

AUDITED FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST
COUNCIL, INC.
COOKEVILLE, TENNESSEE

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

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, 2015, 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

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 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, 2015 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, 2014 financial statements of Upper Cumberland Broadcast Council, Inc. were audited by other auditors and their report dated November 6, 2014, expressed an unmodified opinion on those audited financial statements.

David Melton, CPA

Certified Public Accountant

November 5, 2015

STATEMENT OF FINANCIAL POSITION

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2015 with comparative totals as of June 30, 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 99,016	\$ 248,109
Accounts receivable	22,871	33,895
Memberships receivable	1,500	2,450
Grants receivable	6,508	14,008
Accrued grant revenue	40,980	-
Employee receivable	-	329
Investments	10,073	8,247
TOTAL CURRENT ASSETS	180,948	307,038
Property and equipment, net	1,612,518	1,859,794
TOTAL ASSETS	\$ 1,793,466	\$ 2,166,832
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 32,285	\$ 146,801
Accrued Payroll	26,008	25,640
Payroll deductions payable	3,572	3,305
Line of credit	-	90,000
Accrued compensated absences	24,855	25,352
Current portion of long-term lease obligation	2,752	3,719
Unearned rental income - current	6,334	6,334
TOTAL CURRENT LIABILITIES	95,806	301,151
<u>NON-CURRENT LIABILITIES</u>		
Long-term capital lease obligation	-	2,752
Unearned rental income - deferred	25,332	31,666
TOTAL NONCURRENT LIABILITIES	25,332	34,418
TOTAL LIABILITIES	121,138	335,569
<u>NET ASSETS</u>		
Unrestricted net assets	1,672,328	1,831,263
TOTAL NET ASSETS	1,672,328	1,831,263
TOTAL LIABILITIES AND NET ASSETS	\$ 1,793,466	\$ 2,166,832

See independent auditor's 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, 2015 with comparative totals as of June 30, 2014

	Unrestricted	2015 Total	2014 Total
<u>SUPPORT AND REVENUE</u>			
State of Tennessee - Appropriation	\$ 430,793	\$ 430,793	\$ 450,164
Corp. for Public Broadcasting:			
Community service grant	650,554	650,554	636,611
Interconnection grant	11,769	11,769	12,202
Local service grant	56,967	56,967	56,757
BGU Grant	75,887	75,887	130,000
American graduate grant	79,327	79,327	-
Ready-to-learn grant	64,295	64,295	-
PBS Warn grant	72,070	72,070	-
Other grants	44,233	44,233	50,805
Local government	37,700	37,700	37,000
Donated facilities	74,190	74,190	65,952
In-kind	43,528	43,528	42,181
Auction revenue	113,370	113,370	113,721
Development event revenue	81,542	81,542	69,756
Royalties	1,905	1,905	2,582
Membership revenue	143,047	143,047	104,387
Contributions	16,679	16,679	12,348
Underwriting revenue	121,663	121,663	87,056
Productions	21,805	21,805	26,639
Broadcast revenue	48,153	48,153	44,300
Rental revenues	6,333	6,333	6,333
Net realized and unrealized gains (losses) on investments	1,951	1,951	317
Distribution from PBS on sale of equity in Sprout	-	-	19,069
Miscellaneous income	946	946	630
Total public support, revenues, and reclassifications	<u>2,198,707</u>	<u>2,198,707</u>	<u>1,968,810</u>
<u>EXPENSES</u>			
Production and programming	744,170	744,170	799,395
Broadcast and technical	395,877	395,877	404,647
Education and outreach	141,583	141,583	42,930
Membership	55,555	55,555	69,284
Development and fundraising	239,035	239,035	185,575
Management and general	781,422	781,422	842,373
Total expenses	<u>2,357,642</u>	<u>2,357,642</u>	<u>2,344,204</u>
Change in net assets	(158,935)	(158,935)	(375,394)
Net assets at beginning of year	<u>1,831,263</u>	<u>1,831,263</u>	<u>2,206,657</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,672,328</u>	 <u>\$ 1,672,328</u>	 <u>\$ 1,831,263</u>

