

**WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY
THE UNIVERSITY OF TENNESSEE**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
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JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
University of Tennessee:

Report on the Financial Statements

We have audited the accompanying financial statements of WUOT-FM (the "Station"), a public telecommunications entity operated by the University of Tennessee, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Station's 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, and the changes in financial position and cash flows, of only the Station-related accounts of the University of Tennessee that are attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the University of Tennessee as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's basic financial statements. The Schedule of Functional Expenses (Exhibit I) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of functional expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

James Moore & Co., P.L.

Gainesville, Florida
January 13, 2021

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

INTRODUCTION

This section of the University of Tennessee at Knoxville’s WUOT-FM Radio Station’s (“WUOT” or the “Station”) annual financial report presents management’s discussion and analysis of the financial performance of WUOT during the fiscal year ended June 30, 2020, with comparative information presented for the fiscal years ended June 30, 2019 and 2018. This discussion has been prepared by management, along with the financial statements and related note disclosures, and should be read in conjunction with them. The financial statements, notes, and this discussion are the responsibility of management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The report consists of three basic financial statements. The statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows provide information on WUOT as a whole and present a long-term view of the Station’s finances. The accompanying notes to the financial statements are an integral part of the financial statements and are essential to understanding the data contained in the financial statements.

Net position is divided into three major categories. The first category, investment in capital assets, provides the Station’s equity in property, plant, and equipment owned by the Station. The second category, restricted net position, is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net position is available for expenditure by the Station, but must be spent for purposes as determined by donors who have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, which is available to the Station for any lawful purpose. The Statements of Revenues, Expenses and Changes in Net Position depicts the operating revenues and expenses resulting in Net Operating Income (Loss), which is then combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Position. The Statements of Cash Flows shows the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

WUOT presents these condensed statements of operations to more accurately represent our operations and for financial transparency to the community and the audiences we serve. WUOT completed FY 2020 with a net operating loss of \$89,526 (after depreciation) and a decrease in net position of \$57,898 including investment income. This is after a net operating loss of \$92,618 in FY 2019 (after depreciation). Net assets decreased to \$1,434,613 for the year ended June 30, 2020, from \$1,492,511 for the year ended June 30, 2019. Our operating revenues increased to \$2,152,558 in FY 2020, from \$2,008,826 in FY 2019, due to increases in Indirect Administrative Support and Appropriations from the University of Tennessee. FY 2019 operating revenues increased from FY 2018 operating revenues of \$1,871,329 due to increases in Underwriting and Membership income. WUOT’s operating expenses increased from \$2,101,444 in FY 2019 to \$2,242,084 in FY 2020 primarily due to increases in Programming and Production expenses. FY 2019 operating expenses increased from \$1,985,260 in FY 2018 as a result of increases in Management and General expenses. There were no purchases or disposals of capital assets during FY 2020. During FY 2019, there was a capital asset disposal of \$5,500 but no purchases.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

TABLE 1
CONDENSED STATEMENTS OF NET POSITION

	June 30, 2020	June 30, 2019	June 30, 2018
Current assets	\$ 1,410,226	\$ 1,428,461	\$ 1,441,623
Noncurrent assets	<u>128,863</u>	<u>149,729</u>	<u>171,100</u>
Total assets	<u>1,539,089</u>	<u>1,578,190</u>	<u>1,612,723</u>
Current liabilities	49,264	54,386	48,550
Long-term liabilities	55,212	31,293	23,120
Total liabilities	<u>104,476</u>	<u>85,679</u>	<u>71,670</u>
Net position			
Invested in capital assets	78,863	99,729	121,100
Unrestricted	1,248,177	1,275,555	1,301,554
Restricted for endowments-			
Expendable	57,573	67,227	68,399
Nonexpendable	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total net position	<u>\$ 1,434,613</u>	<u>\$ 1,492,511</u>	<u>\$ 1,541,053</u>

