

AUDITED FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST  
COUNCIL, INC.  
COOKEVILLE, TENNESSEE

June 30, 2013

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**Bratcher, Horton, Melton & Associates, PLLC**

*Certified Public Accountants*

P.O. Box 169  
100 Mullican Street  
McMinnville, TN 37111

(931) 473-2653 voice

(931) 474-4062 fax

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Upper Cumberland Broadcast Council, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Cumberland Broadcast Council, Inc. as of June 30, 2013 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.

## ***Other Matters***

### *Report on Summarized Comparative Information*

The June 30, 2012 financial statements of Upper Cumberland Broadcast Council, Inc. were audited by other auditors and their report dated December 12, 2012, expressed an unmodified opinion on those audited financial statements.

***Bratcher, Horton, Melton & Associates, PLLC***

Certified Public Accountants  
November 6, 2013

STATEMENT OF FINANCIAL POSITION

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 53,339	\$ 27,244
Accounts receivable	20,235	10,718
Memberships receivable	1,200	500
Grants receivable	12,988	130,377
Employee receivable	1,047	780
Investments	8,034	6,035
TOTAL CURRENT ASSETS	<u>96,843</u>	<u>175,654</u>
Property and equipment, net	<u>2,232,630</u>	<u>2,684,799</u>
TOTAL ASSETS	<u>\$ 2,329,473</u>	<u>\$ 2,860,453</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 15,994	\$ 10,196
Accrued Payroll	23,001	20,898
Payroll deductions payable	1,682	6,581
Accrued compensated absences	28,319	24,289
Current portion of long-term lease obligation	3,016	-
Unearned rental income - current	6,334	6,334
TOTAL CURRENT LIABILITIES	<u>78,346</u>	<u>68,298</u>
<u>NON-CURRENT LIABILITIES</u>		
Long-term capital lease obligation	6,471	-
Unearned rental income - deferred	37,999	44,333
TOTAL NONCURRENT LIABILITIES	<u>44,470</u>	<u>44,333</u>
TOTAL LIABILITIES	<u>122,816</u>	<u>112,631</u>
<u>NET ASSETS</u>		
Unrestricted net assets	2,206,657	2,747,822
Temporarily restricted net assets	-	-
TOTAL NET ASSETS	<u>2,206,657</u>	<u>2,747,822</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,329,473</u>	<u>\$ 2,860,453</u>

See independent auditors' report and notes to financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

For the years ended June 30, 2013 with comparative totals as of June 30, 2012

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
<u>SUPPORT AND REVENUE</u>				
State of Tennessee - Appropriation	\$ 469,439	\$ -	\$ 469,439	\$ 508,085
Corp. for Public Broadcasting:				
Community service grant	553,121		553,121	562,601
Interconnection grant	11,198		11,198	10,943
Local service grant	80,974		80,974	79,447
Economic response grant	-		-	12,453
Equipment grant	30,365		30,365	646,943
Other grants	174,815		174,815	210,697
Local government	37,550		37,550	37,000
Donated facilities	65,952		65,952	47,592
In-kind	145,109		145,109	76,031
Auction revenue	90,709		90,709	104,559
Development event revenue	37,913		37,913	20,399
Royalties	3,256		3,256	1,144
Membership revenue	104,228		104,228	93,152
Contributions	13,243		13,243	53,585
Underwriting revenue	77,760		77,760	73,930
Productions	45,899		45,899	46,780
Broadcast revenue	41,672		41,672	41,431
Rental revenues	6,333		6,333	6,333
Net realized and unrealized gains (losses) on investments	1,116		1,116	114
Miscellaneous income	772		772	2,387
Gain (loss) on sale/disposal of fixed assets	(4,376)		(4,376)	-
Net assets released from restrictions	-	-	-	-
Total public support, revenues, and reclassifications	<u>1,987,048</u>	<u>-</u>	<u>1,987,048</u>	<u>2,635,606</u>
<u>EXPENSES</u>				
Production and programming	695,297		695,297	735,631
Broadcast and technical	436,685		436,685	499,222
Education and outreach	50,667		50,667	43,527
Membership	70,311		70,311	83,892
Development and fundraising	172,537		172,537	139,942
Management and general	1,102,716		1,102,716	1,159,048
Total expenses	<u>2,528,213</u>	<u>-</u>	<u>2,528,213</u>	<u>2,661,262</u>
Change in net assets	(541,165)	-	(541,165)	(25,656)
Net assets at beginning of year	2,747,822	-	2,747,822	2,796,778
Prior Period Adjustment	-	-	-	(23,300)
NET ASSETS AT END OF YEAR	<u>\$ 2,206,657</u>	<u>\$ -</u>	<u>\$ 2,206,657</u>	<u>\$ 2,747,822</u>

See independent auditors' report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES  
UPPER CUMBERLAND BROADCAST COUNCIL, INC.

