

Financial Statements

EAST TENNESSEE PUBLIC
COMMUNICATIONS CORPORATION

Years Ended June 30, 2018 and 2017

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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, 2018 and 2017 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, 2018 and 2017 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.

The schedule of principal officials has not been subjected to the auditing procedures applied in the audit of the financial statement 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 30, 2018 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.



October 30, 2018

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash - operating	\$ 492,029	\$ 305,349
Savings and investments	797,579	959,369
Pledges receivable	156,443	141,379
Accounts receivable	507	0
Works of art	4,835	4,835
Prepaid expenses	<u>12,750</u>	<u>500</u>
TOTAL CURRENT ASSETS	1,464,143	1,411,431
PROPERTY AND EQUIPMENT		
Land	32,500	32,500
Buildings	734,735	734,735
Broadcast equipment	6,194,298	6,182,335
Furniture and fixtures	166,026	166,026
Vehicles	80,255	55,498
Leasehold improvements	<u>103,651</u>	<u>103,651</u>
	7,311,466	7,274,746
Accumulated depreciation	<u>(5,798,653)</u>	<u>(5,407,363)</u>
	1,512,813	1,867,382
DEFERRED CHARGES		
Station license	<u>27,192</u>	<u>29,412</u>
	<u>\$ 3,004,148</u>	<u>\$ 3,308,226</u>

See the accompanying notes to the financial statements.

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 17,147	\$ 35,182
Accrued vacation payable	60,482	64,412
Current portion of long-term debt	<u>8,125</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	85,755	99,594
LONG-TERM DEBT, net of current portion	14,513	0
NET ASSETS		
Temporarily restricted:		
Property and equipment	1,512,813	1,867,382
Station license	27,192	29,412
Unexpended grant	<u>719,190</u>	<u>697,362</u>
	2,259,195	2,594,156
Unrestricted	<u>644,685</u>	<u>614,476</u>
	<u>2,903,880</u>	<u>3,208,632</u>
	<u>\$ 3,004,148</u>	<u>\$ 3,308,226</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2018 and 2017

	Unrestricted	
	2018	2017
SUPPORT AND REVENUE		
Contributions	\$ 1,098,190	\$ 1,039,485
Production and telecasting	19,100	23,740
Underwriting	277,066	243,640
Grants:		
Corporation for Public Broadcasting	0	0
Tennessee Department of Education	0	0
Donated materials and services	53,877	81,686
Investment income	13,845	16,691
Gain on sale of equipment	0	5,600
Tower lease	40,562	22,046
Miscellaneous	3,716	1,759
	<u>1,506,356</u>	<u>1,434,648</u>
Net assets released from restriction	<u>1,795,399</u>	<u>1,862,142</u>
	3,301,755	3,296,790
 EXPENSES		
Programming	966,748	970,639
Production	417,869	434,418
Broadcast and engineering	992,926	1,017,446
Fundraising	564,863	540,909
Management and general	329,140	306,406
	<u>3,271,546</u>	<u>3,269,818</u>
 CHANGE IN NET ASSETS	 30,209	 26,971
 NET ASSETS AT THE BEGINNING OF THE YEAR	 <u>614,476</u>	 <u>587,505</u>
 NET ASSETS AT THE END OF THE YEAR	 <u>\$ 644,685</u>	 <u>\$ 614,476</u>

See the accompanying notes to the financial statements.

