

# *Financial Statements*

EAST TENNESSEE PUBLIC  
COMMUNICATIONS CORPORATION

Years Ended June 30, 2023 and 2022

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Trustees  
East Tennessee Public Communications Corporation  
Knoxville, Tennessee

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of East Tennessee Public Communications Corporation which comprise the statements 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 our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of East Tennessee Public Communications Corporation 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***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Tennessee Public Communications Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, that raise substantial doubt about East Tennessee Public Communications Corporation's ability to continue as a going concern within one year after that date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our 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 and *Government 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, individual or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 East Tennessee Public Communications Corporation'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Tennessee Public Communications Corporation's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise East Tennessee Public Communications Corporation's financial statements as a whole. The accompanying financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of grant expenditures is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of grant expenditures has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information as listed in the table of contents does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023 on our consideration of East Tennessee Public Communications Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Tennessee Public Communications Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Tennessee Public Communications Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

October 3, 2023



EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash - operating	\$ 1,492,264	\$ 1,899,958
Savings and investments	1,755,513	1,157,327
Pledges receivable	301,388	292,797
Works of art	4,835	4,835
Prepaid expenses	<u>0</u>	<u>13,422</u>
<b>TOTAL CURRENT ASSETS</b>	3,554,000	3,368,340
<b>PROPERTY AND EQUIPMENT</b>		
Land	32,500	32,500
Buildings	1,196,691	734,735
Broadcast equipment	7,112,266	6,952,985
Furniture and fixtures	266,976	199,489
Vehicles	95,194	95,194
Leasehold improvements	103,651	103,651
Construction in process	<u>0</u>	<u>362,368</u>
	8,807,278	8,480,924
Accumulated depreciation	<u>(5,437,671)</u>	<u>(5,213,712)</u>
	3,369,607	3,267,212
<b>OTHER ASSETS</b>		
Station license	16,093	18,313
Right-of-use asset - tower lease	<u>3,538,925</u>	<u>0</u>
	3,555,018	18,313
	<u>\$ 10,478,625</u>	<u>\$ 6,653,865</u>

See the accompanying notes to the financial statements.

	<u>2023</u>	<u>2022</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 29,046	\$ 26,963
Accrued vacation payable	58,379	61,358
Current portion of long-term debt	<u>33,792</u>	<u>0</u>
<b>TOTAL CURRENT LIABILITIES</b>	121,218	88,321
<b>LONG-TERM DEBT,</b> net of current portion	3,505,133	0
<b>NET ASSETS</b>		
With donor restrictions	850,673	841,095
Without donor restrictions	<u>6,001,602</u>	<u>5,724,450</u>
	<u>6,852,275</u>	<u>6,565,544</u>
	<u><u>\$ 10,478,625</u></u>	<u><u>\$ 6,653,865</u></u>



# EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	<u>Without Donor Restrictions</u>	
	<u>2023</u>	<u>2022</u>
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 1,795,811	\$ 1,750,484
Production and telecasting	20,480	5,180
Underwriting	212,709	203,125
Grants:		
Corporation for Public Broadcasting	0	0
Tennessee Department of Education	0	0
Federal Communications Commission	0	0
Donated materials and services	44,000	41,000
Investment income(loss)	50,642	(20,826)
Gain on disposal of equipment	0	13,921
Tower lease	32,587	29,394
Paycheck Protection Program	0	166,700
	<u>2,156,229</u>	<u>2,188,977</u>
Net assets released from restriction	<u>1,606,048</u>	<u>1,573,818</u>
	<u>3,762,277</u>	<u>3,762,795</u>
 <b>EXPENSES</b>		
Programming	1,001,876	1,019,167
Production	588,105	485,322
Broadcast and engineering	814,398	846,751
Education	87,909	81,511
Fundraising	550,456	468,197
Management and general	442,380	385,786
	<u>3,485,124</u>	<u>3,286,734</u>
 <b>CHANGE IN NET ASSETS</b>	 277,152	 476,062
 <b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	 <u>5,724,450</u>	 <u>5,248,388</u>
 <b>NET ASSETS AT THE END OF THE YEAR</b>	 <u>\$ 6,001,602</u>	 <u>\$ 5,724,450</u>

See the accompanying notes to the financial statements.

