

**THE GREATER CHATTANOOGA PUBLIC  
TELEVISION CORPORATION**

Chattanooga, Tennessee

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

Years ended June 30, 2020 and 2019

**JOHNSON, HICKEY & MURCHISON, P.C.**  
Certified Public Accountants  
Chattanooga, Tennessee

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**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**ROSTER OF MANAGEMENT AND BOARD MEMBERS**  
**JUNE 30, 2020**

**MANAGEMENT**

Bob Culkeen	President & CEO
Bryan Fuqua	Senior VP of Technical Services
Cindy Valentine	Chief Financial Officer
Shaun Townley	VP of Content & Digital Strategy
Pam Carpenter	VP of Programming & Traffic
Marianne Monoc	Senior Director of Development

**BOARD MEMBERS**

Steve Gatlin	Chair
Meredith Perry	Vice Chair
Cole Powell	Treasurer
Jo Coke	Secretary
Deborah Arfken	Director
Julie Brandao	Director
Justin Dumsday	Director
Daniel Fell	Director
Jennifer Fuller	Director
Carol George-Hieronymus	Director
Barbara Haskew	Director
Jerre Haskew	Director
Bonnie Hathcock	Director
Paula Henderson	Director
Jeaninne Houck	Director
Sheryl Jagers	Director
Don Jernigan	Director
Stacy Lightfoot	Director
Laurie Melnik	Director
Jessica Oliva-Calderin	Director
Marclyn Porter	Director
Frank Schriener, Jr.	Director
Alison Shaw	Director
Bruce Stewart	Director
Jim Tanner	Director
Edna Varner	Director
Scott Wilson	Director
Jo Ann Yates	Director



## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of  
The Greater Chattanooga Public Television Corporation**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Greater Chattanooga Public Television Corporation (a nonprofit Corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and 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 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 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 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

2215 Olan Mills Drive	jhmcpa.com	37421	423 756 0052 t	
Chattanooga, Tennessee	3		423 267 5945 f	

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Greater Chattanooga Public Television Corporation as of June 30, 2020 and 2019, 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.

## Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 audit 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 Roster of Management and Board Members on page 2, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of The Greater Chattanooga Public Television Corporation's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and 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 The Greater Chattanooga Public Television 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 The Greater Chattanooga Public Television Corporation's internal control over financial reporting and compliance.

*Johnson, Wickey & Meacham, P.C.*

Chattanooga, Tennessee  
October 21, 2020

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 133,087	\$ 45,938
Accounts receivable	23,991	20,874
Prepaid expenses	27,775	39,101
Total current assets	184,853	105,913
 <b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	251,000	251,000
Buildings and improvements	3,782,623	3,782,623
Equipment, furniture and fixtures	5,508,712	4,626,027
Vehicles	58,864	58,864
Construction in progress	-	654,132
	9,601,199	9,372,646
Less accumulated depreciation	5,058,829	4,896,725
	4,542,370	4,475,921
 <b>OTHER ASSETS</b>	 11,000	 11,000
	 \$ 4,738,223	 \$ 4,592,834

(The accompanying notes are an integral part of these statements.)

## LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ -	\$ 365,000
Current maturities of notes payable	133,089	125,000
Accounts payable	48,697	41,137
Accrued compensation, benefits and withholdings	119,253	94,038
Deferred revenue	<u>54,250</u>	<u>81,658</u>
Total current liabilities	<u>355,289</u>	<u>706,833</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current maturities shown above	1,434,414	1,536,775
Paycheck Protection Program loan	178,617	-
Rental deposits	<u>1,525</u>	<u>-</u>
	<u>1,614,556</u>	<u>1,536,775</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,768,378	2,348,726
With donor restrictions	<u>-</u>	<u>500</u>
	<u>2,768,378</u>	<u>2,349,226</u>
	<u>\$ 4,738,223</u>	<u>\$ 4,592,834</u>

(The accompanying notes are an integral part of these statements.)

