,434	9,388	49,794
Total Compensation & Related Expenses	159,672	264,509	77,745	45,592	547,517	102,335	139,989	789,842
Supplies	1,309	1,473	30,636	1,184	34,601	12,796	3,964	51,361
Minor Equipment	8,415	7,755	6,123	-	22,293	548	223	23,064
Gas & Auto Expenses	1,199	1,101	504	42	2,845	12	953	3,810
Purchased and Professional Services	63,761	116,170	179,789	93,933	453,654	16,589	71,317	541,559
Printing & Publications	32,839	-	1,108	716	34,663	935	70	35,668
Communications & Utilities	2,476	125,912	801	-	129,188	3,072	9,829	142,089
Special Events	173	71	830	2,310	3,385	3,756	375	7,515
Programming	478,714	-	-	-	478,714	-	-	478,714
Rent	13,266	11,886	10,123	-	35,275	13,735	5,795	54,805
Maintenance	361	12,540	-	-	12,901	-	1,360	14,261
Membership Fees & Dues	1,564	4,730	34	383	6,710	1,783	58,838	67,331
Meetings, Conferences & Travel	888	4,013	2,282	7,011	14,194	260	11,258	25,712
Postage & Shipping	35	490	184	1,599	2,308	417	382	3,107
Premium Expense	-	-	-	11,435	11,435	-	-	11,435
Insurance	-	-	-	-	-	-	53,248	53,248
In-Kind Donations	-	-	-	-	-	-	26,890	26,890
Advertising	-	-	5,800	-	5,800	2,269	490	8,559
Interest	-	-	-	-	-	-	8,055	8,055
Depreciation Expense	-	-	-	-	-	-	130,223	130,223
Miscellaneous	19	-	-	-	19	-	-	19
Total Expenses	\$ 764,690	\$ 550,650	\$ 315,959	\$ 164,204	\$ 1,795,503	\$ 158,508	\$ 523,257	\$ 2,477,268

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, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTALS	
	Production & Programming	Broadcast Engineering & Digital	Education & Outreach	Membership	Total Program Services	Development & Fundraising	Management & General	2022
Compensation & Related Expenses								
Compensation	\$ 132,980	\$ 180,059	\$ 47,891	\$ 31,023	\$ 391,952	\$ 110,312	\$ 156,275	\$ 658,539
Employee Benefits	18,734	23,537	3,491	5,271	51,032	7,839	8,341	67,212
Payroll Taxes	9,349	12,575	3,233	2,232	27,388	10,220	10,951	48,558
Total Compensation & Related Expenses	161,062	216,170	54,615	38,525	470,372	128,370	175,567	774,310
Supplies	1,394	6,434	17,456	492	25,775	10,746	4,968	41,489
Minor Equipment	5,455	13,124	30,969	1,062	50,610	-	79	50,689
Gas & Auto Expenses	1,196	620	229	46	2,091	165	1,686	3,942
Purchased and Professional Services	69,416	107,730	47,793	80,440	305,379	27,974	103,286	436,639
Printing & Publications	24,768	102	1,821	915	27,605	4,369	2,484	34,458
Communications & Utilities	2,395	139,325	486	-	142,207	3,377	15,418	161,001
Special Events	375	-	270	326	971	3,328	604	4,903
Programming	470,330	-	-	-	470,330	-	-	470,330
Rent	11,981	8,097	6,664	-	26,742	13,486	2,729	42,957
Maintenance	407	3,490	-	-	3,897	-	4,004	7,901
Membership Fees & Dues	-	813	100	-	913	1,407	42,071	44,390
Meetings, Conferences & Travel	1,415	623	1,492	27	3,556	2,617	7,684	13,857
Postage & Shipping	3,368	655	45	5,208	9,275	721	953	10,949
Premium Expense	-	-	-	11,613	11,613	-	-	11,613
Insurance	-	-	-	-	-	1,478	34,497	35,975
In-Kind Donations	-	-	-	-	-	-	26,160	26,160
Advertising	500	-	320	-	820	1,647	2,591	5,057
Interest	-	-	-	-	-	-	12,833	12,833
Depreciation Expense	-	-	-	-	-	-	131,602	131,602
Miscellaneous	514	56	410	550	1,530	350	368	2,248
Royalties & Commissions	-	-	-	-	-	10,076	-	10,076
Total Expenses	\$ 754,574	\$ 497,238	\$ 162,669	\$ 139,204	\$ 1,553,685	\$ 210,109	\$ 569,584	\$ 2,333,378