With Donor Restrictions		Totals	
2023	2022	2023	2022
\$ 0	\$ 0	\$ 1,795,811	\$ 1,750,484
0	0	20,480	5,180
0	0	212,709	203,125
982,791	962,028	982,791	962,028
632,835	632,835	632,835	632,835
0	22,850	0	22,850
0	0	44,000	41,000
0	0	50,642	(20,826)
0	0	0	13,921
0	0	32,587	29,394
0	0	0	166,700
1,615,626	1,617,713	3,771,854	3,806,690
(1,606,048)	(1,573,818)	0	0
9,578	43,895	3,771,854	3,806,690
0	0	1,001,876	1,019,167
0	0	588,105	485,322
0	0	814,398	846,751
0	0	87,909	81,511
0	0	550,456	468,197
0	0	442,380	385,786
0	0	3,485,124	3,286,734
9,578	43,895	286,730	519,957
841,095	797,200	6,565,544	6,045,588
<u>\$ 850,673</u>	<u>\$ 841,095</u>	<u>\$ 6,852,275</u>	<u>\$ 6,565,544</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 286,730	\$ 519,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	253,641	215,895
Donated property and equipment	(108,400)	0
Paycheck Protection Program loan forgiveness	0	(166,700)
Unrealized (gain)loss on investments	(19,229)	29,013
(Gain) on disposal of equipment	0	(13,921)
(Increase)decrease in:		
Pledges receivable	(8,591)	(113,099)
Prepaid expenses	13,422	0
Increase(decrease) in:		
Accounts payable	2,084	(2,426)
Accrued vacation payable	(2,978)	(1,732)
Long-term lease	(27,462)	0
	<u>102,487</u>	<u>(52,970)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	389,217	466,987
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(217,954)	(395,409)
Insurance proceeds received on totaled vehicle	0	25,690
(Increase) in investments	<u>(578,957)</u>	<u>(255,875)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(796,911)</u>	<u>(625,594)</u>

See the accompanying notes to the financial statements.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**STATEMENTS OF CASH FLOWS**

(continued)

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>NET (DECREASE) IN CASH</b>	(407,694)	(158,606)
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>1,899,958</u>	<u>2,058,564</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 1,492,264</u></u>	<u><u>\$ 1,899,958</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Donated property	\$ 108,400	\$ 0
Right-of-use asset	3,556,387	0
Long-term lease liability	3,556,387	0

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2023

	<u>Programming</u>	<u>Production</u>	<u>Broadcast, Engineering and Technical</u>	<u>Education</u>
Salaries and wages	\$ 99,738	\$ 258,681	\$ 181,406	\$ 44,518
Payroll taxes	7,373	19,274	13,778	3,375
Employee benefits	18,942	60,777	17,054	3,126
Contract labor	4,800	4,800	4,800	0
Program acquisition	641,760	924	0	0
Dues and fees	34,714	0	0	0
Advertising and promotion	31,535	3,386	135	135
Printing and publications	23,925	407	383	0
Meetings, conferences and travel	921	2,903	4,923	3,164
Rental	1,697	2,165	209,457	146
Maintenance	16,480	45,974	69,807	7,533
Insurance	9,918	9,918	9,918	0
Utilities	5,525	5,525	99,248	5,534
Communications	5,201	5,096	10,729	2,229
Supplies	13,005	12,233	10,632	17,715
Postage and shipping	12,821	1,702	473	122
Professional services	36,000	153,382	565	0
Fuel and vehicle	1,782	957	2,298	312
Special events	7,351	0	0	0
Depreciation and amortization	28,388	0	178,792	0
Miscellaneous	0	0	0	0
	<u>\$ 1,001,876</u>	<u>\$ 588,105</u>	<u>\$ 814,398</u>	<u>\$ 87,909</u>

See the accompanying notes to the financial statements.