Temporarily Restricted		Totals	
2018	2017	2018	2017
\$ 0	\$ 0	\$ 1,098,190	\$ 1,039,485
0	0	19,100	23,740
0	0	277,066	243,640
827,603	783,386	827,603	783,386
632,835	638,765	632,835	638,765
0	0	53,877	81,686
0	0	13,845	16,691
0	0	0	5,600
0	0	40,562	22,046
0	0	3,716	1,759
<u>1,460,438</u>	<u>1,422,151</u>	<u>2,966,794</u>	<u>2,856,799</u>
<u>(1,795,399)</u>	<u>(1,862,142)</u>	<u>0</u>	<u>0</u>
<u>(334,961)</u>	<u>(439,991)</u>	<u>2,966,794</u>	<u>2,856,799</u>
0	0	966,748	970,639
0	0	417,869	434,418
0	0	992,926	1,017,446
0	0	564,863	540,909
0	0	329,140	306,406
<u>0</u>	<u>0</u>	<u>3,271,546</u>	<u>3,269,818</u>
(334,961)	(439,991)	(304,752)	(413,020)
<u>2,594,156</u>	<u>3,034,147</u>	<u>3,208,632</u>	<u>3,621,652</u>
<u>\$ 2,259,195</u>	<u>\$ 2,594,156</u>	<u>\$ 2,903,880</u>	<u>\$ 3,208,632</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (304,752)	\$ (413,020)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	393,510	404,049
Unrealized (gain) on investments	(554)	(7,869)
Gain on sale of property	0	3,000
(Increase)decrease in:		
Pledges receivable	(15,064)	(43,070)
Accounts receivable	(507)	27,523
Prepaid expenses	(12,250)	38,456
Increase(decrease) in:		
Accounts payable	(18,034)	35,182
Accrued vacation payable	(3,930)	6,959
	<u>343,171</u>	<u>464,230</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,419	51,210
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Acquisition of capital assets	(36,721)	(28,519)
(Increase)decrease in investments	<u>(2,523)</u>	<u>5,667</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(39,244)</u>	<u>(22,852)</u>

See the accompanying notes to the financial statements.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENTS OF CASH FLOWS

(continued)

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH PROVIDED(USED) BY FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	25,257	0
Principal payments on long-term debt	<u>(2,619)</u>	<u>0</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>22,638</u>	<u>0</u>
NET INCREASE IN CASH	21,813	28,357
CASH AT THE BEGINNING OF THE YEAR	<u>953,196</u>	<u>924,839</u>
CASH AT THE END OF THE YEAR	<u>\$ 975,009</u>	<u>\$ 953,196</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

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 \$390,568 for the year ended June 30, 2018 and \$404,049 for the year ended June 30, 2017.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2018 and 2017

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, 2018 or 2017.

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, 2018 and 2017

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, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Checking accounts – operating funds	\$ 319,713	\$ 305,349
Savings accounts	17,381	17,380
Money market accounts	638,005	630,467
Equity securities	4,037	36,853
Bonds	169,396	205,006
Mutual funds	<u>141,076</u>	<u>69,663</u>
	<u>\$ 1,289,608</u>	<u>\$ 1,264,718</u>
Cash and cash equivalents	\$ 975,099	\$ 953,196
Investments	<u>314,509</u>	<u>311,522</u>
	<u>\$ 1,289,608</u>	<u>\$ 1,264,718</u>

Realized and unrealized gains and losses are determined on the basis of specific identification. Investment income for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 13,291	\$ 9,092
Unrealized gain on investments	<u>554</u>	<u>7,869</u>
	<u>\$ 13,845</u>	<u>\$ 16,691</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017.

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2018 and 2017

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, 2018 were as follows:

Year Ending June 30,

2019	\$ 157,378
2020	162,886
2021	168,587
2022	174,487
2023	180,595
2024	186,915
2025	193,457
2026	200,228

Tower lease expense for the years ended June 30, 2018 and 2017 was \$152,056 and \$153,566, respectively.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Program production, acquisition and distribution	\$ 730,431	\$ 696,581
Use in period subsequent to June 30:		
Property and equipment	1,501,572	1,868,163
Station license	<u>27,192</u>	<u>29,412</u>
	<u>\$ 2,259,195</u>	<u>\$ 2,594,156</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2018 and 2017

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>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions	\$ 1,404,832	\$ 1,455,873
Expiration of time restrictions	<u>390,567</u>	<u>406,269</u>
	<u>\$ 1,795,399</u>	<u>\$ 1,862,142</u>

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	\$ 22,638
Less current maturities	<u>(8,125)</u>
	<u>\$ 14,513</u>

Aggregate maturities of long-term debt are as follows:

Year ending <u>June 30,</u>	
2019	\$ 8,125
2020	8,558
2021	<u>5,954</u>
	<u>\$ 22,638</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2018 and 2017

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, 2018 and 2017 was \$48,708 and \$49,530, respectively.