For years ended June 30, 2013 with comparative totals as of June 30, 2012

	Program Services					Supporting Services			Totals	
	Production & Programming	Broadcast Engineering & Digital	Education & Outreach	Membership	Total Program Services	Development & Fundraising	Management & General	2013	2012	
Compensation & related expenses										
Compensation	\$ 165,667	\$ 166,639	\$ 25,439	\$ 32,159	\$ 389,904	\$ 65,935	\$ 113,457	\$ 569,296	\$ 583,670	
Employee benefits	23,532	25,844	288	4,758	54,422	8,422	16,887	79,731	74,338	
Payroll taxes	12,627	12,289	2,311	2,161	29,388	5,816	8,055	43,259	50,967	
Total Compensation & related expenses	201,826	204,772	28,038	39,078	473,714	80,173	138,399	692,286	708,975	
Supplies	3,538	10,936	2,140	598	17,212	9,714	6,068	32,994	35,728	
Minor equipment	2,583	15,121	-	-	17,704	3,074	495	21,273	10,578	
Gas & auto expenses	2,627	420	176	15	3,238	728	1,197	5,163	7,987	
Professional services	29,929	-	-	-	29,929	12,410	79,802	122,141	162,478	
Printing & publications	10,496	-	209	1,287	11,992	2,835	-	14,827	18,008	
Purchased services	33,315	25,152	4,096	3,830	66,393	13,506	28,787	108,686	136,617	
Communications & utilities	84	171,704	-	-	171,788	1,938	14,027	187,753	201,877	
Special events	216	-	7,525	3,632	11,373	2,253	2,371	15,997	33,300	
Programming	384,695	-	-	-	384,695	-	-	384,695	396,780	
Rent	8,150	-	-	-	8,150	11,601	7,731	27,482	14,924	
Maintenance	651	3,677	-	-	4,328	4,508	3,374	12,210	18,239	
Membership fees & dues	6,603	-	-	4,409	11,012	350	32,343	43,705	42,017	
Meetings, conferences & travel	5,828	2,750	1,174	1,796	11,548	3,724	12,899	28,171	35,616	
Postage & shipping	3,916	735	582	1,315	6,548	384	2,466	9,398	9,733	
Premium expense	-	-	-	14,351	14,351	-	-	14,351	8,500	
Insurance	-	-	-	-	-	814	36,123	36,937	33,577	
In-kind donations	-	-	-	-	-	-	179,657	179,657	123,623	
Advertising	-	-	-	-	-	9,380	791	10,171	5,639	
Uncollectible accounts	-	-	-	-	-	2,050	45	2,095	-	
Interest	-	-	-	-	-	-	3,371	3,371	2,625	
Depreciation expense	-	-	-	-	-	-	547,391	547,391	637,838	
Miscellaneous	840	1,418	6,727	-	8,985	179	5,379	14,543	4,212	
Ready to learn materials & supplies	-	-	-	-	-	-	-	-	86	
Agency account fees	-	-	-	-	-	1,487	-	1,487	1,363	
Commissions	-	-	-	-	-	11,429	-	11,429	10,942	
	<u>695,297</u>	<u>436,685</u>	<u>50,667</u>	<u>70,311</u>	<u>1,252,960</u>	<u>172,537</u>	<u>1,102,716</u>	<u>2,528,213</u>	<u>2,661,262</u>	

See independent auditors' report and notes to financial statements.

STATEMENT OF CASH FLOWS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

For the years ended June 30, 2013 with comparative totals as of June 30, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (541,165)	\$ (25,586)
Adjustments to reconcile change in net assets to net cash (used) / provided in operating activities:		
Depreciation	547,391	637,838
(Gain)/Loss on disposal of equipment	4,376	-
Net investment (gains) losses	(845)	(70)
Contributions of investments and equipment	(32,419)	-
(Increase) Decrease in operating assets:		
Receivables	107,172	(126,845)
Employee receivable	(267)	570
Investments	-	(2,055)
Increase (Decrease) in operating liabilities:		
Accounts payable	5,798	(50,659)
Accrued compensated absences	4,030	(2,019)
Accrued payroll	2,103	(3,150)
Payroll deductions payable	(4,899)	(692)
NET CASH (USED) / PROVIDED BY OPERATING ACTIVITIES	<u>91,275</u>	<u>427,332</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	4,999	-
Reinvestment of interest and dividends	(139)	-
Purchase of equipment	(62,543)	(429,963)
NET CASH (USED) / PROVIDED BY INVESTING ACTIVITIES	<u>(57,683)</u>	<u>(429,963)</u>
Cash flows from financing activities:		
Borrowing from line of credit	100,000	-
Payment on line of credit	(100,000)	(150,000)
Payment on long-term lease obligation	(1,163)	-
Net unearned revenue collected (earned)	(6,334)	(6,333)
NET CASH (USED) / PROVIDED BY INVESTING ACTIVITIES	<u>(7,497)</u>	<u>(156,333)</u>
NET (DECREASE) / INCREASE IN CASH	26,095	(158,964)
CASH AT BEGINNING OF YEAR	<u>27,244</u>	<u>186,208</u>
CASH AT END OF YEAR	<u>\$ 53,339</u>	<u>\$ 27,244</u>
Noncash investing and financing transactions:		
Fair value of contributed investment	\$ 1,015	
Donated property and equipment	31,404	

Supplemental disclosure of cash flow information:

Cash paid during the year for interest was \$3,371, none of which was capitalized.