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Corporation for Public Broadcasting	\$ 999,829	\$ 759,734
Government Grants		
Grant from City of Chattanooga	93,000	93,000
Tennessee Board of Education	430,793	430,793
Tennessee Department of Safety and Homeland Security	54,000	57,104
Grants - other	-	960
Grants - FCC Repack	330,766	1,080,174
Membership	265,239	260,190
Major giving	182,268	165,103
Underwriting	199,886	226,223
Education	5,000	19,000
Special events	20,935	27,350
In-kind contributions	22,661	77,976
Net assets released from donor restrictions	20,500	38,914
Total contributions and other support	2,624,877	3,236,521
Production services	38,760	27,775
Studio and tower rental	30,283	13,259
Loss on disposal of property, plant and equipment	-	(6,842)
Miscellaneous	17,017	36,209
	86,060	70,401
Total support, revenue and reclassifications	2,710,937	3,306,922
<b>Expenses</b>		
Program services	1,818,607	1,918,851
Fundraising	226,420	306,901
Management and general	246,258	275,955
	2,291,285	2,501,707
Increase in net assets without donor restrictions	419,652	805,215

(The accompanying notes are an integral part of these statements.)



	<u>2020</u>	<u>2019</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	\$ 20,000	\$ 10,934
Net assets released from donor restrictions	<u>(20,500)</u>	<u>(38,914)</u>
Decrease in net assets with donor restrictions	<u>(500)</u>	<u>(27,980)</u>
<b>INCREASE IN NET ASSETS</b>	419,152	777,235
<b>NET ASSETS</b>		
Beginning	<u>2,349,226</u>	<u>1,571,991</u>
Ending	<u>\$ 2,768,378</u>	<u>\$ 2,349,226</u>

(The accompanying notes are an integral part of these statements.)

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>					<u>Fundraising</u>					<u>Total</u>
	<u>Production</u>	<u>Programming</u>	<u>Technical</u>	<u>Underwriting</u>	<u>Education</u>	<u>Public Information</u>	<u>Membership</u>	<u>Special Events</u>	<u>Major Giving</u>	<u>Management and General</u>	
Salaries	\$ 207,329	\$ 56,620	\$ 133,669	\$ 68,242	\$ 22,571	\$ 29,201	\$ 46,334	\$ 1,824	\$ 48,118	\$ 130,255	\$ 744,163
Employee benefits	22,860	5,773	6,492	1,798	1,336	1,921	3,858	-	2,483	25,257	71,778
Payroll taxes	14,920	4,090	9,592	5,475	1,732	2,392	3,518	-	3,745	9,756	55,220
Professional services	12,072	1,843	9,008	3,201	1,608	1,106	14,816	6	1,843	8,472	53,975
Dues	5,496	11,555	8,508	391	10	797	6,632	-	1,376	24,653	59,418
Program acquisitions	-	578,979	-	-	-	-	-	-	-	-	578,979
Communications	3,469	22,293	1,790	1,388	278	417	4,843	-	713	3,352	38,543
Postage and shipping	12	-	8	3	37	-	2,712	125	90	361	3,348
Rental	1,368	273	684	547	110	164	448	4,375	273	1,094	9,336
Interest	43,175	18,757	8,146	1,631	4,806	543	1,668	-	1,663	6,194	86,583
Maintenance	15,272	852	14,628	487	1,687	191	671	-	584	2,174	36,546
Utilities	35,696	1,815	41,296	1,345	3,973	449	1,383	-	1,376	5,122	92,455
Printing and publications	339	174	296	238	35	81	7,002	311	553	615	9,644
Supplies	4,280	411	796	784	246	153	911	9,026	374	5,627	22,608
Meetings, travel	1,062	88	2,292	6,021	109	22	482	11,762	223	5,458	27,519
Advertising and promotion	-	-	-	-	-	16,000	-	-	80	-	16,080
Premiums/acquisitions	-	-	-	-	-	-	19,812	-	-	-	19,812
Casualty insurance	22,708	1,293	3,638	734	2,499	292	1,015	-	892	3,274	36,345
Depreciation	154,453	4,316	120,934	1,393	8,117	1,858	4,010	-	2,959	11,018	309,058
Vehicle expense	1,223	-	285	-	-	-	-	-	-	-	1,508
Miscellaneous	78	-	-	3,182	-	-	9,568	1,121	842	3,576	18,367
	<u>\$ 545,812</u>	<u>\$ 709,132</u>	<u>\$ 362,062</u>	<u>\$ 96,860</u>	<u>\$ 49,154</u>	<u>\$ 55,587</u>	<u>\$ 129,683</u>	<u>\$ 28,550</u>	<u>\$ 68,187</u>	<u>\$ 246,258</u>	<u>\$ 2,291,285</u>