<u>Fundraising</u>	<u>Management and General</u>	<u>Totals</u>
\$ 196,733	\$ 205,758	\$ 986,834
12,588	15,728	72,116
34,969	19,140	154,008
19,936	5,625	39,961
0	0	642,684
750	6,365	41,829
35,049	3,591	73,831
32,300	401	57,416
12,035	13,650	37,596
24,311	12,187	249,963
18,233	22,224	180,251
9,918	9,918	49,590
5,525	5,525	126,882
5,118	5,203	33,576
78,191	20,674	152,450
30,162	1,318	46,598
29,497	70,530	289,974
2,611	3,926	11,886
1,828	0	9,179
0	18,999	226,179
703	1,618	2,321
<u>\$ 550,456</u>	<u>\$ 442,380</u>	<u>\$ 3,485,124</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2022

	<u>Programming</u>	<u>Production</u>	<u>Broadcast, Engineering and Technical</u>	<u>Education</u>
Salaries and wages	\$ 92,334	\$ 239,408	\$ 239,150	\$ 51,483
Payroll taxes	6,908	17,912	18,072	3,839
Employee benefits	19,007	57,614	34,423	16,557
Contract labor	13,550	4,800	6,792	0
Program acquisition	677,337	971	0	0
Dues and fees	32,493	0	0	0
Advertising and promotion	28,800	50	0	154
Printing and publications	18,381	488	167	155
Meetings, conferences and travel	0	2,488	1,143	2,443
Rental	1,941	2,402	196,245	0
Maintenance	7,814	19,824	49,162	1,175
Insurance	9,988	9,988	9,988	0
Utilities	7,283	7,283	97,777	1,072
Communications	2,412	2,412	5,676	1,455
Supplies	18,432	6,189	3,191	2,946
Postage and shipping	13,477	179	2,088	69
Professional services	39,137	111,553	1,960	0
Fuel and vehicle	976	1,756	2,514	164
Special events	5,830	0	0	0
Depreciation and amortization	23,062	0	177,184	0
Miscellaneous	4	4	1,220	0
	<u>\$ 1,019,167</u>	<u>\$ 485,322</u>	<u>\$ 846,751</u>	<u>\$ 81,511</u>

See the accompanying notes to the financial statements.

<u>Fundraising</u>	<u>Management and General</u>	<u>Totals</u>
\$ 161,870	\$ 171,618	\$ 955,863
10,293	13,239	70,263
32,294	18,977	178,872
20,873	5,970	51,985
0	0	678,308
0	7,917	40,410
2,740	5,767	37,511
24,520	3,490	47,201
9,805	8,178	24,057
29,351	10,134	240,073
13,473	11,916	103,364
9,988	9,926	49,878
7,283	7,283	127,981
3,409	2,412	17,776
91,134	14,640	136,532
20,535	3,398	39,746
21,263	70,559	244,472
2,655	1,094	9,159
6,350	0	12,180
0	15,648	215,894
360	3,619	5,207
<u>\$ 468,197</u>	<u>\$ 385,786</u>	<u>\$ 3,286,734</u>



# EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

## **NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2023 and 2022

### **NOTE A - DESCRIPTION OF ORGANIZATION**

East Tennessee Public Communications Corporation (the Corporation) is a non-profit Tennessee corporation which operates two non-commercial public television stations (WETP-TV and WKOP-TV) in East Tennessee. The Corporation is supported primarily through private contributions, state and local grants and grants from the Corporation for Public Broadcasting.