See independent auditors' report and notes to financial statements.



UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Upper Cumberland Broadcast Council, Inc. (the Council) is a PBS affiliated television station serving the Upper Cumberland region. January 16, 1986, the Tennessee State Board of Education transferred to the Council all its rights to the Federal Communications 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.

**Public Support and Revenue**

Contributions are recognized when the donor makes a promise to give to the Council that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net asset. All promises to give at June 30, 2013 and 2012 were due in one year.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents cash amount**

For purposes of the statements of cash flows, the Council considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Receivables**

Receivables consist of amounts due currently from members and sponsors and grantors. The Council considers any amount over 90 days old to be past due. Management evaluates the need to write-off a receivable based on its review of accounts receivable and historical collection experience. Management writes off a receivable as a charge to bad debt expense, when in its estimation, it is probable the receivable is worthless. Recoveries of accounts previously written off are recorded as reduction in bad debt expense when collected. The Council believes that all accounts receivable at June 30, 2013 and 2012 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

**Program Fees**

Amounts paid for programs are expensed as incurred as the programs are aired within the same fiscal year.

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Advertising**

Advertising is expensed as incurred. Advertising expense as of June 30, 2013 and 2012 was \$10,171 and \$5,639, 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. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies temporarily restricted net assets to unrestricted 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

**Financial Statement Presentation**

The Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Reclassification**

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Net assets were decreased by \$23,300 as a result of a prior period adjustment. See note 16 for more details.

**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.

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Income Taxes**

The Council is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. For fiscal tax years 2013 and 2012, the council reported zero unrelated business income. The Corporation uses the same accounting methods for income tax and financial reporting.

Management has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2010, 2011, and 2012 tax years. However, the Corporation is not currently under audit nor has the Corporation been contacted by any jurisdiction. Based on the evaluation of the Corporation's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended June 30, 2013.

**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.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

**NOTE 2: EMPLOYEE BENEFIT PLAN**

The State of Tennessee, Public Chapter No. 339, house Bill No. 304, provides for the continuation of certain benefits for employees of publicly owned educational television stations. Certain employees may elect to remain a member of the State of Tennessee Consolidated Retirement System with the Council being responsible for all employer costs incurred as a result of the employees electing to remain a member of the retirement system. The plan is not permitted to accept new participants. Employer contributions for the year were \$16,604.

**NOTE 3: 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, 2013 was \$3,376.

**NOTE 4: PROPERTY & EQUIPMENT**

The following is a summary of property & equipment as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Property and equipment:		
Land	\$ 23,300	\$ 23,300
Building and leasehold improvements	117,903	109,169
Broadcast equipment	6,695,620	6,646,631
Automotive equipment	41,321	89,092
	<u>6,878,144</u>	<u>6,868,192</u>
Accumulated depreciation	(4,645,514)	(4,183,393)
Total property and equipment	<u>\$ 2,232,630</u>	<u>\$ 2,684,799</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$547,391 and \$637,838, respectively.

**NOTE 5: FUNCTIONAL ALLOCATION OF EXPENSES**

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

**NOTE 6: LINE OF CREDIT**

The Council has a \$100,000 unsecured bank line of credit with First Tennessee Bank National Association. There were no borrowings outstanding against the line of credit at June 30, 2013 and 2012. The line of credit bears interest at 1% above the lowest U.S Prime Rates as published in the Wall Street Journal.

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

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**NOTE 7: CONCENTRATIONS**

The Council receives approximately 69% 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 exceed the \$250,000 federally insured limit. There were no uninsured balances at June 30, 2013.

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 an amount due from the USDA for the "Farmers Market Promotional Program."

Management believes that the Council is not exposed to any significant credit risk related to the above accounts.

**NOTE 8: DONATED MATERIALS, FACILITIES AND SERVICES**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

The Council utilizes donated facilities from Tennessee Technological University. These facilities consist of office and studio space. The estimated fair rental value as of June 30, 2013 was \$65,952 and \$47,592 was reported on the June 30, 2012 financial statement. The estimated fair rental is based upon current market conditions within the local area.

