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

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
TABLE OF CONTENTS
JUNE 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
University of Tennessee:

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Station as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Station's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the 2021 financial statements have been restated to conform with the provisions of GASB 87, which should be applied retrospectively for all prior periods presented. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, 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, 2022 and 2021, 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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
September 23, 2022

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE UNIVERSITY OF TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021

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, 2022, with comparative information presented for the fiscal years ended June 30, 2021 and 2020. 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 2022 with a net income of $89,946 (after depreciation) and an increase in net position of $5,465 including investment income. This is after a net operating loss of $142,499 in FY 2021 (after depreciation). Net position increased to $1,775,494 for the year ended June 30, 2022, from $1,770,029 for the year ended June 30, 2021. Our operating revenues decreased to $2,014,488 in FY 2022, from $2,016,189 in FY 2021. FY 2021 operating revenues decreased from FY 2020 operating revenues of $2,152,558 mainly due to decreases in underwriting income and appropriations from the University of Tennessee. WUOT's operating expenses decreased from $2,158,688 in FY 2021 to $1,924,542 in FY 2022 primarily due to decreases in programming and production, fundraising and membership development, and underwriting and grant solicitation expenses. FY 2021 operating expenses decreased from $2,242,084 in FY 2020 primarily due to decreases in underwriting and grant solicitation, management and general, and broadcasting expenses, partially offset by increased fundraising and membership development expenses. WUOT disposed of $15,422 of fully depreciated capital assets in FY 2022. There were no purchases or disposals of capital assets in FY 2021.

TABLE 1
CONDENSED STATEMENTS OF NET POSITION

	June 30, 2022	June 30, 2021	June 30, 2020
Current assets	$ 1,821,961	$ 1,785,321	$ 1,410,226
Noncurrent assets	993,344	1,043,244	128,863
Total assets	2,815,305	2,828,565	1,539,089
Current liabilities	76,351	77,895	49,264
Long-term liabilities	963,460	980,641	55,212
Total liabilities	1,039,811	1,058,536	104,476
Net position			
Invested in capital assets	(272)	49,212	78,863
Unrestricted	1,610,350	1,548,406	1,167,415
Restricted for endowments-			
Expendable	107,684	114,263	138,335
Nonexpendable	57,732	58,148	50,000
Total net position	$ 1,775,494	$ 1,770,029	$ 1,434,613

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

	June 30, 2022	June 30, 2021	June 30, 2020
Revenues			
Operating revenues	$ 2,014,488	$ 2,016,189	$ 2,152,558
Non-operating revenues (losses)	(84,481)	477,915	31,628
Total revenues	1,930,007	2,494,104	2,184,186
Operating expenses			
Programming and production	993,165	1,136,881	1,126,229
Broadcasting	346,490	332,972	355,898
Programming and promotion	840	1,402	16,049
Management and general	277,001	291,359	331,879
Fundraising and membership development	186,404	238,755	211,521
Underwriting and grant solicitation	120,642	157,319	200,508
Total operating expenses	1,924,542	2,158,688	2,242,084
Change in net position	5,465	335,416	(57,898)
Net position, beginning of year	1,770,029	1,434,613	1,492,511
Net position, end of year	$ 1,775,494	$ 1,770,029	$ 1,434,613

TABLE 3
CONDENSED STATEMENTS OF CASH FLOWS

	June 30, 2022	June 30, 2021	June 30, 2020
Net cash provided by (used in) operating activities	$ 113,588	$ (115,644)	$ (68,373)
Net cash provided by noncapital and related financing activities	-	155,525	75,000
Net cash used in capital and related financing activities	(12,095)	(20,043)	-
Net cash provided by investing activities	56,619	50,554	55,893
Net increase in cash and cash equivalents	158,112	70,392	62,520
Cash and cash equivalents, beginning of year	377,790	307,398	244,878
Cash and cash equivalents, end of year	$ 535,902	$ 377,790	$ 307,398

Current assets consist of cash and cash equivalents, funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station, underwriting accounts receivable, and prepaid expenses. Noncurrent assets are made up of capital assets, including a right of use lease asset, presented net of accumulated depreciation and amortization 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, accrued payroll, accounts payable, and interest payable. Noncurrent liabilities include the long-term portion of compensated absences and lease liability.

