

**THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION**

AUDITED FINIANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION

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Independent Auditor's Report

The University of Tennessee at Chattanooga
WUTC-FM Radio Station
Chattanooga, Tennessee

Opinion

We have audited the accompanying financial statements of the University of Tennessee at Chattanooga WUTC-FM Radio Station (the "Station"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and its cash flows for the years then ended, 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 financial statements referred to above present fairly, in all material respects, the net position of the Station as of June 30, 2023 and 2022, and the respective changes in net position and 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. Our responsibilities under those standards are further described in the Auditor's 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.



Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 13 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.

Crosslin, PLLC

January 10, 2024
Nashville, Tennessee

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

This section of the University of Tennessee at Chattanooga's WUTC-FM Radio Station's ("WUTC" or the "Station") annual financial report presents management's discussion and analysis of the financial performance of WUTC during the fiscal year ended June 30, 2023, with comparative information presented for the fiscal year ended June 30, 2022. 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 WUTC 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.

The Statements of Net Position

The statements of net position present the financial position of the Station at the end of the fiscal year and include all assets, liabilities, deferred outflows/inflows of resources, and net position of the Station. It segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities. Current liabilities are those that will be paid within one year. The difference between total assets, total liabilities, and deferred outflows/inflows of resources is net position, which is an indicator of the current financial condition of the Station. Assets and liabilities are generally measured using current values. Capital assets; however, are stated at historical cost less an allowance for depreciation.

Net position is divided into two 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 is unrestricted net position, which is available to the Station for any lawful purpose.

The following table summarizes the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2023, June 30, 2022, and June 30, 2021.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Table 1. Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets	\$ 730,860	\$ 996,509	\$ 936,743
Capital assets, net	<u>256,913</u>	<u>205,221</u>	<u>106,238</u>
Total assets	<u>987,773</u>	<u>1,201,730</u>	<u>1,042,981</u>
 Deferred outflows of resources	 <u>5,404</u>	 <u>9,200</u>	 <u>5,248</u>
 Liabilities			
Current liabilities	35,382	38,578	76,727
Noncurrent liabilities	<u>43,333</u>	<u>36,372</u>	<u>28,387</u>
Total liabilities	<u>78,715</u>	<u>74,950</u>	<u>105,114</u>
 Deferred inflows of resources	 <u>109,543</u>	 <u>168,049</u>	 <u>258,532</u>
 Net position			
Investment in capital assets	256,913	205,221	106,238
Unrestricted	<u>548,006</u>	<u>762,710</u>	<u>578,345</u>
Total net position	<u>\$ 804,919</u>	<u>\$ 967,931</u>	<u>\$ 684,583</u>

Current assets consist of cash and cash equivalents and accounts receivable. Current liabilities include the current portion of compensated absences, accrued payroll and accounts payable. Deferred outflows of resources and inflows of resources include deferred amounts related to program dues and affiliation fees not yet incurred by the Station and deferred amounts on the community service grants not yet earned by the Station, respectively. Noncurrent liabilities consist of the long-term portion of compensated absences.

The Statements of Net Position appear on page 14.

The Statements of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the operating results of the Station, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles. While the accounting classification of “nonoperating” revenues is appropriate for financial statement presentation, these sources of income (state appropriations, subscriptions and memberships, underwriting, donated services, indirect administrative support, and other revenues) are vital to the ongoing operations of the Station.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

The summary of the Station's revenues, expenses and changes in net position for the years ended June 30, 2023, 2022, and 2021, are as follows:

Table 2. Summary of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues			
Community service grants	\$ 190,191	\$ 221,995	\$ 149,939
Total operating revenues	<u>190,191</u>	<u>221,995</u>	<u>149,939</u>
Operating expenses	<u>1,160,671</u>	<u>949,051</u>	<u>1,021,253</u>
Operating loss	<u>(970,480)</u>	<u>(727,056)</u>	<u>(871,314)</u>
Nonoperating revenues			
State appropriations	109,046	281,869	234,521
Subscriptions and memberships	290,207	242,036	281,183
Underwriting	246,762	292,598	257,702
Indirect administrative support from UTC	111,453	93,901	105,414
Other	50,000	100,000	-
Total nonoperating revenues	<u>807,468</u>	<u>1010,404</u>	<u>878,820</u>
Change in net position	(163,012)	283,348	7,506
Net position, beginning of year	<u>967,931</u>	<u>684,583</u>	<u>677,077</u>
Net position, end of year	<u><u>\$ 804,919</u></u>	<u><u>\$ 967,931</u></u>	<u><u>\$ 684,583</u></u>