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions they may undertake in the future, actual results could differ from those estimates. Estimates are used when accounting for allowances for uncollectible accounts receivable, depreciation, allocation of expenses, and contingencies, among others.

#### Works of Art

Contributed works of art available for sale are reported at their appraised fair value at the date of receipt.

#### Property and Equipment

Property and equipment are reported at cost or, in the case of donated property, at the estimated fair value at the date of receipt. It is the Corporation's policy to capitalize property and equipment expenditures with a cost in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. Amortization of leasehold improvements is calculated using the straight-line method over the lease term. Depreciation expense was \$226,179 for the year ended June 30, 2023 and \$213,674 for the year ended June 30, 2022.

# EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

## **NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023 and 2022

### **Support and Revenue**

Contributions are recorded as support when cash or other assets are received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service. Tower lease revenue is recognized over the rental period. There were no significant contract balances related to tower lease revenue at June 30, 2023 or June 30, 2022. Underwriting, production and telecast revenue are recognized at a point in time, when production is complete or the broadcast has been made.

### **Functional Expense Allocation**

The costs to provide programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain expenses have been allocated among the program and supporting services benefited. Costs directly related to a specific function are charged to that function. Salaries and benefits are allocated based on an analysis of time spent on program services and other activities. Occupancy costs are allocated based on the use of the space.

### **Income Taxes**

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, except on unrelated business income. The Corporation's income tax filings are open and subject to examination by the Internal Revenue Service generally for three years after they are filed. However, the Corporation is not currently under audit nor has the Corporation been contacted by any jurisdiction. The Corporation believes it has appropriate support for any tax positions taken, and such, does not have any uncertain tax positions that are material to the financial statements.

# EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023 and 2022

### New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under *Topic 849*, Leases. The Corporation adopted topic 842 effective July 1, 2022 using a modified retrospective transition method with the effective date as of the date of initial application. The Corporation elected to use all available practical expedients provided in the transition guidance. Because the Corporation elected the practical expedients to not reassess lease identification, classification and initial direct costs, Topic 842 had no effect on beginning net assets. The Corporation recorded \$3,566,387 in a right-of-use lease asset and lease liability as of July 1, 2022.

### **NOTE C - CASH AND INVESTMENTS**

Cash and cash equivalents consist of cash and interest-bearing deposits. For purposes of the statements of cash flows, cash in demand deposits with financial institutions and all cash investments with original maturities of three months or less are considered to be cash and cash equivalents.

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported in the accompanying statements of financial position at fair value, as determined using quoted prices in active markets for identical assets (considered Level I in the fair value hierarchy). Cash and investments at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Checking accounts – operating funds	\$ 1,246,362	\$ 1,656,524
Certificates of deposit	245,901	243,433
Savings accounts	17,390	17,388
Money market accounts	1,190,023	868,669
Bonds	508,711	191,034
Mutual funds	<u>39,390</u>	<u>80,236</u>
	<u>\$ 3,247,777</u>	<u>\$ 3,057,284</u>
Cash and cash equivalents	\$ 1,492,264	\$ 1,899,958
Savings and investments	<u>1,755,513</u>	<u>1,157,327</u>
	<u>\$ 3,247,777</u>	<u>\$ 3,057,284</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023 and 2022

Realized and unrealized gains and losses are determined on the basis of specific identification. Investment income for the years ended June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 31,413	\$ 8,187
Unrealized gain(loss) on investments	<u>19,229</u>	<u>(29,013)</u>
	<u>\$ 50,642</u>	<u>\$ (20,826)</u>

**NOTE D - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Corporation had the following financial assets available at June 30, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,492,264	\$ 1,899,958
Savings and investments	1,755,513	1,157,327
Pledges receivable	<u>301,388</u>	<u>292,797</u>
	3,549,165	3,350,082
Less those unavailable for general expenditures within one year due to restrictions from donor for purpose	<u>(884,990)</u>	<u>(841,095)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,664,175</u>	<u>\$ 2,508,987</u>