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 and interest expense on lease obligations. WUOT had non-operating losses of $84,481 in FY 2022, a decrease from non-operating revenues of $477,915 in FY 2021. FY 2021 non-operating revenues increased from FY 2020 non-operating revenues of $31,628.

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 $566,092 in FY 2021 to $593,409 in FY 2022. Funding in FY 2021 decreased from $615,213 in FY 2020. 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.

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, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 501,034	$ 348,278
Restricted cash	34,868	29,512
Funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station:		
Unrestricted	1,176,264	1,288,551
Restricted	72,816	84,751
Accounts receivable	19,440	11,779
Prepaid expenses	17,539	22,450
Total current assets	1,821,961	1,785,321
Noncurrent assets		
Funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station:		
Restricted	57,732	58,148
Capital assets, net	935,612	985,096
Total noncurrent assets	993,344	1,043,244
Total assets	2,815,305	2,828,565
LIABILITIES		
Current liabilities		
Accounts payable	4,833	2,965
Accrued payroll	4,154	9,452
Current portion of compensated absences	32,566	28,655
Unearned revenue	5,134	11,527
Interest payable	29,664	25,296
Total current liabilities	76,351	77,895
Noncurrent liabilities		
Noncurrent portion of compensated absences	27,576	44,757
Lease liability	935,884	935,884
Total noncurrent liabilities	963,460	980,641
Total liabilities	1,039,811	1,058,536
NET POSITION		
Net position		
Net investment in capital assets	(272)	49,212
Unrestricted	1,610,350	1,548,406
Restricted:		
Expendable	107,684	114,263
Nonexpendable	57,732	58,148
Total net position	$ 1,775,494	$ 1,770,029

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, 2022 AND 2021

	2022	2021
Operating revenues		
Community Service Grants donated by the Corporation for Public Broadcasting	$ 155,605	$ 137,836
Appropriations from the University of Tennessee	593,409	566,092
Underwriting	193,328	152,664
Membership income	857,342	891,993
Donated facilities and administrative support from the University of Tennessee	196,642	252,616
In-kind contributions	17,212	14,988
Production revenue	950	-
Total operating revenues	2,014,488	2,016,189
Operating expenses (Exhibit I)		
Programming and production	993,165	1,136,881
Broadcasting	346,490	332,972
Programming information and promotion	840	1,402
Management and general	277,001	291,359
Fundraising and membership development	186,404	238,755
Underwriting and grant solicitation	120,642	157,319
Total operating expenses	1,924,542	2,158,688
Operating income (loss)	89,946	(142,499)
Non-operating revenues (expenses)		
Interest income	56,619	56,551
Interest expense on lease obligations	(25,411)	(25,296)
Unrealized gain (loss) on investments	(124,637)	291,135
ARPA stabilization funds	-	155,525
FCC repack	8,948	-
Total non-operating revenues (expenses)	(84,481)	477,915
Change in net position	5,465	335,416
Net position, beginning of year, as restated per Note 1	1,770,029	1,434,613
Net position, end of year	$ 1,775,494	$ 1,770,029

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	$ 1,193,172	$ 1,190,078
Cash payments to suppliers and vendors	(228,423)	(200,324)
Cash payments to employees	(851,161)	(1,105,398)
Net cash provided by (used in) operating activities	113,588	(115,644)
Cash flows from investing activities		
Increase in funds held and invested by the University of Tennessee Foundation, Inc. on behalf of the Station	-	(5,997)
Interest income	56,619	56,551
Net cash provided by investing activities	56,619	50,554
Cash flows from noncapital financing activities		
Proceeds from ARPA stabilization funds	-	155,525
Cash flows from capital and related financing activities		
FCC repack	8,948	-
Interest paid on lease obligations	(21,043)	-
Payments for right to use lease asset	-	(20,043)
Net cash used in capital and related financing activities	(12,095)	(20,043)
Change in cash and cash equivalents	158,112	70,392
Cash and cash equivalents, beginning of year	377,790	307,398
Cash and cash equivalents, end of year	$ 535,902	$ 377,790
Shown on the statements of net position as:		
Cash and cash equivalents	$ 501,034	$ 348,278
Restricted cash	34,868	29,512
Total cash and cash equivalents	$ 535,902	$ 377,790
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 89,946	$ (142,499)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	49,484	49,694
Change in assets and liabilities:		
Accounts receivable	(7,660)	6,731
Prepaid expenses	4,911	(22,450)
Accounts payable	1,868	2,965
Accrued payroll	(5,298)	761
Compensated absences	(13,270)	(11,700)
Unearned revenue	(6,393)	854
Total adjustments	23,642	26,855
Net cash provided by (used in) operating activities	$ 113,588	$ (115,644)

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

(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 (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, including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any debt and lease liabilities 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.