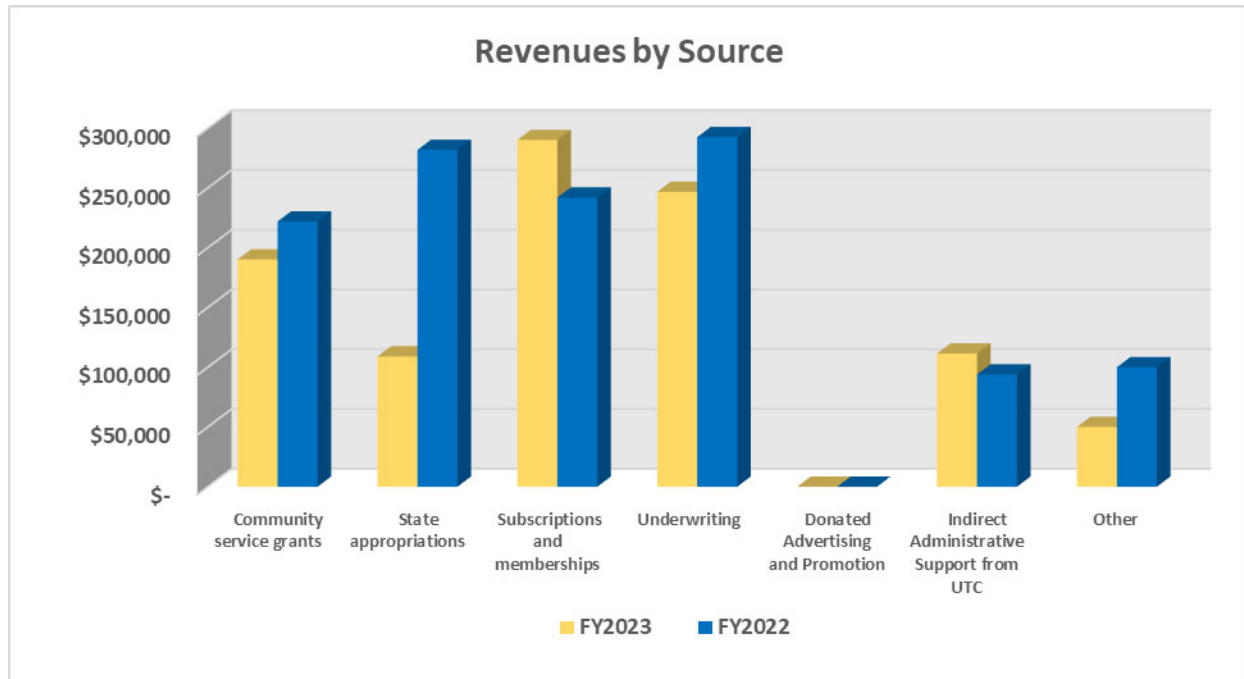
The Statement of Revenues, Expenses and Changes in Net Position appears on page 15.

Revenues

Table 3 below illustrates revenues by source (operating and nonoperating), which were used to fund the Station's activities for the years ended June 30, 2023, 2022, and 2021.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Table 3. Revenues by Source