See independent auditor's report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

For years ended June 30, 2015 with comparative totals as of June 30, 2014

	Program Services				Total Program Services	Supporting Services		Totals	
	Production & Programing	Broadcast Engineering & Digital	Education & Outreach	Membership		Development & Fundraising	Management & General	2015	2014
Compensation & related expenses									
Compensation	\$ 130,014	\$ 147,790	\$ 45,278	\$ 16,892	\$ 339,974	\$ 93,201	\$ 106,834	\$ 540,009	\$ 543,575
Employee benefits	10,086	14,024	5,384	868	30,362	4,495	17,896	52,753	75,241
Payroll taxes	10,478	12,360	3,952	1,460	28,250	9,053	7,759	45,062	45,870
Total Compensation & related expenses	150,578	174,174	54,614	19,220	398,586	106,749	132,489	637,824	664,686
Supplies	2,643	1,872	8,224	529	13,268	29,483	4,241	46,992	34,276
Minor equipment	752	2,008	11,464	-	14,224	-	-	14,224	3,281
Gas & auto expenses	2,398	502	79	34	3,013	643	1,242	4,898	4,767
Professional services	5,838	2,820	-	-	8,658	1,268	62,882	72,808	81,872
Printing & publications	8,154	-	56	986	9,196	3,033	-	12,229	13,015
Purchased services	119,536	12,424	53,414	6,274	191,648	21,694	25,589	238,931	219,846
Communications & utilities	-	167,284	-	-	167,284	4,583	12,500	184,367	175,511
Special events	-	-	6,386	706	7,092	898	1,203	9,193	12,421
Programming	439,918	-	-	-	439,918	-	-	439,918	432,919
Rent	7,248	-	-	-	7,248	18,165	8,768	34,181	31,160
Maintenance	1,049	29,263	-	-	30,312	250	2,639	33,201	18,874
Membership fees & dues	-	-	75	3,731	3,806	475	32,104	36,385	48,757
Meetings, conferences & travel	3,589	4,565	6,601	680	15,435	6,736	14,583	36,754	27,555
Postage & shipping	1,766	842	273	1,153	4,034	813	1,320	6,167	8,323
Premium expense	-	-	-	22,239	22,239	-	-	22,239	16,153
Insurance	-	-	-	-	-	325	37,564	37,889	38,842
In-kind donations	-	-	-	-	-	-	117,447	117,447	108,133
Advertising	-	-	397	-	397	14,646	-	15,043	4,339
Uncollectible accounts	-	-	-	-	-	3,358	-	3,358	1,000
Interest	-	-	-	-	-	-	2,345	2,345	2,376
Depreciation expense	-	-	-	-	-	-	324,043	324,043	372,837
Miscellaneous	701	123	-	3	827	216	463	1,506	6,982
Ready to learn materials & supplies	-	-	-	-	-	-	-	-	-
Agency account fees	-	-	-	-	-	992	-	992	2,748
Commissions	-	-	-	-	-	24,708	-	24,708	13,531
	<u>744,170</u>	<u>395,877</u>	<u>141,583</u>	<u>55,555</u>	<u>1,337,185</u>	<u>239,035</u>	<u>781,422</u>	<u>2,357,642</u>	<u>2,344,204</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, 2015 with comparative totals as of June 30, 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (158,935)	\$ (375,394)
Adjustments to reconcile change in net assets to net cash (used) / provided in operating activities:		
Depreciation	324,043	372,837
Net investment (gains) losses	(1,901)	(48)
(Increase) Decrease in operating assets:		
Receivables	19,474	(15,930)
Employee receivable	329	718
Accrued grant revenue	(40,980)	-
Increase (Decrease) in operating liabilities:		
Accounts payable	(114,515)	130,807
Accrued compensated absences	(497)	(2,967)
Accrued payroll	368	2,639
Payroll deductions payable	267	1,623
	<u>27,653</u>	<u>114,285</u>
NET CASH (USED) / PROVIDED BY OPERATING ACTIVITIES		
Cash flows from investing activities:		
Proceeds from insurance on damaged equipment	80,276	-
Reinvestment of interest and dividends	75	(165)
Purchase of equipment	(157,044)	-
	<u>(76,693)</u>	<u>(165)</u>
NET CASH (USED) / PROVIDED BY INVESTING ACTIVITIES		
Cash flows from financing activities:		
Borrowing from line of credit	10,000	190,000
Payment on line of credit	(100,000)	(100,000)
Payment on long-term lease obligation	(3,719)	(3,016)
Net unearned revenue collected (earned)	(6,334)	(6,334)
	<u>(100,053)</u>	<u>80,650</u>
NET CASH (USED) / PROVIDED BY FINANCING ACTIVITIES		
NET (DECREASE) / INCREASE IN CASH	(149,093)	194,770
CASH AT BEGINNING OF YEAR	<u>248,109</u>	<u>53,339</u>
CASH AT END OF YEAR	<u>\$ 99,016</u>	<u>\$ 248,109</u>
Noncash investing and financing transactions:		
Book value of assets added to replacement asset	\$ 6,611	\$ -