TABLE 2
**CONDENSED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

	June 30, 2020	June 30, 2019	June 30, 2018
Revenues			
Operating revenues	\$ 2,152,558	\$ 2,008,826	\$ 1,871,329
Non-operating revenues	<u>31,628</u>	<u>44,076</u>	<u>70,734</u>
Total revenues	<u>2,184,186</u>	<u>2,052,902</u>	<u>1,942,063</u>
Operating expenses			
Programming and production	1,126,229	946,896	912,164
Broadcasting	355,898	294,903	298,635
Programming and promotion	16,049	17,176	8,339
Management and general	331,879	457,787	412,785
Fundraising and membership development	211,521	188,704	172,811
Underwriting and grant solicitation	<u>200,508</u>	<u>195,978</u>	<u>180,526</u>
Total operating expenses	<u>2,242,084</u>	<u>2,101,444</u>	<u>1,985,260</u>
Decrease in net position	(57,898)	(48,452)	(43,197)
Net position, beginning of year	<u>1,492,511</u>	<u>1,541,053</u>	<u>1,584,250</u>
Net position, end of year	<u>\$ 1,434,613</u>	<u>\$ 1,492,511</u>	<u>\$ 1,541,053</u>

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THE UNIVERSITY OF TENNESSEE
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

TABLE 3
CONDENSED STATEMENTS OF CASH FLOWS

	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Net cash used in operating activities	\$ (68,373)	\$ (57,238)	\$ (76,629)
Net cash provided by noncapital and related financing activities	75,000	-	-
Net cash used in capital and related financing activities	-	-	-
Net cash provided by investing activities	55,893	55,308	54,762
Net increase (decrease) in cash and cash equivalents	62,520	(1,930)	(21,867)
Cash and cash equivalents, beginning of year	244,878	246,808	268,675
Cash and cash equivalents, end of year	<u>\$ 307,398</u>	<u>\$ 244,878</u>	<u>\$ 246,808</u>

Current assets consist of cash and cash equivalents, funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station, and underwriting accounts receivable. Noncurrent assets are made up of capital assets presented net of accumulated depreciation and funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station. Current liabilities include the current portion of compensated absences, underwriting unearned revenue, and accrued payroll. Noncurrent liabilities include the long term portion of compensated absences.

Operating revenues consist primarily of State Appropriations, membership contributions, business and industry support, community service grants, and non-cash donated facilities and administrative support from the University. Operating expenses consist primarily of broadcasting, programming and production, management and general, fundraising and membership development, and underwriting and grant solicitation. Non-operating revenues and expenses consist primarily of investment income and losses. WUOT had non-operating revenues of \$31,628 in FY 2020, a decrease from \$44,076 in FY 2019. FY 2019 non-operating revenues decreased from FY 2018 non-operating revenues of \$70,734.

FUTURE ECONOMIC IMPACTS

A primary economic factor facing the Station is the State of Tennessee’s funding through the University. This year, funding to the Station increased from \$545,715 in FY 2019 to \$615,213 in FY 2020. Funding in FY 2019 increased from \$531,683 in FY 2018. As of January 1, 2020 the University of Tennessee Foundation, Inc. began assessing a 4.5% fee on every donation to WUOT. Furthermore, the Station relies on listener support. Through gifts, as well as underwriting income, the Station can provide the types of programming its listeners have come to enjoy.

Additionally, in early 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease “COVID-19”, by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while we cannot quantify the financial and other impact to the Station, we believe that a material impact on the Station’s financial position and results of future operations is reasonably possible.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Station's finances for those with an interest in the Station's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Regina Dean, Director, WUOT, the University of Tennessee, 209 Communications Building, Knoxville, Tennessee 37996-0322.

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 127,835	\$ 139,280
Restricted cash	179,563	105,598
Funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station:		
Unrestricted	1,026,745	1,116,356
Restricted	57,573	67,227
Accounts receivable	18,510	-
Total current assets	<u>1,410,226</u>	<u>1,428,461</u>
Noncurrent assets		
Funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station:		
Restricted	50,000	50,000
Capital assets, net	78,863	99,729
Total noncurrent assets	<u>128,863</u>	<u>149,729</u>
Total assets	<u>1,539,089</u>	<u>1,578,190</u>
<u>LIABILITIES</u>		
Current liabilities		
Accrued payroll	8,691	12,358
Current portion of compensated absences	29,900	42,028
Unearned revenue	10,673	-
Total current liabilities	<u>49,264</u>	<u>54,386</u>
Noncurrent liabilities		
Noncurrent portion of compensated absences	55,212	31,293
Total liabilities	<u>104,476</u>	<u>85,679</u>
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	78,863	99,729
Unrestricted	1,298,177	1,325,555
Restricted:		
Expendable	57,573	67,227
Nonexpendable	50,000	50,000
Total net position	<u>\$ 1,434,613</u>	<u>\$ 1,492,511</u>

The accompanying notes to financial statements
are an integral part of these statements.