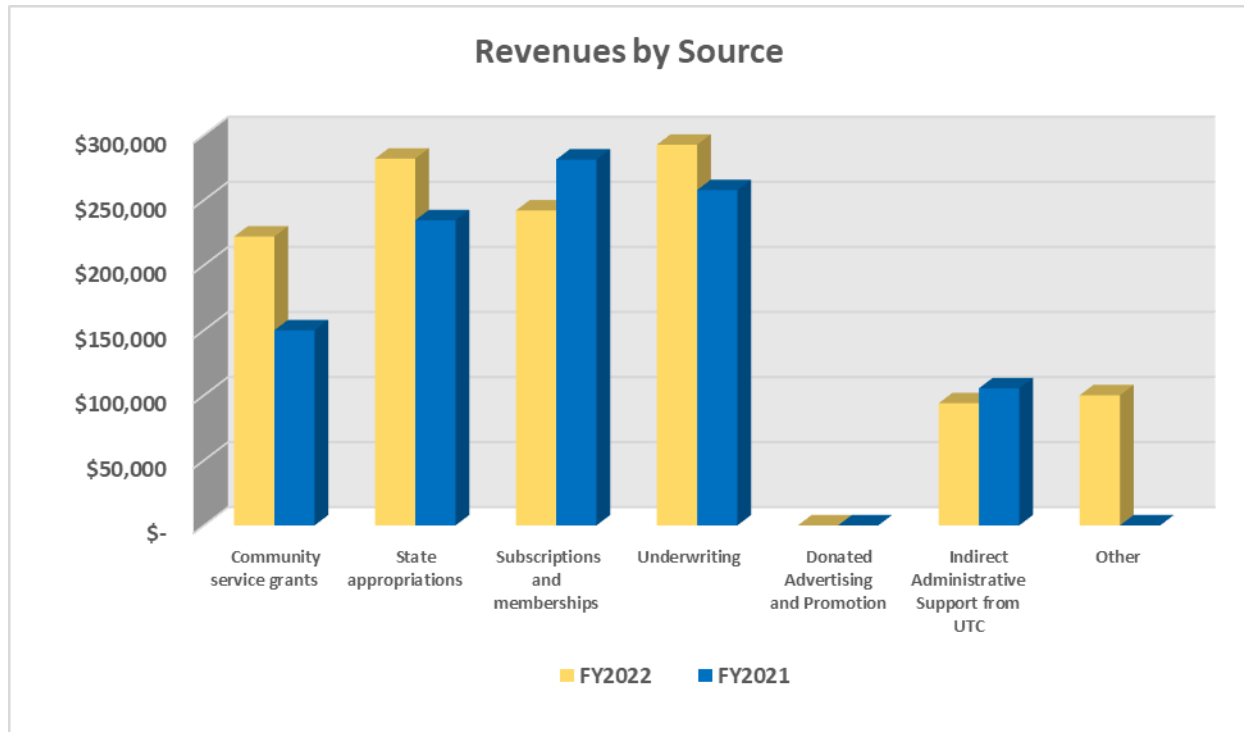


Comparison of Fiscal Year 2023 to Fiscal Year 2022

- Community Service Grants, representing 19% of revenue in FY2023, decreased by \$31,803, or 14%. The decrease relates to additional funding received from CPB CARES Act Funding, which is an emergency stabilization funds for public media included in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). These funds were received and included in deferred inflows of resources in FY 2020 and FY 2021 and then expensed and recorded as revenue in FY 2021 and FY 2022.
- State appropriations, representing 11% of revenue in FY 2023, decreased by \$172,823, or 61%. The decrease relates to less expenses being funded from state appropriations because of the revenue increases in subscriptions and memberships and indirect administrative support.
- Subscriptions and memberships, representing 29% of revenue in FY 2023, increased by \$48,171, or 20%. This increase is due to more individual donors and donations gifts.
- Underwriting, representing 25% of revenue in FY 2023, decreased by \$45,836, or 16%. This decrease is due to less donations during the beginning of the fiscal year as the radio station was completing move to new space.
- Indirect administrative support from UTC, representing 11% of revenue in FY 2023, increased by \$17,553, or 19%. This increase is due to an increase in total salaries.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Table 3. Revenues by Source - Continued



Comparison of Fiscal Year 2022 to Fiscal Year 2021

- Community Service Grants, representing 18% of revenue in FY2022, increased by \$72,056, or 48%. The increase relates to additional funding received from CPB CARES Act Funding, which is an emergency stabilization funds for public media included in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). These funds were received and included in deferred inflows of resources in FY 2020 and FY 2021 and then expensed and recorded as revenue in FY 2021 and FY 2022.
- State appropriations, representing 23% of revenue in FY 2022, increased by \$47,348, or 20%. The increase relates to more expenses being funded from state appropriations because of the revenue decreases in subscriptions and memberships and indirect administrative support.
- Subscriptions and memberships, representing 20% of revenue in FY 2022, decreased by \$39,146, or 14%. This decrease is due to the change in our fundraising model where the pledge drives were shorter time periods, and no community partner was involved.
- Underwriting, representing 24% of revenue in FY 2022, increased by \$34,896, or 14%. This increase is due to businesses beginning to contribute to WUTC again after the pandemic.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Expenses

The Station's operating expenses by natural and functional classification for the years ended, 2023, 2022, and 2021, are as follows.