(The accompanying notes are an integral part of these statements.)

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>					<u>Fundraising</u>					<u>Total</u>
	<u>Production</u>	<u>Programming</u>	<u>Technical</u>	<u>Underwriting</u>	<u>Education</u>	<u>Public Information</u>	<u>Membership</u>	<u>Special Events</u>	<u>Major Giving</u>	<u>Management and General</u>	
Salaries	\$ 251,499	\$ 53,268	\$ 133,521	\$ 68,984	\$ 28,492	\$ 56,202	\$ 48,778	\$ 1,070	\$ 108,551	\$ 160,043	\$ 910,408
Employee benefits	24,779	5,907	7,225	6,890	2,853	4,683	2,138	-	6,433	11,626	72,534
Payroll taxes	17,121	3,652	9,728	5,460	2,017	3,936	3,591	-	7,451	11,610	64,566
Professional services	12,265	1,960	4,905	3,392	1,335	2,240	2,160	26,667	2,460	12,304	69,688
Dues	3,993	11,303	8,249	705	18	632	8,058	-	996	25,822	59,776
Program acquisitions	-	576,061	-	-	-	-	-	-	-	-	576,061
Communications	3,914	22,382	2,674	1,566	314	470	5,024	-	784	5,255	42,383
Postage and shipping	11	73	1,570	3	203	22	3,351	141	265	544	6,183
Rental	2,123	403	1,010	807	162	242	4,753	-	403	1,669	11,572
Interest	42,002	21,594	9,768	2,846	4,573	966	2,498	-	2,279	8,712	95,238
Maintenance	12,489	685	16,470	392	1,356	153	540	-	470	1,748	34,303
Utilities	40,234	2,274	60,953	1,301	4,503	509	1,791	-	1,559	5,805	118,929
Printing and publications	270	142	101	147	198	213	3,832	487	472	464	6,326
Supplies	2,807	512	643	570	1,676	177	1,342	1,421	935	4,511	14,594
Meetings, travel	3,170	567	3,568	508	1,033	28	675	12,116	1,328	10,327	33,320
Advertising and promotion	10	-	-	-	9,000	40,387	449	150	-	725	50,721
Premiums/acquisitions	-	-	-	-	-	-	21,546	-	-	-	21,546
Casualty insurance	21,812	1,233	3,496	706	2,441	276	971	-	845	3,147	34,927
Depreciation	133,231	4,471	96,053	1,443	8,408	1,924	4,153	-	3,065	11,413	264,161
Vehicle expense	177	-	1,118	-	-	-	-	-	-	-	1,295
Miscellaneous	570	-	-	1,473	-	-	8,978	944	981	230	13,176
	<u>\$ 572,477</u>	<u>\$ 706,487</u>	<u>\$ 361,052</u>	<u>\$ 97,193</u>	<u>\$ 68,582</u>	<u>\$ 113,060</u>	<u>\$ 124,628</u>	<u>\$ 42,996</u>	<u>\$ 139,277</u>	<u>\$ 275,955</u>	<u>\$ 2,501,707</u>

(The accompanying notes are an integral part of these statements.)