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, 2023 and JUNE 30, 2022

	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>
<u>Cash Flows From Operating Activities</u>		
Cash received for operating	\$ 2,519,321	\$ 2,451,399
Cash paid to/for employees for operating	(792,802)	(796,164)
Cash paid to vendors for operating	<u>(1,519,655)</u>	<u>(1,538,714)</u>
Total Cash Flows Provided by/(Used by) Operating Activities	<u>206,864</u>	<u>116,522</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Equipment	(36,333)	(138,655)
Transfer to Investments	<u>(248,691)</u>	<u>(60,481)</u>
Total Cash Flows Provided by/(Used by) Investing Activities	<u>(285,024)</u>	<u>(199,136)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from SBA Loan	-	7,217
Payments on Long-term Debt	<u>(23,618)</u>	<u>(24,340)</u>
Total Cash Flows Provided by/(Used by) Financing Activities	<u>(23,618)</u>	<u>(17,123)</u>
Net Increase/(Decrease) in Cash Flows	(101,778)	(99,737)
Cash and Cash equivalents - Beginning of Year	<u>1,543,816</u>	<u>1,643,553</u>
Cash and Cash equivalents - End of Year	<u>\$ 1,442,038</u>	<u>\$ 1,543,816</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	\$ 118,711	\$ 228,960
Depreciation Expense	130,223	131,602
Net Investment (Gains)/Losses (net of fees)	(34,228)	34,424
Other Non-Cash Transactions	1	(290)
(Increase) Decrease in Net Assets:		
Receivables	(11,137)	(110,939)
Prepaid Expenses	10,002	(12,362)
Prepaid Payroll Deductions	-	667
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	5,195	(3,617)
Accrued Compensated Absences	(7,515)	4
Accrued Payroll	5,874	(22,700)
Forgiveness of PPP Loan	-	(157,429)
Accrued Interest	(45)	346
Unearned Revenues	(8,897)	27,673
Payroll Deductions Payable	<u>(1,319)</u>	<u>183</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$ 206,864</u>	<u>\$ 116,522</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest was \$8,100 and \$12,833 respectively, none of which was capitalized.

UPPER CUMBERLAND BROADCAST COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

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. Anyone who contributes \$40 or more receives a bi-monthly program guide. At the \$60-dollar annual membership level or \$5 per month (sustainer) amount members receive WCTE PBS Passport. Passport is an on-demand library of content accessible through the PBS app or pbs.org localized to the WCTE website. 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 statements 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 the 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 grantors. 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 the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management based on location and time spent.

Advertising

Advertising is expensed as incurred. Advertising expenses as of June 30, 2023 and 2022 was \$8,559 and \$5,057, 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.

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, 2023 and 2022 were \$13,211.78 and \$11,400.00, respectively.

Note 3 – Property & Equipment

The following is a summary of property & equipment as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</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	6,730,269	6,730,269
Vehicles	<u>68,526</u>	<u>32,193</u>
	6,955,560	6,919,227
Accumulated Depreciation	<u>(5,953,393)</u>	<u>(5,823,170)</u>
Total Property & Equipment	<u>\$ 1,002,167</u>	<u>\$1,096,057</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. No activity was recorded for the line of credit for this or the last fiscal year.

Note 5 - Concentration of Credit Risk

The Council receives approximately 70% 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, 2023 and 2022, deposits at First Horizon Bank exceeded the FDIC limit in the amount of \$1,341,474 and \$1,216,141, respectively.

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. 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.

Accounts and other receivables are due from a variety of sources concentrated primarily within Tennessee. The grant receivable is from amounts due from the ESSER Grant and a \$13,000 grant from the Arkansas PBS Foundation.

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 ratably over the years. Rental income recognized for the fiscal year ending June 30, 2023, and 2022 were \$3,704 and \$3,532, 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 \$26,890 and \$10,440 in donated services in the years ended June 30, 2023, and 2022, 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, 2023:

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	Unamortized		Total
<u>June 30,</u>	<u>Discount</u>	<u>Principal</u>	<u>Payment</u>
2024	2,993	21,007	24,000
2025	2,497	21,503	24,000
2026	1,989	22,011	24,000
2027	1,469	22,531	24,000
2028	937	23,063	24,000
Thereafter	405	27,595	28,000
Totals	<u>\$ 10,291</u>	<u>\$ 137,709</u>	<u>\$ 148,000</u>

Note payable to the Small Business Administration, with an interest rate of 2.75%, beginning July 1, 2020. Interest only was accrued until the Council began making principal and interest payments on April 1, 2022. The term of the note payable is 360 months with monthly payments of \$641.