Supplemental disclosure of cash flow information:

Cash paid during the year for interest was \$3,371 and \$2,376 respectively, none of which was capitalized.

See independent auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2015 with comparative totals as of June 30, 2014

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, 2015 and 2014 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, 2015 and 2014 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.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2015 with comparative totals as of June 30, 2014

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

Advertising

Advertising is expensed as incurred. Advertising expense as of June 30, 2015 and 2014 was \$15,043 and \$4,339 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 2014 financial statement presentation to correspond to the current year's format.

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.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2015 with comparative totals as of June 30, 2014

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 2015 and 2014, 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 2012, 2013, and 2014 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, 2015.

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, 2015 with comparative totals as of June 30, 2014

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 years 2015 and 2014 were \$10,853 and \$16,661 respectively.

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, 2015 was \$2,900.

NOTE 4: PROPERTY & EQUIPMENT

The following is a summary of property & equipment as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Property and equipment:		
Land	\$ 23,300	\$ 23,300
Building and leasehold improvements	122,718	117,903
Broadcast equipment	6,726,353	6,695,620
Automotive equipment	41,321	41,321
	<u>6,913,692</u>	<u>6,878,144</u>
Accumulated depreciation	(5,301,174)	(5,018,350)
Total property and equipment	<u>\$ 1,612,518</u>	<u>\$ 1,859,794</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$324,043 and \$372,837, 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 \$150,000 unsecured bank line of credit with First Tennessee Bank National Association. \$90,000 was borrowed against the line on June 30, 2014 and an additional \$10,000 was borrowed on August 22, 2014. The entire \$100,000 was repaid on October 3, 2014. There were no borrowings against the line of credit at June 30, 2015. The line of credit bears interest at 1% above the lowest U.S Prime Rates as published in the Wall Street Journal. The line of credit is unsecured.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2015 with comparative totals as of June 30, 2014

NOTE 7: CONCENTRATIONS

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 exceed the \$250,000 federally insured limit. There were no uninsured balances at June 30, 2015.

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 grants receivable is an amount due from the PBS and City of Cookeville.