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Community service grants donated by the Corporation for Public Broadcasting	\$ 145,394	\$ 151,907
Appropriations from the University of Tennessee	615,213	545,715
Underwriting	251,002	291,807
Membership income	866,732	802,798
Donated facilities and administrative support from the University of Tennessee	257,638	176,223
In-kind contributions	15,179	37,596
Production revenue	1,400	2,780
Total operating revenues	<u>2,152,558</u>	<u>2,008,826</u>
Operating expenses (Exhibit I)		
Programming and production	1,126,229	946,896
Broadcasting	355,898	294,903
Programming information and promotion	16,049	17,176
Management and general	331,879	457,787
Fundraising and membership development	211,521	188,704
Underwriting and grant solicitation	200,508	195,978
Total operating expenses	<u>2,242,084</u>	<u>2,101,444</u>
Operating loss	<u>(89,526)</u>	<u>(92,618)</u>
Non-operating revenues (expenses)		
Interest income	55,893	55,308
Unrealized loss on investments	(99,265)	(11,232)
CARES Act stabilization funds	75,000	-
Total non-operating revenues (expenses)	<u>31,628</u>	<u>44,076</u>
Decrease in net position	<u>(57,898)</u>	<u>(48,542)</u>
Net position, beginning of year	1,492,511	1,541,053
Net position, end of year	<u><u>\$ 1,434,613</u></u>	<u><u>\$ 1,492,511</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	\$ 1,256,691	\$ 1,795,007
Cash payments to suppliers and vendors	(217,981)	(779,330)
Cash payments to employees	(1,107,083)	(1,072,915)
Net cash used in operating activities	<u>(68,373)</u>	<u>(57,238)</u>
Cash flows from investing activities		
Interest income	<u>55,893</u>	<u>55,308</u>
Cash flows from noncapital financing activities		
Proceeds from CARES Act stabilization funds	75,000	-
Net increase (decrease) in cash and cash equivalents	<u>62,520</u>	<u>(1,930)</u>
Cash and cash equivalents, beginning of year	244,878	246,808
Cash and cash equivalents, end of year	<u>\$ 307,398</u>	<u>\$ 244,878</u>
Shown of the statements of net position as:		
Cash and cash equivalents	\$ 127,835	\$ 139,280
Restricted cash	179,563	105,598
Total cash and cash equivalents	<u>\$ 307,398</u>	<u>\$ 244,878</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<u>\$ (89,526)</u>	<u>\$ (92,618)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	20,866	20,913
Loss on disposal of equipment	-	458
Increase in certain assets:		
Accounts receivable	(18,510)	-
Increase (decrease) in certain liabilities:		
Accrued payroll	(3,667)	(1,754)
Compensated absences	11,791	15,763
Unearned revenue	10,673	-
Total adjustments	<u>21,153</u>	<u>35,380</u>
Net cash used in operating activities	<u>\$ (68,373)</u>	<u>\$ (57,238)</u>

The accompanying notes to financial statements
are an integral part of these statements.

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of WUOT-FM (the “Station”), which affect significant elements of the accompanying special-purpose financial statements:

(a) **Reporting entity**—The Station is a department of the University of Tennessee at Knoxville (the “University”) located in Knoxville, Tennessee and conducts various public broadcasting functions. The President of the University is responsible for the management of the University and the Station operates as a department of the University under the control of the Station manager. The financial statements include only those funds, under the administrative control of the Station manager, that relate directly to the operations of the Station, including funds held by the University of Tennessee Foundation, Inc. (the “Foundation”). These statements do not purport to present the financial position or results of operations of the University as a whole.

(b) **Basis of accounting**—For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Station’s accounting policies conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

(c) **Net position**—In the statements of net position, net position includes the following:

Net investment in capital assets—consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.

Restricted—consists of assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

Nonexpendable restricted net position—consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Expendable restricted net position—includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted—consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station’s policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in demand accounts with original maturities of three months or less. University cash deposits are held in financial institutions participating in the State of Tennessee Collateral Pool for Public Deposits. All such deposits are collateralized with securities held in Tennessee’s multiple financial institution collateral pool in accordance with Tennessee statutes.

WUOT-FM
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Restricted cash**—Restricted cash represents cash held with the University that is restricted as to withdrawal or use under the terms of certain contractual agreements.