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 \$145,109 and \$76,031 in donated services and fixed assets, in the years ended June 30, 2013 and 2012, respectively most 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.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

**NOTE 9: UNEARNED RENTAL INCOME**

As of August 1, 2006, the Council entered into a fifteen-year contract to lease a transmitter building and related improvements located on property the Council owns in Putnam County, Tennessee. The terms of the contract stated that the Council received all rents for the contract period upfront. The Council's unearned rental income at June 30, 2013; and 2012 was \$44,333 and \$50,667, respectively.

**NOTE 10: OPERATING LEASE COMMITMENTS**

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

For the year ending June 30, 2014	<u>\$ 11,801</u>
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Rental expense was \$14,370 and \$5,242 for the fiscal years ended June 30, 2013 and 2012, respectively. All of the payments were for minimum rentals.

**NOTE 11: 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, 2013 and 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2013</u>			
U.S. Corporate equities	\$ 7,757	\$ --	\$ --
Cash	277	--	--
Total	\$ 8,034	\$ --	\$ --
<u>2012</u>			
U.S. Corporate equities	\$ 5,937	\$ --	\$ --
Cash	98	--	--
Total	\$ 6,035	\$ --	\$ --

Investments earned the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 271	\$ 184
Unrealized gains (losses)	845	(70)
	\$ 1,116	\$ 114

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

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

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**NOTE 12: CAPITAL LEASE OBLIGATION**

On November 13, 2012, the Organization financed its purchase of equipment under a capital lease agreement expiring in 2016. The liability, representing the present value of future minimum lease payments, totaled \$10,649. The leased asset is amortized over its estimated productive life. Amortization of assets under capital lease is included in depreciation expense. Following is a summary of the equipment held under capital lease at June 30, 2013:

Telephone Equipment	\$10,649
Less accumulated depreciation	<u>1,065</u>
	<u>\$ 9,584</u>

Aggregate future minimum lease payments under the capital lease obligation as of June 30, 2013 are approximated as follows:

<u>Year Ending June 30</u>	
2014	\$ 4,740
2015	4,740
2016	<u>2,962</u>
	Total Future Minimum Lease Payments \$ 12,442
	Amount representing interest <u>(2,955)</u>
	Present Value of Minimum Lease Payments \$ 9,487
	Less: Current Portion <u>3,016</u>
	Long-Term Capital Lease Obligation <u>\$ 6,471</u>

Total interest expense under this capital lease for the year ended June 30, 2013 was \$615.

**NOTE 13: SUBSEQUENT EVENTS**

Subsequent to the balance sheet date the Council accessed its line of credit to meet short-term cash flow needs. Amounts were borrowed on August 11, 2013 (\$80,000) and August 20, 2013 (\$20,000) and were repaid in full on September 6, 2013 with interest of \$286.

A direct appropriations grant from the State of Tennessee has been received as of September 3, 2013 in the amount of \$450,164. Three grants from the Corporation of Public Broadcasting totaling \$671,861 are pending the completion of certain legal paper work and financial reporting.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2013 with comparative totals as of June 30, 2012

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**NOTE 13: SUBSEQUENT EVENTS, (continued)**

Subsequent events have been evaluated for accrual and/or disclosure through November 6, 2013, the date the financial statements were available to be released.

**NOTE 14: TOWER RENTAL**

The Corporation receives revenue for tower rental under two operating leases with remaining terms of 3 to 4 years. Both of these leases have at least one five-year renewal period remaining.

Future minimum rentals under the above leases are as follows:

<u>Year Ending June 30</u>	
2014	\$ 43,764
2015	43,764
2016	43,764
2017	20,754
2018	6,221
	<hr/> <u>\$ 158,267</u>

**NOTE 15: COMMITMENTS AND CONTINGENCIES**

Certain contracts and grants received by the Organization are subject to audit or review by the grantor/payor agencies. As a result of these audits or reviews, the Organization may be required to repay a portion of grant or contract funds received. However, management does not believe any liability related to its grants and contracts would be material.

**NOTE 16: PRIOR PERIOD ADJUSTMENTS**

Detailed records of the equipment indicated that this account has been overstated by \$23,300 on the general ledger. In order to correct this error a reduction to unrestricted net assets by the same amount was made.

In reviewing the prior year financial statements, it was determined that temporarily restricted net assets were overstated by \$35,628 and unrestricted net assets were understated by the same amount. This occurred because during the 2012 year a request for reimbursement was inadvertently identified as an advance because the payment that the request pertained to had been made in the 2011 year. Since the request was actually a reimbursement and not an advance it was incorrectly shown as a temporarily restricted amount on the 2012 financial statements.

The effect of these adjustments gives the Organization a 2012 net prior period adjustment increase to unrestricted net assets of \$12,328 and a decrease in temporarily restricted net assets of \$35,628 giving a net overall decrease of \$23,300 to net assets.