Table 4. Expenses by Natural and Functional Classification

Year ended June 30, 2023:

Functional Classification	Natural Classification			Total Functional
	Salaries and Benefits	Operating	Depreciation	
Programming and production	\$ 226,423	\$ 290,857	\$ -	\$ 517,280
Broadcasting	30,631	111,765	-	142,396
Program information and promotion	48,872	4,596	-	53,468
Management and general	142,718	141,919	-	284,637
Fundraising	47,536	3,974	-	51,510
Underwriting and grant solicitation	97,054	5,537	-	102,591
Depreciation	-	-	8,789	8,789
Total natural	<u>\$ 593,234</u>	<u>\$ 558,648</u>	<u>\$ 8,789</u>	<u>\$ 1,160,671</u>

Year ended June 30, 2022:

Functional Classification	Natural Classification			Total Functional
	Salaries and Benefits	Operating	Depreciation	
Programming and production	\$ 153,484	\$ 228,912	\$ -	\$ 382,396
Broadcasting	22,709	94,795	-	117,504
Program information and promotion	44,077	901	-	44,978
Management and general	143,118	113,902	-	257,020
Fundraising	48,254	5,056	-	53,310
Underwriting and grant solicitation	81,521	4,673	-	86,194
Depreciation	-	-	7,649	7,649
Total natural	<u>\$ 493,163</u>	<u>\$ 448,239</u>	<u>\$ 7,649</u>	<u>\$ 949,051</u>

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Table 4. Expenses by Natural and Functional Classification - Continued

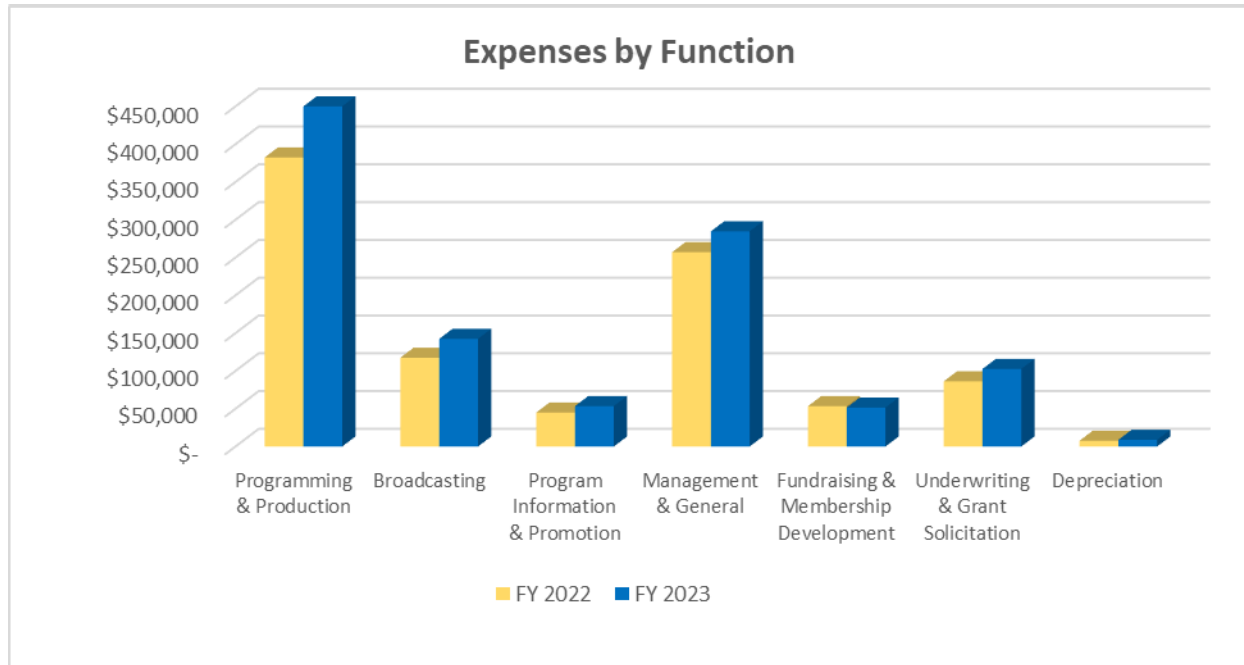
Year ended June 30, 2021:

