

Financial Statements

EAST TENNESSEE PUBLIC
COMMUNICATIONS CORPORATION

Years Ended June 30, 2019 and 2018

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Trustees
East Tennessee Public Communications Corporation
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of East Tennessee Public Communications Corporation which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, statements of functional expenses and the statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. 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. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the 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 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 in the first paragraph present fairly, in all material respects, the financial position of East Tennessee Public Communications Corporation as of June 30, 2019 and 2018 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.

Emphasis of Matter

As discussed in Note Q to the financial statements, East Tennessee Public Communications Corporation has restated its net assets as of June 30, 2017 to implement FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other 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 statement of grant expenditures is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information 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.

The schedule of principal officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 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.

Mitchell Emert + Hill

October 18, 2019

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash - operating	\$ 617,384	\$ 492,029
Savings and investments	761,128	797,579
Pledges receivable	210,751	156,443
Accounts receivable	383	507
Works of art	4,835	4,835
Prepaid expenses	<u>19,780</u>	<u>12,750</u>
TOTAL CURRENT ASSETS	1,614,261	1,464,143
PROPERTY AND EQUIPMENT		
Land	32,500	32,500
Buildings	734,735	734,735
Broadcast equipment	6,208,505	6,194,298
Furniture and fixtures	166,026	166,026
Vehicles	80,255	80,255
Leasehold improvements	103,651	103,651
Construction in process	<u>347,515</u>	<u>0</u>
	7,673,188	7,311,466
Accumulated depreciation	<u>(6,095,490)</u>	<u>(5,798,653)</u>
	1,577,699	1,512,813
DEFERRED CHARGES		
Station license	<u>24,972</u>	<u>27,192</u>
	<u><u>\$ 3,216,932</u></u>	<u><u>\$ 3,004,148</u></u>

See the accompanying notes to the financial statements.

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 41,669	\$ 17,147
Accrued vacation payable	64,688	60,482
Current portion of long-term debt	<u>8,558</u>	<u>8,125</u>
TOTAL CURRENT LIABILITIES	114,915	85,755
LONG-TERM DEBT, net of current portion	5,960	14,513
NET ASSETS		
With donor restrictions	731,772	730,431
Without donor restrictions	<u>2,364,285</u>	<u>2,173,449</u>
	<u>3,096,057</u>	<u>2,903,880</u>
	<u>\$ 3,216,932</u>	<u>\$ 3,004,148</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	
	2019	2018
SUPPORT AND REVENUE		
Contributions	\$ 1,188,649	\$ 1,099,888
Production and telecasting	18,875	19,100
Underwriting	333,332	277,066
Grants:		
Corporation for Public Broadcasting	0	0
Tennessee Department of Education	0	0
Federal Communications Commission	0	0
Donated materials and services	56,110	53,877
Investment income	25,387	13,845
Tower lease	37,122	40,562
Miscellaneous	841	2,017
	<u>1,660,315</u>	<u>1,506,356</u>
Net assets released from restriction	<u>1,813,611</u>	<u>1,426,588</u>
	<u>3,473,926</u>	<u>2,932,944</u>
EXPENSES		
Programming	994,537	966,748
Production	451,428	417,869
Broadcast and engineering	869,874	992,926
Fundraising	592,134	564,863
Management and general	375,117	329,140
	<u>3,283,091</u>	<u>3,271,546</u>
CHANGE IN NET ASSETS	190,836	(338,601)
NET ASSETS AT THE BEGINNING OF THE YEAR, as restated	<u>2,173,449</u>	<u>2,512,051</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 2,364,285</u>	<u>\$ 2,173,449</u>

See the accompanying notes to the financial statements.