(f) **Accounts receivable**—Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivables do not bear interest. There was no allowance for doubtful accounts recorded at June 30, 2020 and 2019.

(g) **Capital assets**—Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets which range from 5 - 10 years. Depreciation expense for the years ended June 30, 2020 and 2019 is \$20,866 and \$20,913, respectively.

(h) **Revenue recognition**—State appropriations are recorded as revenue in the statements of revenues, expenses and changes in net position when an expenditure is recorded.

Membership contributions are recognized as revenue in the period they are received.

Program production grants are reported as deferred revenues for programs not yet broadcast until the specific program is broadcast. At such time, amounts are included as revenues and the expenditures are recorded.

Revenue related to program underwriting for subsequent fiscal years is reflected as deferred revenues in the accompanying statements of net position. Revenue is recognized when the related program is aired.

Contributed support represents expenses paid on behalf of the Station by others outside the reporting entity, and includes donated materials or facilities, as well as indirect administrative support. These amounts are recorded in revenue during the period in which the support is provided.

(i) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, materials, professional services and other nonmonetary contributions as operating revenue in the accompanying statements of revenues, expenses and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

(j) **Pledges and contributions**—The Station engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

are frequently evidenced by pledges received from responding listeners. Contributions, including unconditional promises to give and membership receipts, are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors and the Station is not able to determine that they are probable of collection, therefore they are not shown as assets on the statements of net position. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

(k) **Corporation for Public Broadcasting Community Service Grants**—The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities 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). 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 for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Any remaining CSG funds and other restricted CPB grant funds at fiscal year-end are reported as restricted cash and restricted-expendable net position on the accompanying statements of net position.

(l) **Indirect support provided by the University of Tennessee**—Indirect support from the University consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the statements of revenues, expenses and changes in net position as donated facilities and administrative support and is allocated as an expense to each of the functional expense categories.

For the year ended June 30, 2020, indirect support is calculated using the CPB's Standard Method. For purposes of this calculation, expenses for non-broadcasting activities and unrelated business income taxes are removed from the Station's total operating expenses, along with depreciation, amortization, in-kind contributions, and donated property and equipment to determine the Station's net direct expenses. For the year ended June 30, 2020, there were no non-broadcasting activities and unrelated business income taxes. Additionally, in accordance with the CPB Standard Method, fees paid to the University of \$98,288 were removed in the calculation of indirect administrative support for the year ended June 30, 2020.

(m) **Operating activities**—The Station's policy for defining operating activities as reported on the statements of revenues, expenses and changes in net position are those that generally result from the provision of public broadcasting and instructional technology services, and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues. CARES Act stabilization funds are also included within non-operating activities as these funds did not result from normal operations of the Station.

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(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Program and production underwriting**—Revenue for program underwriting is recorded on a pro-rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis.

(o) **Income taxes**—The Station is owned and operated by the University of Tennessee at Knoxville which is a part of the State of Tennessee’s educational system. Accordingly, the Station is exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes paid, if any, are paid by the University.

(p) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

(q) **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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

(r) **Compensated absences**—The liability for compensated absences represents employees’ accrual of annual and sick leave based on length of service subject to certain limitation as defined by state statute and University policies.

(s) **Advertising costs**—Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended June 30, 2020 and 2019, is \$24,556 and \$44,502, respectively.

(t) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2019 balances have been reclassified to conform to the current year reporting format. These reclassifications had no impact on net position.

(u) **Recent accounting pronouncements**—In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Station is currently evaluating the effect that implementation of the new statement will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Interest Cost in Construction*. GASB 89 was made to enhance the comparability of information about capital assets and the cost of borrowing for a reported period, and aims to simplify accounting for the interest cost incurred before the end of a construction period. The provisions in GASB 89 are effective for periods beginning after December 15, 2020. The Station is currently evaluating the impact this statement will have on its financial statements.

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(2) **Funds Held and Invested by the University of Tennessee Foundation, Inc. on Behalf of the Station:**

The Station has an agreement with the Foundation whereby Station funds are held and invested by the Foundation on behalf of the Station. These amounts are included in the accompanying statements of net position of the Station as “Funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station”. Total cash and investments held by the Foundation is \$1,134,318 and \$1,233,583 as of June 30, 2020 and 2019, respectively. These totals include \$107,573 and \$117,227 of restricted funds as of June 30, 2020 and 2019, respectively. The unrestricted portion includes quasi-endowments without donor restrictions that were set up internally in order to obtain a higher yield and establish a permanent source of income. Any restriction on funds have been set by the University’s Foundation.

