

Financial Statements

EAST TENNESSEE PUBLIC
COMMUNICATIONS CORPORATION

Years Ended June 30, 2016 and 2015

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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, 2016 and 2015 and the related statements of activities 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, 2016 and 2015 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.

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 statements of functional expenses and grant expenditures are the responsibility of management and were 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016 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 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 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 cursive script that reads "Mitchell Emert & Hill".

October 17, 2016

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash - operating	\$ 285,451	\$ 264,723
Savings and investments	948,708	1,321,947
Pledges receivable	98,308	87,719
Accounts receivable	27,523	0
Works of art	4,835	4,835
Prepaid expenses	<u>38,956</u>	<u>29,390</u>
TOTAL CURRENT ASSETS	1,403,782	1,708,614
PROPERTY AND EQUIPMENT		
Land	32,500	32,500
Buildings	734,735	719,642
Broadcast equipment	6,177,999	5,861,232
Equipment installation in process	0	133,870
Furniture and fixtures	159,945	168,787
Vehicles	66,247	66,247
Leasehold improvements	<u>103,651</u>	<u>103,651</u>
	7,275,077	7,085,928
Accumulated depreciation	<u>(5,031,384)</u>	<u>(4,658,589)</u>
	2,243,693	2,427,340
DEFERRED CHARGES		
Station license	<u>31,632</u>	<u>33,851</u>
	<u>\$ 3,679,106</u>	<u>\$ 4,169,806</u>

See the accompanying notes to the financial statements.

	<u>2016</u>	<u>2015</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 0	\$ 21,589
Accrued vacation payable	<u>57,454</u>	<u>57,454</u>
TOTAL CURRENT LIABILITIES	57,454	79,043
NET ASSETS		
Temporarily restricted:		
Property and equipment	2,243,693	2,427,340
Station license	31,632	33,851
Unexpended grant	<u>758,822</u>	<u>759,892</u>
	3,034,147	3,221,083
Unrestricted	<u>587,505</u>	<u>869,680</u>
	<u>3,621,652</u>	<u>4,090,763</u>
	<u>\$ 3,679,106</u>	<u>\$ 4,169,806</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	Unrestricted	
	2016	2015
SUPPORT AND REVENUE		
Contributions	\$ 994,447	\$ 938,253
Production and telecasting	25,455	233,475
Underwriting	297,084	229,624
Grants:		
Corporation for Public Broadcasting	0	0
Tennessee Department of Education	0	0
Donated materials and services	83,139	81,418
Investment income	13,166	7,560
(Loss) on sale of equipment	(2,712)	0
Miscellaneous	26,898	8,218
	<u>1,437,477</u>	<u>1,498,547</u>
Net assets released from restrictions	<u>1,592,510</u>	<u>1,583,093</u>
	3,029,987	3,081,640
EXPENSES		
Programming and production	1,518,647	1,412,688
Broadcast and engineering	982,300	985,152
Fundraising	508,496	508,932
Management and general	302,719	289,696
	<u>3,312,162</u>	<u>3,196,467</u>
CHANGE IN NET ASSETS	(282,175)	(114,827)
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>869,680</u>	<u>984,506</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 587,505</u>	<u>\$ 869,680</u>

See the accompanying notes to the financial statements.