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

(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.

(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, 2022 and 2021.

(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. Right of use lease assets are included in capital assets and amortized over the shorter of the lease term or useful life of the underlying asset. Depreciation and amortization expense for the years ended June 30, 2022 and 2021 is $49,484 and $49,694, respectively.

(h) **Pension and other postemployment benefits**—As the Station is a department of the University, any pension and other postemployment benefits liabilities are reported by the University. The University's Annual Financial Report may be obtained from: https://controller.tennessee.edu.

(i) **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 unearned 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 unearned 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.

(j) **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.

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

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.

(k) **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 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.

(l) **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 ("CSG") 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.

(m) **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.

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

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 years ended June 30, 2022 and 2021, 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 $89,992 and $91,988 were removed in the calculation of indirect administrative support for the years ended June 30, 2022 and 2021, respectively.

(n) **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. FCC repack reimbursements and ARPA stabilization funds are also included within non-operating activities for the years ended June 30, 2022 and 2021, respectively, as these funds did not result from normal operations of the Station.

(o) **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.

(p) **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.

(q) **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.

(r) **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.

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

(t) **Advertising costs**—Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended June 30, 2022 and 2021, is $19,047 and $16,209, respectively.

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

(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. The Station evaluated the effect of the implementation of the new standard and retrospectively implemented by recording a lease liability of $935,884, interest expense of $25,296, amortization expense of $29,873, and a lease asset of $955,927, resulting in an decrease to beginning net position of $35,126.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

(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 $1,306,812 and $1,431,450 as of June 30, 2022 and 2021, respectively. These totals include $130,548 and $142,899 of restricted funds as of June 30, 2022 and 2021, 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 quasi endowment funds have been set by the 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, 2022 and 2021:

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

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, 2022 and 2021.

	Investments Measured at Net Asset Value as of June 30, 2022			
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	$ 1,306,812	$ -	Daily	N/A

	Investments Measured at Net Asset Value as of June 30, 2021			
	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Funds held and invested by the Foundation	$ 1,431,450	$ -	Daily	N/A

(3) **Capital Assets:**

Capital asset activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture, fixtures and equipment	$ 822,768	$ -	$ (15,422)	$ 807,346
Right to use lease assets	955,927	-	-	955,927
Less: Accumulated depreciation/amortization	(793,599)	(49,484)	15,422	(827,661)
Capital assets, net	$985,096	$ (49,484)	$ -	$ 935,612

(3) **Capital Assets:** (Continued)

Capital asset activity for the year ended June 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture, fixtures and equipment	$ 822,768	$ -	$ -	$ 822,768
Right to use lease assets	955,927	-	-	955,927
Less: Accumulated depreciation/amortization	(743,905)	(49,694)	-	(793,599)
Capital assets, net	$ 1,034,790	$ (49,694)	$ -	$ 985,096

(4) **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, medical malpractice liability, and workers' compensation. By statue, 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 to $75,000 of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. 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 was $500 million 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, except there is only $25 million of coverage in the New Madrid Zone. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the past 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 servicing 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.

(5) 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 received significant revenue from two sources for the years ended June 30, 2022 and 2021. The University provided approximately 40% and 32% of cash support and donated facilities during the years ended June 30, 2022 and 2021, respectively. The CPB provided approximately 8% and 12% of revenues during the years ended June 30, 2022 and 2021, respectively.

(6) 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, 2022 and 2021, consists of $57,732 and $58,148 in endowment principle, respectively. The restricted expendable portion consists of $107,684 and $114,263 at June 30, 2022 and 2021, respectively, in restricted funds which represent endowment earnings.