Functional Classification	Natural Classification			Total Functional
	Salaries and Benefits	Operating	Depreciation	
Programming and production	\$ 140,199	\$ 233,361	\$ -	\$ 373,560
Broadcasting	-	95,010	-	95,010
Program information and promotion	47,089	4,257	-	51,346
Management and general	152,759	135,072	-	287,831
Fundraising	73,031	10,660	-	83,691
Underwriting and grant solicitation	113,003	4,627	-	117,630
Depreciation	-	-	12,185	12,185
Total natural	<u>\$ 526,081</u>	<u>\$ 482,987</u>	<u>\$ 12,185</u>	<u>\$ 1,021,253</u>

Natural classifications show the type of expense regardless of program. For the year ended June 30, 2023, approximately 51% of total expenses are attributed to salaries and benefits. Operating expenses represent approximately 48% of total expenses. The remaining 1% of total functional expenses is a result of the current year depreciation expense.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Table 5. Expenses by Functional Classification

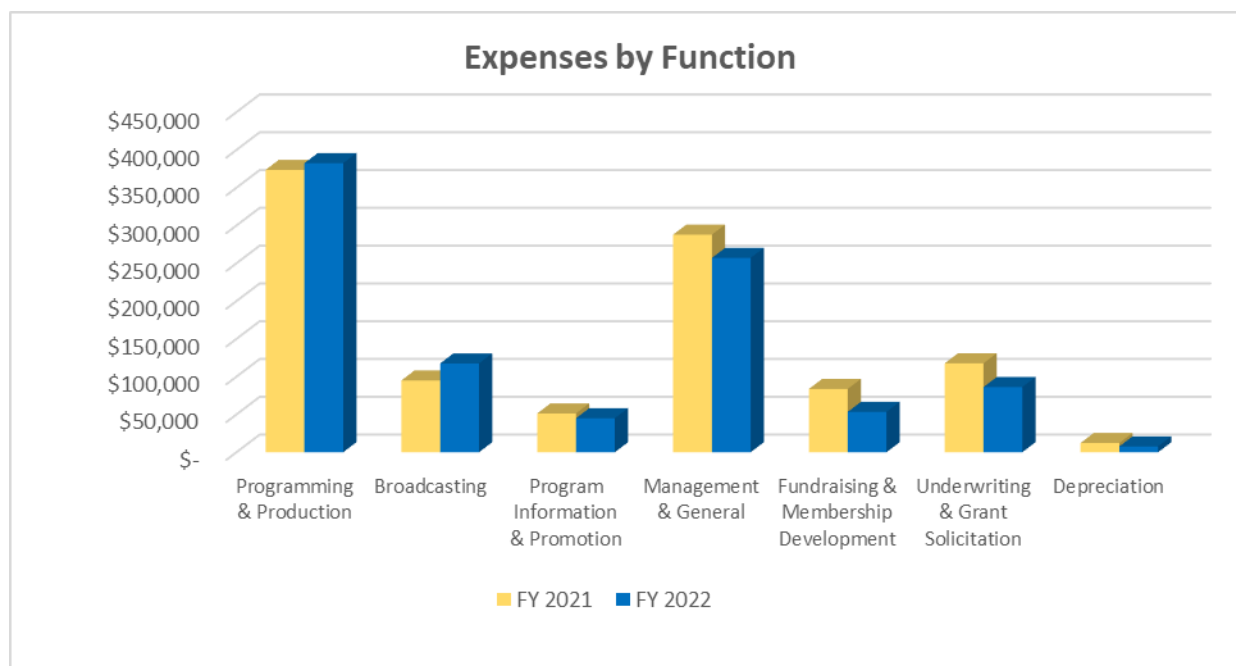


Comparison of Fiscal Year 2023 to Fiscal Year 2022

- Programming & Production, representing 45% of total expenses in FY 2023, increased by \$134,883, or 35%. This increase is due to staffing changes.
- Broadcasting, representing 12% of total expenses in FY 2023, increased by \$24,893, or 21%. This increase is due to costs associated with moving and installing equipment for move to new radio station space.
- Program information and promotion, representing 5% of total expenses in FY 2023, increased by \$8,490, or 19%. The radio station ran more promotions on social media and in public media industry newspaper.
- Underwriting & Grant Solicitation, representing 9% of total expenses in FY 2023, increased by \$16,397, or 19%. This increase is due to compensation changes.
- Management and general, representing 25% of total expenses in FY 2023, increased by \$27,617, or 11%. This increase is related to the increase of indirect administrative support.
- Depreciation, representing 1% of total expenses in FY 2023, increased by \$1,140, or 15%. This increase is due to the depreciation of new equipment.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Table 5. Expenses by Functional Classification - Continued



Comparison of Fiscal Year 2022 to Fiscal Year 2021

- Broadcasting, representing 12% of total expenses in FY 2022, increased by \$22,494, or 24%. The increase is due to a staffing change.
- Program information and promotion, representing 5% of total expenses in FY 2022, decreased by \$6,368 or 12%, due to purchasing less promotional items.
- Management and general, representing 27% of total expenses in FY 2022, decreased by \$30,812, or 11%, due to a staffing change and decrease in the amount of office equipment purchased.