With Donor Restrictions		Totals	
2019	2018	2019	2018
\$ 0	\$ 0	\$ 1,188,649	\$ 1,099,888
0	0	18,875	19,100
0	0	333,332	277,066
845,117	827,603	845,117	827,603
635,085	632,835	635,085	632,835
334,750	0	334,750	0
0	0	56,110	53,877
0	0	25,387	13,845
0	0	37,122	40,562
0	0	841	2,017
1,814,952	1,460,438	3,475,268	2,966,794
(1,813,611)	(1,426,588)	0	0
1,341	33,850	3,475,268	2,966,794
0	0	994,537	966,748
0	0	451,428	417,869
0	0	869,874	992,926
0	0	592,134	564,863
0	0	375,117	329,140
0	0	3,283,091	3,271,546
1,341	33,850	192,177	(304,752)
730,431	696,581	2,903,880	3,208,632
\$ 731,772	\$ 730,431	\$ 3,096,057	\$ 2,903,880

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 192,177	\$ (304,752)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	299,056	393,510
Unrealized (gain) on investments	(7,327)	(554)
(Increase)decrease in:		
Pledges receivable	(54,308)	(15,064)
Accounts receivable	124	(507)
Prepaid expenses	(7,030)	(12,250)
Increase(decrease) in:		
Accounts payable	24,521	(18,034)
Accrued vacation payable	4,206	(3,930)
	<u>259,242</u>	<u>343,171</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	451,419	38,419
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Acquisition of capital assets	(361,722)	(36,721)
Decrease in investments	<u>43,777</u>	<u>162,344</u>
NET CASH (USED)PROVIDED BY INVESTING ACTIVITIES	<u>(317,945)</u>	<u>125,623</u>

See the accompanying notes to the financial statements.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF CASH FLOWS

(continued)

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH PROVIDED(USED) BY FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	0	25,257
Principal payments on long-term debt	<u>(8,120)</u>	<u>(2,619)</u>
NET CASH (USED)PROVIDED BY FINANCING ACTIVITIES	<u>(8,120)</u>	<u>22,638</u>
NET INCREASE IN CASH	125,354	186,680
CASH AT THE BEGINNING OF THE YEAR	<u>492,029</u>	<u>305,349</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 617,384</u></u>	<u><u>\$ 492,029</u></u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	<u>Programming</u>	<u>Production</u>	<u>Broadcast, Engineering and Technical</u>	<u>Fundraising</u>
Salaries and wages	\$ 123,448	\$ 169,281	\$ 226,751	\$ 197,648
Payroll taxes	9,068	15,357	13,817	14,253
Employee benefits	9,236	55,634	21,963	44,951
Contract labor	5,000	4,800	4,800	16,900
Program acquisition	672,969	5,464	0	0
Dues and fees	8,660	0	0	0
Advertising and promotion	26,000	305	0	6,718
Printing and publications	15,060	92	0	7,885
Meetings, conferences and travel	40	12,445	1,089	31,956
Rental	4,380	2,994	164,149	41,484
Maintenance	5,667	20,638	28,745	17,578
Insurance	8,346	8,346	8,346	8,346
Utilities	7,299	7,299	124,789	7,299
Communications	23,690	7,980	7,980	7,980
Supplies	982	3,276	1,815	102,418
Postage and shipping	20,901	647	545	10,029
Professional services	4,926	133,212	0	24,900
Fuel and vehicle	364	3,517	2,708	5,490
Special events	24,783	0	0	45,818
Depreciation and amortization	23,690	0	262,308	0
Miscellaneous	30	141	71	481
	<u>\$ 994,537</u>	<u>\$ 451,428</u>	<u>\$ 869,874</u>	<u>\$ 592,134</u>

See the accompanying notes to the financial statements.

Management and General	Totals
\$ 150,151	\$ 867,279
11,285	63,780
18,324	150,108
4,900	36,400
0	678,433
44,460	53,120
9,708	42,731
1,675	24,712
11,220	56,750
6,959	219,966
13,102	85,730
8,346	41,730
4,965	151,651
5,618	53,248
7,115	115,606
5,965	38,087
52,879	215,917
3,018	15,097
0	70,601
13,058	299,056
2,372	3,095
<u>\$ 375,117</u>	<u>\$ 3,283,091</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	<u>Programming</u>	<u>Production</u>	<u>Broadcast, Engineering and Technical</u>	<u>Fundraising</u>
Salaries and wages	\$ 112,771	\$ 177,468	\$ 233,817	\$ 210,882
Payroll taxes	7,845	14,667	14,727	14,864
Employee benefits	12,197	60,405	24,508	56,972
Contract labor	0	35	24,000	13,645
Program acquisition	668,618	26,937	0	0
Dues and fees	9,538	0	1,050	0
Advertising and promotion	24,073	562	34	7,164
Printing and publications	11,685	203	0	9,059
Meetings, conferences and travel	3,572	2,143	1,059	24,658
Rental	21,526	0	170,532	26,083
Maintenance	3,816	22,506	18,009	11,337
Insurance	7,803	7,803	7,803	7,803
Utilities	7,392	7,392	124,641	7,392
Communications	23,364	7,575	7,605	7,702
Supplies	2,814	19,269	1,086	123,515
Postage and shipping	22,710	1,355	769	9,352
Professional services	2,422	66,121	450	30,164
Fuel and vehicle	913	3,401	3,093	3,591
Depreciation and amortization	23,690	0	358,650	0
Miscellaneous	<u>0</u>	<u>25</u>	<u>1,093</u>	<u>680</u>
	<u>\$ 966,748</u>	<u>\$ 417,869</u>	<u>\$ 992,926</u>	<u>\$ 564,863</u>