Maturities of the note payable are as follows:

Years ending <u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
2024	4,171	3,521	7,692
2025	4,072	3,620	7,692
2026	3,972	3,720	7,692
2027	3,868	3,824	7,692
2028	3,762	3,930	7,692
Thereafter	<u>49,217</u>	<u>134,646</u>	<u>183,863</u>
Totals	<u>\$ 69,061</u>	<u>\$ 153,262</u>	<u>\$ 222,323</u>

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

	Beginning Balance <u>6/30/2022</u>	New Loans Issued	Principal Paid	Ending Balance <u>6/30/2023</u>	Current Portion
Comark - Note Payable	158,232	-	20,523	137,709	21,007
SBA Loan	156,358	-	3,096	153,262	3,521
Unearned Rent - Clear Channel	<u>41,050</u>	<u>-</u>	<u>3,704</u>	<u>37,346</u>	<u>3,704</u>
	<u>\$ 355,640</u>	<u>\$ -</u>	<u>\$ 27,323</u>	<u>\$ 328,318</u>	<u>\$ 28,232</u>

Interest expense totaled \$8,055.03 for the year ended June 30, 2023.

Note 9 – Operating Lease Commitments

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

For the year ending June 30, 2023	<u>\$3,592</u>
Total	<u>\$3,592</u>

Minimum lease expenses were \$3,592 and \$4,517 for the fiscal years ended June 30, 2023 and 2022, respectively. This lease expired in April 2023 and payments are being made month to month.

Note 10 – 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. Other commitments included unearned grant revenue related to the ESSER Grant for the fiscal year ending June 30, 2023, and 2022 were \$95,913.31 and \$112,755.54, respectively. Unearned grant revenue also includes \$13,000.00 relating to the Arkansas PBS Foundation Grant.

Note 11 – 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 12 – Tower Rental

The Organization receives revenue for tower rental under a non-cancelable operating lease with a remaining term of 49 months (with an option for the lessee to extend for an additional two terms of ten years each). The lease allows for an increase in price based on an inflation index.

The future minimum rentals under the above lease for the next five years are as follows:

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2024	\$ 26,061
2025	26,061
2026	26,061
2027	26,061
2028	26,061
	<u>\$ 130,305</u>

Note 13 – Interest Cost

Total interest cost incurred during the fiscal year ending June 30, 2023 and 2022 was \$8,055 and \$12,833, respectively, none of which was capitalized.

Note 14 – 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, 2023 and 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2023</u>			
U.S. Corporate Equities	\$ 78,039	\$ -	\$ -
Mutual Funds	20,275	-	-
Exchange Traded Funds (ETF)	210,607	-	-
Bond Funds	250,000	-	-
Cash & Cash Alternatives	22,397	-	-
Total	<u>\$ 581,318</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2022</u>			
U.S. Corporate Equities	\$ 57,226	\$ -	\$ -
Mutual Funds	135,720	-	-
Exchange Traded Funds (ETF)	39,767	-	-
Bond Funds	39,994	-	-
Cash & Cash Alternatives	25,692	-	-
Total	<u>\$ 298,399</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>2023</u>	<u>2022</u>
Interest and dividends	\$ 9,974	\$ 7,468
Unrealized gains (losses)	28,647	(42,943)
Realized gains (losses)	(4,027)	1,050
	<u>\$ 34,595</u>	<u>\$(34,425)</u>

Note 15 – Subsequent Events

Subsequent events have been evaluated for accrual and/or disclosure through January 11, 2024, the date in which the financial statements were available to be released.

Note 16 – Consideration of Going Concern

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Upper Cumberland Broadcast Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued. No conditions or events were noted.

Note 17 – Liquidity

The following represents Upper Cumberland Broadcast Council, Inc.'s financial assets at June 30, 2023:

	<u>June 30, 2023</u>
<u>Financial assets at yearend:</u>	
Cash and cash equivalents	\$ 1,442,038
Investments	581,318
Receivables	221,220
Prepaid expenses	16,812
Total financial assets	<u>2,261,388</u>
<u>Less: Amounts not available to be used within one year:</u>	
Cash (Board Reserve)	25,231
Net assets with donor restrictions	406,651
Total Amounts not available	<u>431,882</u>
<u>Financial assets available to meet general expenditures</u> <u>over the next twelve months:</u>	<u>\$ 1,829,505</u>

The Strategic Fund money market account in the amount of \$25,231.38 is board reserved. The Schwab money market account consists of a restricted donation for education in the amount of \$75,332.98. Investments include the rest of the endowment in the amount of \$306,076.51 and temporarily restricted donations to a building fund in the amount of \$25,241.56. 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 Organization's liquidity management plan, it structures its financial assets to be available as its obligations come due.

Note 18 - Net Assets Classifications

The following is the breakdown of Net Assets as of June 30, 2023:

Permanently Restricted

Investments - Endowment for Education (up to \$1M Fully Funded Amount)	\$ 306,076.51
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Temporarily Restricted

Schwab MM - Donation for Education	\$ 75,332.98
Building Fund	<u>25,241.56</u>
	<u>100,574.54</u>

Total Restricted Funds 406,651.05

Unrestricted Board Reserved

Strategic Funds MM - Donations	25,231.38
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Other Unrestricted Funds 2,269,661.38

Total Net Assets \$ 2,701,543.81