- Fundraising & Membership Development, representing 6% of total expenses in FY 2022, decreased \$30,381, or 36%. This decrease is due to a staffing change.
- Underwriting & Grant Solicitation, representing 9% of total expenses in FY 2022, decreased by \$31,435, or 27%. This decrease is due to a staffing change.
- Depreciation, representing 1% of total expenses in FY 2022, decreased by \$4,536, or 37%. This decrease is due to the depreciation completion of some equipment.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023 AND 2022

Capital Assets

At June 30, 2023, 2022, and 2021, the Station had \$256,913, \$205,221 and \$106,238, respectively, invested in capital assets, net of accumulated depreciation of \$386,775, \$377,986 and \$370,337, respectively. Depreciation charges totaled \$8,789, \$7,649, and \$12,185 for the years ended June 30, 2023, 2022, and 2021, respectively. These assets are comprised of broadcast and production equipment and computers, as well as construction in progress.

Economic Factors that Will Affect the Future

A primary economic factor facing the Station is the State of Tennessee's funding through the University. State appropriations represent approximately 11% of the Station's funding during FY 2023. Reductions in state appropriations could have an adverse effect on the Station. In addition to state appropriations, the Station relies on listener support. Through memberships and subscriptions, as well as underwriting income, the Station can provide the types of programming that are performing well.

UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 718,302	\$ 896,509
Accounts receivable	12,558	100,000
Total current assets	<u>730,860</u>	<u>996,509</u>
NONCURRENT ASSETS:		
Capital assets, less accumulated depreciation	<u>256,913</u>	<u>205,221</u>
Total noncurrent assets	<u>256,913</u>	<u>205,221</u>
Total assets	<u>987,773</u>	<u>1,201,730</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to NPR dues	<u>5,404</u>	<u>9,200</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Current portion of compensated absences	26,568	21,757
Accrued payroll	8,814	16,821
Total current liabilities	<u>35,382</u>	<u>38,578</u>
NONCURRENT LIABILITIES:		
Non current portion of compensated absences	<u>43,333</u>	<u>36,372</u>
Total noncurrent liabilities	<u>43,333</u>	<u>36,372</u>
Total liabilities	<u>78,715</u>	<u>74,950</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on community service grants	<u>109,543</u>	<u>168,049</u>
NET POSITION:		
Investment in capital assets	256,913	205,221
Unrestricted net position	548,006	762,710
Total net position	<u>\$ 804,919</u>	<u>\$ 967,931</u>