See the accompanying notes to the financial statements.

Management and General	Totals
\$ 145,544	\$ 880,482
10,893	62,996
16,030	170,112
3,003	40,683
0	695,555
45,102	55,690
4,364	36,197
407	21,354
13,825	45,257
3,934	222,075
3,841	59,509
8,940	40,152
2,728	149,545
5,543	51,789
1,537	148,221
4,950	39,136
45,900	145,057
295	11,293
11,169	393,509
1,134	2,932
<u>\$ 329,140</u>	<u>\$ 3,271,547</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

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 \$296,836 for the year ended June 30, 2019 and \$390,568 for the year ended June 30, 2018.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019 and 2018

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.

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, 2019 and 2018

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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Checking accounts – operating funds	\$ 517,384	\$ 492,029
Certificates of deposit	100,000	0
Savings accounts	17,383	17,381
Money market accounts	515,244	465,689
Equity securities	905	4,037
Bonds	216,091	169,396
Mutual funds	<u>111,505</u>	<u>141,076</u>
	<u>\$ 1,378,512</u>	<u>\$ 1,289,608</u>
Cash and cash equivalents	\$ 617,384	\$ 492,029
Savings and investments	<u>761,128</u>	<u>797,579</u>
	<u>\$ 1,378,512</u>	<u>\$ 1,289,608</u>

Realized and unrealized gains and losses are determined on the basis of specific identification. Investment income for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 18,060	\$ 13,291
Unrealized gain on investments	<u>7,327</u>	<u>554</u>
	<u>\$ 25,387</u>	<u>\$ 13,845</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019 and 2018

NOTE D - 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 E - PLEDGES RECEIVABLE

Pledges receivable consist of member pledges and underwriting pledges. At June 30, 2019 and 2018, 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.

NOTE F - 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, 2019 and 2018.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019 and 2018

NOTE G - OPERATING LEASE

The Corporation leases a transmitter building and tower under a 25 year noncancelable lease expiring in August 2026.

The future minimum lease payments as of June 30, 2019 were as follows:

Year Ending June 30,

2020	\$ 155,622
2021	161,068
2022	166,706
2023	174,540
2024	178,579
2025	184,830
2026	31,883

Tower lease expense for the years ended June 30, 2019 and 2018 was \$150,359 and \$152,056, respectively.

NOTE H - NET ASSETS WITH DONOR RESTRICTION

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

	<u>2019</u>	<u>2018</u>
Program production, acquisition and distribution	<u>\$ 731,772</u>	<u>\$ 730,431</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019 and 2018

NOTE I - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year ended June 30, 2019 and 2018, net assets of \$1,813,611 and \$1,426,588, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes.

NOTE J - NOTES PAYABLE

Note payable to a bank, due in monthly installments of \$760 including interest at 5.2% through February 2021, secured by a vehicle	\$ 14,518
Less current maturities	<u>(8,558)</u>
	<u>\$ 5,960</u>

Aggregate maturities of long-term debt are as follows:

Year ending <u>June 30,</u>	
2020	\$ 8,558
2021	<u>5,960</u>
	<u>\$ 14,518</u>

NOTE K - 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, 2019 and 2018 was \$47,382 and \$48,708, respectively.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019 and 2018