Temporarily Restricted		Totals	
2016	2015	2016	2015
\$ 0	\$ 0	\$ 994,448	\$ 938,253
0	0	25,455	233,475
0	0	297,084	229,624
772,738	773,639	772,738	773,639
632,835	632,835	632,835	632,835
0	0	83,139	81,418
0	0	13,166	7,560
0	0	(2,712)	0
0	0	26,898	8,218
<u>1,405,573</u>	<u>1,406,474</u>	<u>2,843,051</u>	<u>2,905,021</u>
<u>(1,592,510)</u>	<u>(1,583,093)</u>	<u>0</u>	<u>0</u>
<u>(186,937)</u>	<u>(176,619)</u>	<u>2,843,051</u>	<u>2,905,021</u>
0	0	1,518,647	1,412,688
0	0	982,300	985,152
0	0	508,496	508,932
0	0	302,719	289,696
<u>0</u>	<u>0</u>	<u>3,312,162</u>	<u>3,196,467</u>
(186,937)	(176,619)	(469,111)	(291,446)
<u>3,221,083</u>	<u>3,397,703</u>	<u>4,090,763</u>	<u>4,382,209</u>
<u>\$ 3,034,147</u>	<u>\$ 3,221,083</u>	<u>\$ 3,621,652</u>	<u>\$ 4,090,763</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (469,111)	\$ (291,446)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	404,400	395,348
Unrealized (gain)loss on investments	(1,950)	4,960
Loss on sale of property	2,712	0
(Increase) in:		
Pledges receivable	(10,590)	(7,016)
Accounts receivable	(27,523)	0
Prepaid expenses	(9,565)	(15,833)
(Decrease) in:		
Accounts payable	(21,588)	(8,810)
Accrued expenses	0	(2,500)
	<u>335,894</u>	<u>366,148</u>
NET CASH (USED)PROVIDED BY OPERATING ACTIVITIES	(133,217)	74,702
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
(Increase)decrease in investments	(4,544)	156,072
Purchase of equipment	<u>(221,245)</u>	<u>(191,113)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(225,789)</u>	<u>(35,041)</u>
NET (DECREASE)INCREASE IN CASH	(359,006)	39,661
CASH AT THE BEGINNING OF THE YEAR	<u>1,283,846</u>	<u>1,244,185</u>
CASH AT THE END OF THE YEAR	<u>\$ 924,839</u>	<u>\$ 1,283,846</u>

See the accompanying notes to the financial statements.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 \$402,180 for the year ended June 30, 2016 and \$393,128 for the year ended June 30, 2015.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016 and 2015

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 temporarily restricted or permanently restricted support, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions of property and equipment and other long-lived assets, including cash contributed to acquire such assets, are recorded as restricted support. In the absence of donor-imposed stipulations regarding how long the assets must be used, the Corporation has adopted a policy of implying a time restriction on contributions of long-lived assets that expires over the assets' useful lives. The expiration of the time restrictions are reported in the statements of activities as net assets released from restrictions. There were no permanently restricted net assets as of June 30, 2016 or 2015.

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 had no unrelated business income for the years ended June 30, 2016 and 2015. 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, 2016 and 2015

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, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Checking accounts – operating funds	\$ 285,451	\$ 264,723
Savings accounts	17,378	17,584
Money market accounts	622,010	1,001,539
Mutual funds	<u>309,320</u>	<u>302,824</u>
	<u>\$ 1,234,159</u>	<u>\$ 1,586,670</u>
Cash and cash equivalents	\$ 924,839	\$ 1,283,846
Investments	<u>309,320</u>	<u>302,824</u>
	<u>\$ 1,234,159</u>	<u>\$ 1,586,670</u>

Realized and unrealized gains and losses are determined on the basis of specific identification. Investment income for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 11,216	\$ 12,520
Unrealized gain(loss) on investments	<u>1,950</u>	<u>(4,960)</u>
	<u>\$ 13,166</u>	<u>\$ 7,560</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016 and 2015

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, 2016 were as follows:

Year Ending June 30,

2017	\$ 122,661
2018	126,954
2019	131,397
2020	135,996
2021	<u>140,756</u>
	<u>\$ 657,764</u>

Tower lease expense for the years ended June 30, 2016 and 2015 was \$130,133 and \$143,307, respectively.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and periods:

	<u>2016</u>	<u>2015</u>
Program production, acquisition and distribution	\$ 758,822	\$ 759,892
Use in period subsequent to June 30:		
Property and equipment	2,243,694	2,427,340
Station license	<u>31,631</u>	<u>33,851</u>
	<u>\$ 3,034,147</u>	<u>\$ 3,221,083</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016 and 2015

NOTE I - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of time restrictions:

	<u>2016</u>	<u>2015</u>
Satisfaction of purpose restrictions	\$ 1,187,618	\$ 1,187,745
Expiration of time restrictions	<u>404,892</u>	<u>395,348</u>
	<u>\$ 1,592,510</u>	<u>\$ 1,583,093</u>

NOTE J - 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, 2016 and 2015 was \$51,709 and \$42,716, respectively.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016 and 2015

NOTE K - 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, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Programming and production:		
Program advertising and promotion	\$ 53,222	\$ 52,790
Postage and shipping	14,000	12,500
All functions:		
Local telephone service	<u>15,919</u>	<u>16,128</u>
	<u>\$ 83,139</u>	<u>\$ 81,418</u>

NOTE L - 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, 2016 and 2015 was \$59,526 and \$81,376, respectively. These expenses include the amount of donated advertising cost discussed in Note K.