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
Community service grants	\$ 190,191	\$ 221,995
Total operating revenues	<u>190,191</u>	<u>221,995</u>
OPERATING EXPENSES:		
Program services:		
Programming and production	517,280	382,396
Broadcasting	142,396	117,503
Program information and promotion	53,468	44,978
Support services:		
Management and general	284,637	257,020
Fundraising	51,510	53,311
Underwriting and grant solicitation	102,591	86,194
Depreciation	8,789	7,649
Total operating expenses	<u>1,160,671</u>	<u>949,051</u>
Operating loss	<u>(970,480)</u>	<u>(727,056)</u>
NONOPERATING REVENUES:		
State appropriations	109,046	281,869
Subscriptions and memberships	290,207	242,036
Underwriting	246,762	292,598
Indirect administrative support from UTC	111,453	93,901
Other	50,000	100,000
Total non-operating revenues	<u>807,468</u>	<u>1,010,404</u>
CHANGE IN NET POSITION	(163,012)	283,348
NET POSITION - BEGINNING OF YEAR	<u>967,931</u>	<u>684,583</u>
NET POSITION - ENDING OF YEAR	<u>\$ 804,919</u>	<u>\$ 967,931</u>

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from community service grants	\$ 131,685	\$ 131,512
Cash paid to supplies and vendors	(443,398)	(409,079)
Cash paid to employees	(589,469)	(472,538)
Net cash used in operating activities	<u>(901,182)</u>	<u>(750,105)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash paid to purchase capital assets	(60,482)	(106,632)
Net cash used in capital financing activities	<u>(60,482)</u>	<u>(106,632)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from state appropriations	109,046	281,869
Cash received from other	137,442	-
Cash received from subscriptions and memberships	290,207	242,036
Cash received from underwriting income	246,762	292,598
Net cash provided by noncapital financing activities	<u>783,457</u>	<u>816,503</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(178,207)	(40,234)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>896,509</u>	<u>936,743</u>
CASH AND CASH EQUIVALENTS - ENDING OF YEAR	<u><u>\$ 718,302</u></u>	<u><u>\$ 896,509</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (970,480)	\$ (727,056)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,789	7,649
Subscriptions and memberships	12,558	-
Indirect administrative support from UTC	111,453	93,901
Other	(100,000)	100,000
Changes in assets and liabilities:		
Accounts receivable	87,442	(100,000)
Accounts payable	-	(50,790)
Accrued payroll	(8,007)	12,447
Deferred inflows/outflows of resources	(54,710)	(94,434)
Compensated absences	11,773	8,178
Net cash used in operating activities	<u><u>\$ (901,182)</u></u>	<u><u>\$ (750,105)</u></u>

The accompanying notes are an integral part of the financial statements.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Tennessee at Chattanooga WUTC-FM Radio Station (the “Station”) is operated by the University of Tennessee at Chattanooga (“UTC” or the “University”). The Station is part of UTC’s Division of Communications and Marketing. Only funds administered by the University are included in the financial statements. There are no financially interrelated organizations associated with the Station that are not administered by the University.

Basis of Presentation

The financial statements of the Station have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Station is engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (“GASB”).

Basis of Accounting

For financial statement purposes, the Station follows pronouncements issued by the GASB because of its relationship with UTC and follows the same reporting principles as the University. The University is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Gifts and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

Operating revenues include the community service grants. Operating expenses include: 1) programming and production, 2) broadcasting, 3) program information and promotion, 4) management and general, 5) fundraising, 6) underwriting and grant solicitation, and 7) depreciation.

All other activity is nonoperating in nature. This activity primarily includes: 1) state appropriations, 2) subscriptions and memberships, 3) underwriting, 4) donated advertising and promotions (when applicable), 5) indirect administrative support for services provided by the University, and 6) other revenue/expense (when applicable).

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Station to significant concentrations of credit risk consist principally of cash. The Station places cash with federally insured financial institutions and limits the amount of credit exposure to any one institution by requiring collateral.

Cash and Cash Equivalents

The Station considers all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents are reported at carrying amounts, which reasonably estimate fair value.

Capital Assets

Capital assets, which include broadcast and production equipment and computers, are reported in the statements of net position at historical cost or at acquisition value at the date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized. Those expenditures are charged to operating expense as incurred. Equipment and software are capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is one year or more. These assets are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 20 years.