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**NOTE E - PLEDGES RECEIVABLE**

Pledges receivable consist of member pledges and underwriting pledges. At June 30, 2023 and 2022, all pledges receivable are expected to be collected during the next year; therefore pledges receivable have not been discounted. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible pledges is considered necessary.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023 and 2022

**NOTE F - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are maintained in demand deposit accounts which, at times, may exceed federally insured limits. By their nature, all such financial instruments involve risk, including the credit risk of nonperformance by counterparties. Exposure to credit risk is managed through credit approvals, investment management and monitoring procedures. The Corporation had no major concentrations of credit risk except for uninsured bank deposits.

**NOTE G - STATION LICENSE**

On October 1, 1983, the Tennessee Department of Education transferred to the Corporation all of its rights to the Federal Communications Television Broadcast License for WSJK-TV, in accordance with the Tennessee Educational Television Network Act of 1981. No value has been assigned to this license by the Corporation. During the year ended June 30, 2003, the station's call letters were changed to WETP-TV.

On September 28, 1990, the Corporation was granted a Federal Communications Television Broadcast License for the operation of WKOP-TV. The costs incurred in connection with the application for the license are being amortized over forty (40) years. Amortization expense was \$2,220 for the years ended June 30, 2023 and 2022.

**NOTE H - OPERATING LEASES**

As described in Note B, The Corporation implemented FASB ASC 842 during the year ended June 30, 2023. The Corporation leases a transmitter building and tower under a 25 year noncancelable lease expiring in August 2026 with an option to extend for two – ten year periods. The remaining lease term used to compute the value of the right-of-use asset and the lease liability includes the additional twenty years because the Corporation is reasonably certain to extend the lease. The right-of-use asset and lease liability values were computed using a discount rate of 3.47% based on the historical long-term rate at the inception of the lease.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023 and 2022

The following summarizes amounts included in the statements of financial position for operating leases as of June 30, 2023.

Operating lease right-of-use asset	<u>\$ 3,538,925</u>
Current portion of long-term lease	\$ 33,792
Long-term lease, net of current portion	<u>3,505,133</u>
Total lease liability	<u>\$ 3,538,925</u>

The future maturities of lease liabilities as of June 30, 2023 were as follows:

Year Ending June 30:

2024	\$ 156,059
2025	161,520
2026	167,174
2027	173,025
2028	179,081
Thereafter	<u>4,598,370</u>
Total lease payments	5,435,229
Less: interest	<u>(1,896,304)</u>
Present value of lease liability	<u>\$ 3,538,925</u>

Tower lease expense for the years ended June 30, 2023 and June 30, 2022 was \$175,796 and \$166,236, respectively.

The Corporation also leases a portion of its upper East Tennessee tower to two separate organizations under short-term leases. Rental income for the years ended June 30, 2023 and June 30, 2022 was \$32,587 and \$31,513, respectively.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023 and 2022

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes and periods:

	<u>2023</u>	<u>2022</u>
Program production, acquisition and distribution	<u>\$ 850,673</u>	<u>\$ 841,095</u>

**NOTE J - NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

During the years ended June 30, 2023 and 2022 net assets were released from donor restrictions by satisfying the following restricted purposes:

	<u>2023</u>	<u>2022</u>
Transmitter relocation	\$ 0	\$ 22,850
Programs and broadcasting	<u>1,606,048</u>	<u>1,550,968</u>
	<u>\$ 1,606,048</u>	<u>\$ 1,573,818</u>

**NOTE K - PAYCHECK PROTECTION PROGRAM**

In May 2020, the Corporation applied for and received forgivable loan amounts totaling \$166,700 through the Paycheck Protection Program which was administered by the Small Business Administration as part of the Coronavirus Aid, Relief and Economic Security Act. In order for these funds to be forgiven, the funds could be used for payroll, employee pension, health insurance, rent and utilities expense. Additionally, these funds are not legally forgiven until the Conference applies for forgiveness and the Small Business Administration approves forgiveness. The Corporation was notified that the loan was forgiven in July 2021 and this forgiveness is included in income in the accompanying statements of activities.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2023 and 2022