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 419,152	\$ 777,235
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	309,058	264,161
Noncash contribution	-	(11,000)
Loss on disposal of property, plant and equipment	-	6,842
Net (increase) decrease in operating assets		
Accounts receivable	(3,117)	8,814
Prepaid expenses	11,326	(11,639)
Net increase (decrease) in operating liabilities		
Accounts payable	7,560	(28,542)
Accrued compensation, benefits and withholdings	25,215	(12,146)
Deferred revenue	(27,408)	21,541
Rental deposits	1,525	-
	<u>743,311</u>	<u>1,015,266</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(375,507)	(1,174,688)
Proceeds from sale of assets	-	1,500
	<u>(375,507)</u>	<u>(1,173,188)</u>
Net cash used by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in line of credit	(365,000)	230,000
Proceeds from Paycheck Protection Program loan	178,617	25,000
Payments on notes payable	(94,272)	(116,168)
	<u>(280,655)</u>	<u>138,832</u>
Net cash provided (used) by financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 87,149</b>	<b>\$ (19,090)</b>

(The accompanying notes are an integral part of these statements.)

	<u>2020</u>	<u>2019</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	\$ 45,938	\$ 65,028
Net increase (decrease) in cash and cash equivalents	<u>87,149</u>	<u>(19,090)</u>
Ending	<u>\$ 133,087</u>	<u>\$ 45,938</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during year for interest	<u>\$ 86,583</u>	<u>\$ 95,238</u>
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(The accompanying notes are an integral part of these statements.)

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Corporation**

The Greater Chattanooga Public Television Corporation (the Corporation) is a nonprofit corporation providing public and educational broadcast services to the Greater Chattanooga area. The Corporation operates a noncommercial public television station, WTCI – Chattanooga, which is affiliated with the Public Broadcasting Service.

**Basis of presentation**

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2019, the Corporation adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Corporation’s liquidity, financial performance, and cash flows.

The financial statements of the Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. In accordance with current guidance, the Corporation is reporting information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

**Promises to give**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**In-kind contributions and donated personal services**

Donated personal services are recognized as contributions in accordance with current standards if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Numerous volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under these standards were not met.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**In-kind contributions and donated personal services (continued)**

Donated services that do not represent personal services are actually donated “goods” and should be treated as gifts-in-kind, rather than as contributed services. These contributions and other noncash donations are valued at estimated fair value at the time of the donation.

**Pledges**

The Corporation engages in periodic fundraising campaigns manifested by offering some special television programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and corporations, to provide financial contributions to the Corporation for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. However, as uncollected pledges are not enforceable against contributors, they are neither shown as assets on the statement of financial position nor as revenue on the statement of activities. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Corporation. This usage is consistent with appeals for contributions and pledges.

**Program underwriting**

Revenue for program underwriting is recorded on a pro rata basis for the period covered.

**Property, equipment and depreciation**

It is the Corporation’s policy to consider donations of long-lived assets, unless otherwise restricted by the donor, as support without donor restrictions at the date they are placed in service. These assets are recorded as contributions at their estimated fair value at the time of the donation.

Contributions for the acquisition of long-lived assets are reported as support with donor restrictions until the asset is placed in service and/or any time restrictions expire. Purchased assets are recorded at cost.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$309,058 and \$264,161 was charged to operations for the periods ended June 30, 2020 and 2019, respectively.

**Cash equivalents**

The Corporation considers all funds on deposit at financial institutions that have original maturities of three months or less to be cash equivalents.

**Advertising**

Advertising costs are expensed as incurred. Donated advertising costs are expensed at the estimated fair market value at the time of receipt. Advertising expense of \$16,080 and \$50,721 was charged to operations for the years ended June 30, 2020 and 2019, respectively.