(7) Compensated Absences:

Compensated absences liability activity for the years ended June 30, 2022 and 2021, are as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Amount Due Within 1 Year
$ 73,412	$ 28,998	$ 42,268	$ 60,142	$ 32,566

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amount Due Within 1 Year
$ 85,112	$ 22,145	$ 33,845	$ 73,412	$ 28,655

(8) Community Service Grants:

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

Year of Grant	Grants Received	Expended 2019-20	Expended 2020-21	Expended 2021-22	Uncommitted Balance at June 30, 2022
2021-23	$ 155,605	$ -	$ -	$ 155,605	$ -
2020-22	137,836	-	137,836	-	-
2019-21	145,394	88,786	56,608	-	-

(9) 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.

(10) Leases:

In May 1987, the Station entered into a noncancelable operating lease for a tower and a transmitter building. The initial term expired on June 30, 2012, and the Station exercised a 10-year extension which expired on June 30, 2022. In April 2022, the Station entered into an amendment which extended the lease an additional 10 years with four, five-year extensions. Management has determined that extensions to the lease term will likely be executed and they have been included in the lease term. The right to use lease asset has been discounted at a rate of 2.67%. 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. Under the renewal agreement, annual payments are set at $27,000 for the first year beginning July 1, 2022, with a 4% annual increase. As of June 30, 2022 and 2021, assets recorded under leases were $955,927, and accumulated amortization associated with leases was $59,745 and $29,873, respectively. Future maturities of lease payments as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2023	$ -	$ 27,000	$ 27,000
2024	-	28,080	28,080
2025	-	29,208	29,208
2026	-	30,372	30,372
2027	-	31,584	31,584
2028-2032	45,911	132,001	177,912
2033-2037	103,869	112,599	216,468
2038-2042	168,691	94,673	263,364
2043-2047	253,600	66,824	320,424
2048-2045	363,813	26,043	389,856
Total	$ 935,884	$ 578,384	$ 1,514,268

(11) **Nonfederal Financial Support:**

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on nonfederal financial support ("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.

Refer to the Annual Financial Reports submitted to the CPB and posted to the Station's website for the reported NFFS for the Station for the fiscal years ended June 30, 2022 and 2021.

SUPPLEMENTAL INFORMATION

EXHIBIT I

WUOT-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF TENNESSEE
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	Program Services				Supporting Services					
	Programming and Production	Broadcasting	Programming Information and Promotion	Total	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total	Total Expenses	2021 Total Expenses
Salaries, payroll taxes and employee benefits	$ 394,035	$ 153,992	$ -	$ 548,027	$ 145,105	$ 87,046	$ 52,415	$ 284,566	$ 832,593	$ 1,094,459
Professional services	392,661	10,734	-	403,395	24,248	3,858	30,064	58,170	461,565	500,649
Supplies and materials	7,106	18,226	840	26,172	9,696	8,397	6,345	24,438	50,610	25,858
Telephone and utilities	-	62,394	-	62,394	30,875	-	-	30,875	93,269	95,278
Postage, shipping and handling	10	280	-	290	-	10,920	140	11,060	11,350	13,825
Advertising	-	-	-	-	4,600	1,336	13,111	19,047	19,047	16,209
Rental and maintenance of equipment	-	5,859	-	5,859	166	-	-	166	6,025	3,300
Travel and training	2,160	2,358	-	4,518	-	-	1,888	1,888	6,406	3,334
Conferences and meetings	911	-	-	911	869	-	-	869	1,780	2,118
Subscriptions and dues	3,230	-	-	3,230	1,662	2,062	-	3,724	6,954	4,958
Depreciation and amortization	-	49,484	-	49,484	-	-	-	-	49,484	49,694
Donated facilities and administrative support from the University	91,453	36,149	-	127,602	33,676	23,326	12,037	69,039	196,641	252,616
Specialized commercial services	101,073	6,460	-	107,533	944	5,827	479	7,250	114,783	55,413
Other	526	554	-	1,080	25,160	43,632	4,163	72,955	74,035	40,977
	$ 993,165	$ 346,490	$ 840	$ 1,340,495	$ 277,001	$ 186,404	$ 120,642	$ 584,047	$ 1,924,542	$ 2,158,688

See accompanying notes to
financial statements