**NOTE L - RETIREMENT EXPENSE**

The Corporation adopted a 401(k) Savings and Retirement Plan, effective July 1, 1985. Contributions to the plan are made based on a percentage of eligible employees' compensation. Additional contributions are made in the amount by which eligible participants have elected to reduce their compensation for the plan year under Salary Reduction Agreements. Total retirement expense for the years ended June 30, 2023 and 2022 was \$34,969 and \$32,294, respectively.

**NOTE M - DONATED SERVICES**

Donated professional services are reflected in the financial statements at the fair value of the services received. Donated professional services for the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Programming and production:		
Program advertising and promotion	\$ 31,400	\$ 28,800
All functions:		
Local telephone service	<u>12,600</u>	<u>12,200</u>
	<u>\$ 44,000</u>	<u>\$ 41,000</u>

**NOTE N - ADVERTISING COSTS**

The Corporation uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2023 and 2022 was \$73,831 and \$37,511, respectively. These expenses include the amount of donated advertising cost discussed in Note M.

**NOTE O - SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through October 3, 2023, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.



## SUPPLEMENTARY INFORMATION



EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**GRANT EXPENDITURES**

Year Ended June 30, 2023

Assistance Listing Number	Granting Agency	Purpose
N/A	Corporation for Public Broadcasting: Community Service Grant	Programming, production, development and promotion and broadcast equipment acquisition
N/A	Ready to Learn	Educational programming
N/A	Interconnection System Grant	Public television interconnection costs
N/A	Universal Service Support	Rural population funding
N/A	Tennessee Department of Education: Public Television-WETP	Educational programming
N/A	Public Television-WKOP	Educational programming

This schedule is presented on the accrual basis of accounting.

See the accompanying independent accountants' audit report.

<u>(Unexpended)</u> <u>June 30, 2022</u>	<u>Received</u>	<u>Expended</u>	<u>(Unexpended)</u> <u>June 30, 2023</u>
\$ (841,095)	\$ 850,673	\$ 841,095	\$ (850,673)
0	36,815	36,815	0
0	15,306	15,306	0
0	79,997	79,997	0
0	202,042	202,042	0
<u>0</u>	<u>430,793</u>	<u>430,793</u>	<u>0</u>
<u>\$ (841,095)</u>	<u>\$ 1,615,626</u>	<u>\$ 1,606,048</u>	<u>\$ (850,673)</u>

## OTHER INFORMATION

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**PRINCIPAL OFFICIALS**

June 30, 2023

Michael Nichols, Chairman  
Shirley Fox Rogers, Vice-Chairman  
Vickie Lawson, President  
Will Bunch, Treasurer  
Peter Alliman, Secretary  
Jennifer Galloway, Director  
Jody Goins, Director  
Cynthia Kang-Rotondo, Director  
James Normand, Director  
James MacDonald, Director  
Matt Shears, Director  
Debbie Shriver, Director  
John Snodderly, Director  
William Stephenson, Director  
Roselyn Tillman, Director  
Sylvia Woods, Director

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
East Tennessee Public Communications Corporation  
Knoxville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of East Tennessee Public Communications Corporation which comprise the statements of financial position as of June 30, 2023 and the related statements of activities, functional expenses and the statements of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered East Tennessee Public Communications Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Tennessee Public Communications Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of East Tennessee Public Communications Corporation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of East Tennessee Public Communications Corporation's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Tennessee Public Communications Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Tennessee Public Communications Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Tennessee Public Communications Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the ampersand clearly visible between the two names.

October 3, 2023

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Year Ended June 30, 2023

There were no prior year findings reported.