**Recent accounting pronouncements**

The following accounting pronouncements were recently issued by the FASB:

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU will supersede most current revenue recognition

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent accounting pronouncements (continued)**

guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The ASU is effective for fiscal years beginning after December 15, 2019. Transition to the new guidance may be done using either a full or modified retrospective method. The Corporation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Corporation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**(2) LIQUIDITY**

The Corporation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 133,087	\$ 45,938
Accounts receivable	23,991	20,874
Total financial assets as of end of year	\$ 157,078	\$ 66,812
Financial assets available to meet cash needs for general expenditures within one year	\$ 157,078	\$ 66,812

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. In addition, the Corporation has an unsecured line of credit with First Tennessee Bank in the amount of \$500,000. As of June 30, 2020, there were no borrowings against this line. As of June 30, 2019, there \$365,000 of borrowings against this line.



**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**(3) PROPERTY AND EQUIPMENT**

The Corporation has purchased equipment using federal funds from the Public Telecommunications Facilities Program (PTFP). Accordingly, under the grant agreements, there is a lien against the equipment for ten years subsequent to the close out of the grant award.

<u>Original Cost Equipment Description</u>	<u>Original Cost</u>	<u>Lien of Equipment Expiration Purchased</u>	<u>Date</u>
PTFP Grant No. 47-02-09183 Digital Television Equipment	\$ 258,773		September 2021

**(4) NOTES PAYABLE**

Notes payable consist of the following:

	<u>2020</u>	<u>2019</u>
Note to First Horizon Bank, payable in monthly installments of \$752, including interest at 5.15%, through August 2021, secured by vehicle	\$ 10,981	\$ 19,197
Note to First Horizon Bank, payable in monthly installments of \$5,004, including interest at 3.59%, through May 2027, secured by real property	370,935	403,943
Note to First Horizon Bank, payable in monthly installments Of \$10,598, including interest at 4.29%, through May 2032, secured by real property	<u>1,185,587</u>	<u>1,238,635</u>
	1,567,503	1,661,775
Less current maturities	<u>133,089</u>	<u>125,000</u>
	<u>\$ 1,434,414</u>	<u>\$ 1,536,775</u>

Maturities of notes payable are as follows:

For the year ending June 30, 2021	133,089
2022	139,837
2023	140,479
2024	147,190
2025	153,259
Thereafter	<u>853,649</u>
	<u>\$ 1,567,503</u>

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**(5) PAYCHECK PROTECTION PROGRAM LOAN**

On April 18, 2020, the Corporation was granted a loan from First Horizon Bank in the amount of \$178,617, pursuant to the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security Act, which was enacted March 27, 2020.

Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, rent, utilities, and interest on debt obligations incurred before February 15, 2020. The Corporation intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Corporation expects to have the balance of this loan fully forgiven.

**(6) LINE OF CREDIT**

The Corporation has an unsecured line of credit with First Horizon Bank in the amount of \$500,000. As of June 30, 2020, there were no borrowings against this line. As of June 30, 2019, there \$365,000 of borrowings against this line.

**(7) LEASE OBLIGATIONS**

The Corporation has entered into operating leases for the rental of equipment. Minimum lease commitments under these leases are as follows:

For the year ending June 30, 2021	4,661
2022	4,661
2023	4,351
2024	2,333
	\$ 16,006

Rent expense related to these leases totaled \$4,661 and \$6,939 for the years ended June 30, 2020 and 2019, respectively.

**(8) COMPENSATED ABSENCES**

Employees accrue annual leave using a ratio determined by years of full-time service. A maximum of 42 days may be accumulated, depending on years of full-time service. A provision has been made for compensated absences relative to annual leave. There was \$65,277 and \$58,988 accrued for compensated absences for the years ended June 30, 2020 and 2019, respectively.