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, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Programming and production:		
Program advertising and promotion	\$ 24,000	\$ 51,702
Postage and shipping	14,100	14,000
All functions:		
Local telephone service	<u>15,777</u>	<u>15,984</u>
	<u>\$ 53,877</u>	<u>\$ 81,686</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, 2018 and 2017 was \$36,197 and \$59,844, respectively. These expenses include the amount of donated advertising cost discussed in Note K.

NOTE N - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 30, 2018, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

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	0	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	31,605	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	0	25	1,093	680
	<u>\$ 966,748</u>	<u>\$ 417,869</u>	<u>\$ 992,926</u>	<u>\$ 564,863</u>

See the accompanying notes to the financial statements.

<u>Management and General</u>	<u>Totals</u>
\$ 145,544	\$ 880,482
10,893	62,996
16,030	170,112
3,003	16,683
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	75,789
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>\$ 3,271,546</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	<u>Programming</u>	<u>Production</u>	<u>Broadcast, Engineering and Technical</u>	<u>Fundraising</u>
Salaries and wages	\$ 119,672	\$ 235,471	\$ 214,931	\$ 212,528
Payroll taxes	8,272	17,364	15,737	13,993
Employee benefits	19,014	53,820	31,789	40,843
Contract labor	726	1,715	0	16,798
Program acquisition	631,285	1,702	0	26,775
Dues and fees	8,284	0	0	0
Advertising and promotion	51,906	1,342	132	6,464
Printing and publications	11,935	0	0	8,509
Meetings, conferences and travel	1,488	4,893	249	12,945
Rental	20,188	0	173,447	34,584
Maintenance	4,841	19,865	23,562	9,324
Insurance	8,258	8,258	8,258	8,258
Utilities	7,405	7,405	140,589	7,405
Communications	22,918	6,976	30,506	5,956
Supplies	861	3,990	283	104,233
Postage and shipping	21,852	2,180	2,144	9,989
Professional services	7,781	66,731	0	18,238
Fuel and vehicle	263	2,488	4,351	2,243
Depreciation and amortization	23,690	0	371,467	0
Miscellaneous	0	219	0	1,825
	<u>\$ 970,639</u>	<u>\$ 434,418</u>	<u>\$ 1,017,446</u>	<u>\$ 540,909</u>

See the accompanying notes to the financial statements.

<u>Management and General</u>	<u>Totals</u>
\$ 132,997	\$ 915,599
9,944	65,310
18,531	163,997
2,595	21,834
0	659,762
42,182	50,466
0	59,844
738	21,182
13,792	33,367
2,359	230,578
4,777	62,369
868	33,900
2,384	165,188
10,221	76,577
4,422	113,789
1,731	37,896
48,323	141,073
816	10,161
8,892	404,049
834	2,878
<u>\$ 306,406</u>	<u>\$ 3,269,818</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

GRANT EXPENDITURES

Year Ended June 30, 2018

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	Emergency grant funds	Emergency storm damage assistance
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, 2017</u>	<u>Received</u>	<u>Expended</u>	<u>(Unexpended)</u> <u>June 30, 2018</u>
\$ (696,581)	\$ 719,181	\$ 696,581	\$ (719,181)
0	13,173	13,173	0
0	73,450	73,450	0
0	11,250	0	(11,250)
0	10,000	10,000	0
0	202,042	202,042	0
0	430,793	430,793	0
<u>\$ (696,581)</u>	<u>\$ 1,459,889</u>	<u>\$ 1,426,039</u>	<u>\$ (730,431)</u>

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

PRINCIPAL OFFICIALS

June 30, 2018

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, 2018 and 2017 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 30, 2018.

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 30, 2018

EAST TENNESSEE PUBLIC COMMUNICATIONS CORPORATION

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

There were no prior year findings reported.