Compensated Absences

The Station's employees accrue annual leave at varying rates, depending on classification or length of service. Some employees also earn compensatory time. Generally, all permanent full-time employees and certain part-time employees are entitled to accrue and carry forward calendar-year maximums of 42 days of annual vacation leave. The amount of these liabilities is reported in the statements of net position.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Station records their cost of sick leave when paid. Generally, sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness or injury. Consequently, there is no liability for sick leave. The amount of unused sick leave was \$208,722 and \$153,618 at June 30, 2023 and 2022, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Station has one item that qualifies for reporting in this category at both June 30, 2023 and 2022. It includes deferred amounts not yet incurred, which relate to program and affiliation fees/dues not due until FY 2023 and 2022, respectively. This deferred amount is reported in the statements of net position.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At June 30, 2023, the Station only has one item that qualifies for reporting in this category. It is the deferred amounts not yet earned on the community service grants as the monies have not yet been spent by the Station. At June 30, 2022, the Station has two items that qualify for reporting in this category. It includes not only the deferred amounts not yet earned on the community service grants as the monies have not yet been spent by the Station but also the StoryCorps One Small Step grant funds and American Rescue Plan Act Stabilization grant funds which received from CPB that have not yet been spent by the Station in FY 2023 and FY 2022, respectively. These deferred amounts are reported in the statements of net position.

Components of Net Position

The Station's net position classifications are defined as follows:

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation of those assets. If the Station had debt related to the acquisition or construction of capital assets, this net position component would be presented "net" of such related debt. As of June 30, 2023 and 2022, the Station had no debt related to its capital assets.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of "investment in capital assets."

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

As part of the University, the Station is exempt from federal income taxes under Section 115 of the *Internal Revenue Code* (the “Code”). Contributions to the Station are deductible by donors as provided under Section 170 of the Code.

B. INDIRECT ADMINISTRATIVE SUPPORT

Indirect administrative support is support the Station receives from the University, including, but not limited to, the use and care of the facilities and administrative oversight by University officials. Indirect administrative support from the University was determined using UTC’s federally approved facilities and administrative (“F&A”) cost rate for on-campus programs. The approved rate in FY 2021 is 37.5% which is effective until June 30, 2024. These amounts were valued at \$111,453 and \$93,901 for the years ended June 30, 2023 and 2022, respectively.

C. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023, is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Equipment	\$ 436,495	\$ 21,049	\$ -	\$ 457,544
Construction in Progress	146,712	39,432	-	186,144
Less: accumulated depreciation	<u>(377,986)</u>	<u>(8,789)</u>	<u>-</u>	<u>(386,775)</u>
Capital assets, net	<u>\$ 205,221</u>	<u>\$ 51,692</u>	<u>\$ -</u>	<u>\$ 256,913</u>

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

C. CAPITAL ASSETS - Continued

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 394,875	\$ 41,620	\$ -	\$ 436,495
Construction in Progress	81,700	65,012	-	146,712
Less: accumulated depreciation	<u>(370,337)</u>	<u>(7,649)</u>	<u>-</u>	<u>(377,986)</u>
Capital assets, net	<u>\$ 106,238</u>	<u>\$ 98,983</u>	<u>\$ -</u>	<u>\$ 205,221</u>

D. COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the years ended June 30, 2023:

	<u>2023</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$58,129</u>	<u>\$35,423</u>	<u>\$(23,651)</u>	<u>\$69,901</u>	<u>\$26,568</u>

	<u>2022</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$49,950</u>	<u>\$30,930</u>	<u>\$(22,751)</u>	<u>\$58,129</u>	<u>\$21,757</u>

E. ACCOUNTS RECEIVABLE

In March 2022, the University of Chattanooga Foundation, Inc. (the "Foundation") received a gift totaling \$100,000 for the benefit of the Station. The funds are designated to support the renovation of the radio station and were held by the Foundation at year end. The Station received these funds from the Foundation in fiscal year 2023 once the construction had completed.

Accounts receivable as of June 30, 2023 totaled \$12,558 and relates to several donations receivable from numerous individuals.