**(9) TOWER RENTAL**

The Corporation receives revenue for tower rental under six operating leases with remaining terms of three years. All of these leases have at least one five-year renewal period remaining. Rent revenue related to these rentals totaled \$30,283 and \$13,259 for the years ended June 30, 2020 and 2019, respectively.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**(9) TOWER RENTAL (continued)**

Future minimum rentals under the above leases are as follows:

For the year ending June 30, 2021	33,743
2022	34,721
2023	35,728
	\$ 104,192

**(10) RETIREMENT PLAN**

The Corporation has a qualified retirement plan with 401(k) salary reduction plan. The Corporation has amended the plan documents to suspend all matching contributions. There were no retirement expenses for the years ended June 30, 2020 and 2019.

**(11) FUNDING SOURCES**

**Corporation for Public Broadcasting**

The Corporation of Public Broadcasting (CPB) is a private, nonprofit grant-making Corporation responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. Public broadcasters use these funds for purposes relating primarily to production and acquisition of programming. Also, the Grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The Grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with the application for and use of the Grants to maintain eligibility and compliance requirements. The guidelines pertain to the use of Grant funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

The Corporation received additional CPB funding related to the CARES Act in the amount of \$260,205 for the year ended June 30, 2020.

**State appropriation**

Funds received from the Tennessee Board of Education are in the form of a direct appropriation. Funding for this appropriation must be approved each year by the state.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**(12) FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing the various programs and other 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. The basis of allocation of these expenses is the result of a time study. The percentage of time allocated to each of the programs and the supporting functions is based on the results of the time studies and is applied to the expenses that are allocated. The financial statements report expenses by function in the statements of functional expenses.

**(13) INCOME TAXES**

The Corporation is a tax-exempt not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes.

The Corporation has unrelated business income under Section 511 of the Internal Revenue Code. This income arises from production services and studio and tower rental.

The Corporation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for uncertain tax positions. For the years ended June 30, 2020 and 2019, there were no interest or penalties recorded or included in its financial statements. Federal and Tennessee tax and information returns for tax years 2016 and beyond remain subject to examination.

**(14) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 21, 2020, the date which these financial statements were available for issue.

As a result of the spread of the coronavirus disease, some business disruption could occur, resulting in delays of day to day organizational activity. These delays and other potential disruptions could have a negative economic impact on the Corporation. However, the related financial impact and duration cannot be reasonably estimated at this time.

## **SUPPLEMENTAL INFORMATION**

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2020**

<u>Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable Balance 07/01/19</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable Balance 06/30/20</u>
<b><u>STATE FINANCIAL ASSISTANCE</u></b>						
<b>TN Department of Education</b>						
TN Board of Education	N/A	N/A	\$ -	\$ 430,793	\$ 430,793	\$ -
<b>TN Department of Safety and Homeland Security</b>						
	N/A	N/A	\$ -	\$ 49,500	\$ 54,000	\$ 4,500
<b>TOTAL STATE EXPENDITURES</b>			<b>\$ -</b>	<b>\$ 480,293</b>	<b>\$ 484,793</b>	<b>\$ 4,500</b>

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

The Schedule of Expenditures of State Financial Assistance is prepared on the accrual basis of accounting.



**INDEPENDENT AUDITORS' 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**

**To the Board of Directors of  
The Greater Chattanooga Public Television Corporation**

We have audited, 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, the financial statements of The Greater Chattanooga Public Television Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Greater Chattanooga Public Television 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Greater Chattanooga Public Television Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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. 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 audit 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.

2215 Olan Mills Drive	jhmcpa.com	37421	423 756 0052 t
Chattanooga, Tennessee	22		423 267 5945 f

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Greater Chattanooga Public Television Corporation's financial statements are free from 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 audit 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 the 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 the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Johnson, Weikert & Meacham, P.C.*

Chattanooga, Tennessee  
October 21, 2020



**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2020 AND 2019**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS***

**Current Year Finding**

None

**Prior Year Finding**

None