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, 2015 and June 30, 2014 was \$74,190 and \$65,952, respectively. 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 \$42,181 and \$43,528 in donated services and fixed assets, in the years ended June 30, 2015 and 2014, 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, 2015 with comparative totals as of June 30, 2014

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, 2015; and 2014 was \$31,666 and \$38,000, 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, 2016 \$ 19,432

Rental expense was \$18,382 and \$16,828 for the fiscal years ended June 30, 2015 and 2014, 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, 2015 and 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2015</u>			
U.S. Corporate equities	\$ 7,578	\$ --	\$ --
Cash	2,495	--	--
Total	<u>\$ 10,073</u>	<u>\$ --</u>	<u>\$ --</u>
<u>2014</u>			
U.S. Corporate equities	\$ 5,913	\$ --	\$ --
Cash	2,334	--	--
Total	<u>\$ 8,247</u>	<u>\$ --</u>	<u>\$ --</u>

Investments earned the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 180	\$ 216
Unrealized gains (losses)	1,666	(255)
Realized gains (losses)	105	356
	<u>\$ 1,951</u>	<u>\$ 317</u>

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2015 with comparative totals as of June 30, 2014

NOTE 11: FAIR VALUE MEASUREMENT, (continued)

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

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, 2014:

Telephone Equipment	\$10,649
Less accumulated depreciation	5,324
	<u>\$ 5,325</u>

Aggregate future minimum lease payments under the capital lease obligation as of June 30, 2015 are approximated as follows:

<u>Year Ending June 30</u>	
2016	<u>\$ 2,962</u>
Total Future Minimum Lease Payments	\$ 2,962
Amount representing interest	<u>(210)</u>
Present Value of Minimum Lease Payments	\$ 2,752
Less: Current Portion	<u>2,752</u>
Long-Term Capital Lease Obligation	<u>\$ 0</u>

Total interest expense under this capital lease for the year ended June 30, 2015 was \$1,021.

NOTE 13: SUBSEQUENT EVENTS

Subsequent to the balance sheet date the Council accessed its line of credit to meet short-term cash flow needs. \$55,000 was borrowed on August 21, 2015, \$20,000 was borrowed on September 3, 2015 and \$15,000 was borrowed on September 18, 2015 which left the amount outstanding on the credit line of \$90,000. The credit line was repaid in full on October 30, 2015 with interest of \$351. An additional interest payment of \$323 was made on September 30, 2015.

NOTES TO FINANCIAL STATEMENTS

UPPER CUMBERLAND BROADCAST COUNCIL, INC.

June 30, 2015 with comparative totals as of June 30, 2014

NOTE 13: SUBSEQUENT EVENTS, (continued)

A direct appropriations grant from the State of Tennessee has been received as of September 30, 2015 in the amount of \$430,793. Three grants from the Corporation of Public Broadcasting totaling \$695,514 are pending the completion of certain legal paper work and financial reporting. Subsequent events have been evaluated for accrual and/or disclosure through November 5, 2015, 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 1 to 2 years. Both of these leases have at least one five-year renewal period remaining.

Future minimum rentals under the above leases are as follows:

Year Ending June 30

2016	43,764
2017	20,754
2018	<u>6,221</u>
	<u>\$ 70,739</u>

NOTE 15: COMMITMENTS AND CONTINGENCIES

Certain contracts and grants received by the Organization are subject to audit or review by the grantor/payer 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.



DAVID MELTON, CPA
CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors and Management of
Upper Cumberland Broadcast Council, Inc.

In planning and performing my audit of the financial statements of the Upper Cumberland Broadcast Council, Inc. as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, I considered the Upper Cumberland Broadcast Council, Inc.'s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

David Melton, CPA

Certified Public Accountant
November 5, 2015



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

I have audited the financial statements of the Upper Cumberland Broadcast Council, Inc. for the year ended June 30, 2015, and have issued my report thereon dated November 5, 2015. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 18, 2015. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Upper Cumberland Broadcast Council, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates to report.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements, in the aggregate, detected as a result of audit procedures were corrected by management: Adjustments to grants receivable totaled \$40,980.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 5, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the board of Directors of the Upper Cumberland Broadcast Council, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

David Melton, CPA

Certified Public Accountant

November 5, 2015