All funds held and invested by the Foundation on behalf of the Station are invested in uninsured and unregistered investments, which are held in the name of the Foundation. All funds held and invested by the Foundation on behalf of the Station are reflected at fair value. The Foundation categorizes the fair value measurement of these investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Station has the following recurring fair value measurements as of June 30, 2020 and 2019:

Funds held and invested by the Foundation – recorded at the Station’s ownership of a share of an investment pool, not the underlying securities. These funds are valued at the net asset value (NAV) of units held, as reported by the Foundation. The Station reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of these investments. Because the investment pool is not readily marketable, NAV is used as a practical expedient, and the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for such investment existed, and differences could be material. The Station relies on policies developed and administered by the University and the Foundation for managing interest rate risk or credit risk for these investment pools.

In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The following table discloses the nature and risk of investments for which fair value has been estimated using the NAV per share of the investments as a practical expedient as of June 30, 2020 and 2019.

Investments Measured at Net Asset Value as of June 30, 2020				
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	\$ 1,134,318	\$ -	Daily	N/A
Investments Measured at Net Asset Value as of June 30, 2019				
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	\$ 1,233,583	\$ -	Daily	N/A

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(3) **Capital Assets:**

Capital asset activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture, fixtures and equipment	\$ 822,768	\$ -	\$ -	\$ 822,768
Less: Accumulated depreciation	(723,039)	(20,866)	-	(743,905)
Capital assets, net	<u>\$ 99,729</u>	<u>\$ (20,866)</u>	<u>\$ -</u>	<u>\$ 78,863</u>

Capital asset activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture, fixtures and equipment	\$ 828,268	\$ -	\$ (5,500)	\$ 822,768
Less: Accumulated depreciation	(707,168)	(20,913)	5,042	(723,039)
Capital assets, net	<u>\$ 121,100</u>	<u>\$ (20,913)</u>	<u>\$ (458)</u>	<u>\$ 99,729</u>

(4) **State Retirement Plans:**

As the Station is a department of the University, any pension liability is reported by the University.

(a) **Tennessee retirement system**—State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Pension Plan was closed effective June 30, 2014 and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*.

Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive years' average compensation by 1 percent multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which a member's age and service credit total 80. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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(4) **State Retirement Plans:** (Continued)

(b) **Optional retirement program**—The University contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2, *Tennessee Code Annotated*. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

For employees employed prior to July 1, 2014, plan members are noncontributory. The university contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5% to the ORP, and the university will contribute 9% of the employee's base salary.

(5) **Post-Employment Benefits:**

Employees of the university who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the Closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. As the Station is a department of the University, any other post-employment benefit liability is reported by the University.

(6) **Risk Management Programs:**

The Station is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automotive liability, professional medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automotive liability, and professional medical malpractice liability is \$300,000 per person and \$1,000,000 per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual statement agency is in the first \$25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of \$7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the \$7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state, with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims serving and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

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(7) Significant Concentrations:

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Station, except as otherwise disclosed, is as follows:

(a) **Cash and cash equivalents**—The Station has demand deposits held at financial institutions for the University which are secured up to FDIC limits. Amounts in excess of FDIC limits are secured by collateral held with securities held in Tennessee’s multiple financial institution collateral pool in accordance with Tennessee statutes.

(b) **Funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station**—The Station has an agreement with the Foundation, whereby Station funds are held by the Foundation on behalf of the Station as described in Note 2. The Station has no policy requiring collateral or other security to support these amounts.

(c) **Revenues**—The Station receives significant revenue from two sources for the year ended June 30, 2020 and one source for the year ended June 30, 2019. The University provided approximately 40% and 35% of cash support and donated facilities during the years ended June 30, 2020 and 2019, respectively. The CPB provided approximately 10% of revenues during the year ended June 30, 2020.

(8) Restrictions on Net Position:

Investment income, including unrealized appreciation and depreciation, is allocated to the unrestricted account on a pro rata basis based on the nonexpendable balance. In accordance with state law, and absent any donor restrictions, these funds are then available for expenditure when the specific donor criteria are met. The restricted nonexpendable net position at June 30, 2020 and 2019, consists of \$50,000 in endowment principle. The restricted expendable portion consists of \$57,573 and \$67,227 at June 30, 2020 and 2019, respectively, in restricted funds which represent endowment earnings.