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 17, 2016 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	<u>Programming and Production</u>	<u>Broadcast, Engineering and Technical</u>	<u>Fundraising</u>
Salaries and wages	\$ 357,961	\$ 210,502	\$ 212,858
Payroll taxes	26,227	15,408	12,684
Employee benefits	68,879	30,680	30,238
Contract labor	17	400	16,188
Program acquisition	687,486	0	17,292
Dues and fees	29,385	0	800
Advertising and promotion	53,322	0	4,070
Printing and publications	8,410	0	8,730
Meetings, conference and travel	10,736	1,980	10,281
Rental	19,486	139,926	22,761
Maintenance	18,972	44,835	7,344
Insurance	19,660	9,805	9,805
Utilities	18,877	118,985	8,427
Communications	19,715	34,076	9,430
Supplies	31,226	1,059	118,891
Postage and shipping	27,296	683	7,551
Professional services	74,983	1,500	175
Fuel and vehicle	3,002	3,997	97
Depreciation and amortization	23,038	368,324	0
Special events	11,059	0	3,224
Miscellaneous	8,913	140	7,650
	<u>\$ 1,518,647</u>	<u>\$ 982,300</u>	<u>\$ 508,496</u>

See the accompanying independent accountants' audit report.

<u>Management and General</u>	<u>Totals</u>
\$ 116,362	\$ 897,682
8,664	62,984
29,067	158,864
0	16,604
0	704,778
25,745	55,930
2,135	59,526
299	17,440
13,840	36,837
2,963	185,137
7,373	78,523
9,805	49,075
8,067	154,357
10,111	73,332
4,330	155,506
554	36,085
48,542	125,201
954	8,049
13,037	404,400
0	14,282
870	17,573
<u>\$ 302,719</u>	<u>\$ 3,312,162</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	<u>Programming and Production</u>	<u>Broadcast, Engineering and Technical</u>	<u>Fundraising</u>
Salaries and wages	\$ 337,192	\$ 205,989	\$ 191,382
Payroll taxes	25,001	15,091	12,523
Employee benefits	64,051	31,418	31,613
Contract labor	1,233	0	10,410
Program acquisition	647,774	0	7,906
Dues and fees	34,084	0	1,071
Advertising and promotion	52,790	0	27,340
Printing and publications	3,840	328	15,049
Meetings, conference and travel	8,289	904	10,622
Rental	22,326	151,801	14,966
Maintenance	25,301	23,411	7,116
Insurance	22,986	12,238	10,748
Utilities	14,565	127,188	6,131
Communications	29,905	42,858	12,047
Supplies	3,112	1,286	118,643
Postage and shipping	16,771	496	14,495
Professional services	66,818	0	0
Fuel and vehicle	1,429	4,338	797
Depreciation and amortization	22,181	367,771	0
Special events	13,693	0	450
Miscellaneous	346	34	15,621
	<u>\$ 1,413,688</u>	<u>\$ 985,152</u>	<u>\$ 508,932</u>

See the accompanying independent accountants' audit report.

<u>Management and General</u>	<u>Totals</u>
\$ 124,064	\$ 858,627
10,440	63,056
25,430	152,512
0	11,643
0	655,680
14,765	49,920
1,246	81,376
340	19,557
12,453	32,267
3,348	192,442
6,139	61,967
11,543	57,516
6,131	154,015
10,933	95,743
3,221	126,263
558	32,320
50,907	117,726
698	7,263
5,396	395,348
0	14,143
<u>2,083</u>	<u>18,084</u>
<u>\$ 289,696</u>	<u>\$ 3,197,467</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

GRANT EXPENDITURES

Year Ended June 30, 2016

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	Tennessee Arts Commission	Programming
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, 2015</u>	<u>Received</u>	<u>Expended</u>	<u>(Unexpended)</u> <u>June 30, 2016</u>
\$ (759,892)	\$ 758,822	\$ 759,892	\$ (758,822)
0	13,916	13,916	0
0	2,610	2,610	0
0	202,042	202,042	0
<u>0</u>	<u>430,793</u>	<u>430,793</u>	<u>0</u>
<u><u>\$ (759,892)</u></u>	<u><u>\$ 1,408,183</u></u>	<u><u>\$ 1,409,253</u></u>	<u><u>\$ (758,822)</u></u>

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, 2016 and 2015 and the related statements of activities 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 17, 2016.

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.

Mitchell Emert & Hill

October 17, 2016

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

There were no prior year findings reported.