NOTE L - 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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Programming and production:		
Program advertising and promotion	\$ 26,000	\$ 24,000
Postage and shipping	14,400	14,100
All functions:		
Local telephone service	<u>15,710</u>	<u>15,777</u>
	<u>\$ 56,110</u>	<u>\$ 53,877</u>

NOTE M - 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, 2019 and 2018 was \$42,731 and \$36,197, respectively. These expenses include the amount of donated advertising cost discussed in Note L.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019 and 2018

NOTE N - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation had the following financial assets available at June 30, 2019 and June 30, 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 617,384	\$ 492,029
Savings and investments	761,128	797,579
Pledges receivable	210,751	156,443
Accounts receivable	<u>383</u>	<u>507</u>
	<u>\$ 1,589,646</u>	<u>\$ 1,446,558</u>

Of those assets, \$731,772 (\$730,431 at June 30, 2018) is unavailable for general expenditures within one year, due to restrictions from donors for purpose restrictions leaving \$857,874 (\$716,127 at June 30, 2018) available within one year for general expenditures.

NOTE O - COMMITMENTS

During the year ended June 30, 2019, the Corporation entered into contracts totaling \$1,071,324 related to installation of transmitters at new bandwidths as required by the Federal Communications Commission (FCC). The expense is being fully funded by a FCC grant. Total expenditures related to these contracts as of June 30, 2019 were \$308,729.

NOTE P - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 18, 2019, 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.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2019 and 2018

NOTE Q - RESTATEMENT

During the year ended June 30, 2019, the Corporation implemented FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities*. Net assets as of June 30, 2017 have been restated as follows:

	Net assets Without Donor <u>Restriction</u>	Net Assets With Donor <u>Restriction</u>	<u>Totals</u>
Net assets at June 30, 2017, as originally reported	\$ 614,476	\$ 2,594,156	\$ 3,208,632
Temporarily restricted net assets considered to be released from restriction when placed in service:			
Property and equipment	1,868,163	(1,868,163)	0
Station license	<u>29,412</u>	<u>(29,412)</u>	<u>0</u>
Net assets at June 30, 2017, as restated	<u>\$ 2,512,051</u>	<u>\$ 696,581</u>	<u>\$ 3,208,632</u>

This restatement had no effect on previously reported change in net assets.

SUPPLEMENTARY INFORMATION

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

GRANT EXPENDITURES

Year Ended June 30, 2019

Federal C.F.D.A. Number	Granting Agency	Purpose
N/A	Corporation for Public Broadcasting: Community Service Grant	Programming, production, development and promotion and broadcast equipment acquisition
N/A	Interconnection System Grant	Public television interconnection costs
N/A	Universal Service Support	Rural population funding
N/A	Single Program, Multimedia or Series Production	Veterans Coming Home Production
N/A	Education Innovation Plannting Grant	Training/innovation project
N/A	Federal Communications Commission	TV broadcaster relocation
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) June 30, 2018</u>	<u>Received</u>	<u>Expended</u>	<u>(Unexpended) June 30, 2019</u>
\$ (719,181)	\$ 731,772	\$ 719,181	\$ (731,772)
0	13,935	13,935	0
0	76,161	76,161	0
(11,250)	13,750	25,000	0
0	9,499	9,499	0
0	334,750	334,750	0
0	202,042	202,042	0
0	433,043	433,043	0
<u>\$ (730,431)</u>	<u>\$ 1,814,952</u>	<u>\$ 1,813,611</u>	<u>\$ (731,772)</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

PRINCIPAL OFFICIALS

June 30, 2019

Michael Nichols, Chairman
Shirley Fox Rogers, Vice Chairman
Peter Alliman, 2nd Vice Chairman
Jim Tindell, Secretary
Will Bunch, Treasurer
Jim Freeman, Director
Jim Jennings, Director
James Normand, Director
James MacDonald, Director
Becky Massey, Director
John Snodderly, Director
William Stephenson, Director
Rosalyn Tillman, Director
Billy Tindell, Director
Ed Wheeler, Director
Sylvia Woods, Director
Vickie Lawson, President

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, 2019 and 2018 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 18, 2019.

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) to determine the 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 determination of financial statement amounts. 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 first letters of "Mitchell" and "Emert" being capitalized and prominent. The plus sign is written as a simple cross.

October 18, 2019

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

There were no prior year findings reported.