(9) Compensated Absences:

Compensated absences liability activity for the years ended June 30, 2020 and 2019, are as follows:

<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 73,321	\$ 48,189	\$ 36,398	\$ 85,112	\$ 29,900

<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amount Due</u> <u>Within 1 Year</u>
\$ 57,558	\$ 57,791	\$ 42,028	\$ 73,321	\$ 42,028

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(10) **Community Service Grants:**

The Station receives a CSG from the Corporation for Public Broadcasting annually. The CSGs received and expended during the most recent fiscal years are as follows:

Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30, 2020
		2017-18	2018-19	2019-20	
2019-21	\$ 145,394	\$ -	\$ -	\$ 88,786	\$ 56,608
2018-20	151,907	-	151,907	-	-
2017-19	153,895	153,895	-	-	-

(11) **Risks and Uncertainties:**

The Station invests in uninsured and unregistered investments, held and managed by the Foundation. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the carrying values reported in the statements of net position.

In early 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease “COVID-19”, by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Station as of January 13, 2021, management believes that a material impact on the Station’s financial position and results of future operations is reasonably possible.

(12) **Leases:**

In May 1987, the Station entered into a noncancelable operating lease for a tower and a transmitter building. The lease term is 25 years with a renewal option of 10 additional years. The first two payments were set at \$7,000 annually. Payments thereafter are indexed based on the U.S. Department of Labor’s Consumer Price Index. The Station has exercised the option to renew for an additional 10 years through 2022.

Expenses under the lease are \$18,000 for both the years ended June 20, 2020 and 2019. The following is a schedule of future minimum rental payments required under the lease as of June 30, 2020:

Year	Total Amount
2021	\$ 18,000
2022	18,000
Total minimum lease amounts	\$ 36,000

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(13) Nonfederal Financial Support (NFFS):

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government or agency thereof, or an educational institution; (2) the form of the payment must be an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the purpose must be for services or materials with respect to the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$2,051,078 and \$1,867,433 for the fiscal years ended June 30, 2020 and 2019, respectively.

SUPPLEMENTAL INFORMATION

WUOT-FM
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SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	Program Services				Supporting Services				Total Expenses	2019 Total Expenses
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total		
Salaries, payroll taxes and employee benefits	\$ 507,026	\$ 147,400	\$ 3,163	\$ 657,589	\$ 197,100	\$ 113,113	\$ 147,405	\$ 457,618	\$ 1,115,207	\$ 1,086,924
Professional services	360,738	30,319	1,000	392,057	18,987	15,789	5,973	40,749	432,806	380,237
Supplies and materials	5,745	27,346	1,956	35,047	14,083	7,836	1,831	23,750	58,797	41,024
Telephone and utilities	300	67,321	-	67,621	23,102	-	-	23,102	90,723	87,281
Postage, shipping and handling	-	722	-	722	-	-	-	21,623	22,345	18,590
Advertising	-	-	3,072	3,072	4,600	6,305	10,579	21,484	24,556	44,502
Rental and maintenance of equipment	-	16,135	79	16,214	532	-	144	676	16,890	3,948
Programming	88,786	-	-	88,786	-	-	-	-	88,786	151,907
Travel and training	6,021	4,363	33	10,417	1,744	-	-	1,744	12,161	13,674
Conferences and meetings	1,245	-	1,400	2,645	2,512	5	-	2,517	5,162	5,984
Subscriptions and dues	3,818	350	-	4,168	15,858	-	-	15,858	20,026	17,153
Depreciation	-	20,866	-	20,866	-	-	-	-	20,866	20,913
Donated facilities and administrative support from the University	117,134	34,053	731	151,918	45,534	26,132	34,054	105,720	257,638	176,223
Specialized Commercial Services	34,879	6,602	440	41,921	7,677	450	522	8,649	50,570	41,693
Other	537	421	4,175	5,133	150	20,268	-	20,418	25,551	11,391
	<u>\$ 1,126,229</u>	<u>\$ 355,898</u>	<u>\$ 16,049</u>	<u>\$ 1,498,176</u>	<u>\$ 331,879</u>	<u>\$ 211,521</u>	<u>\$ 200,508</u>	<u>\$ 743,908</u>	<u>\$ 2,242,084</u>	<u>\$ 2,101,444</u>

See accompanying notes to
financial statements