

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

AUDITED FINIANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

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, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and 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.

Management's Responsibility for the Financial Statements

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.

Auditor's 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 auditor's 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 net position of the Station as of June 30, 2021 and 2020, 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.

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 3 - 12 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, 2022
Nashville, Tennessee

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

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, 2021, with comparative information presented for the fiscal year ended June 30, 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 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, 2021, June 30, 2020, and June 30, 2019.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Table 1. Summary of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$936,743	\$872,410	\$801,199
Capital assets, net	106,238	36,723	48,908
Total assets	<u>1,042,981</u>	<u>909,133</u>	<u>850,107</u>
 Deferred outflows of resources	 <u>5,248</u>	 <u>8,841</u>	 <u>8,639</u>
 Liabilities			
Current liabilities	76,727	51,409	26,494
Noncurrent liabilities	28,387	13,311	6,243
Total liabilities	<u>105,114</u>	<u>64,720</u>	<u>32,737</u>
 Deferred inflows of resources	 <u>258,532</u>	 <u>176,177</u>	 <u>114,155</u>
 Net position			
Investment in capital assets	106,238	36,723	48,908
Unrestricted	578,345	640,354	662,946
Total net position	<u>\$684,583</u>	<u>\$677,077</u>	<u>\$711,854</u>

Current assets consist of cash and cash equivalents. Current liabilities include the current portion of compensated absences, accounts payable, and accrued payroll. 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 13.

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, 2021 AND 2020

The summary of the Station's revenues, expenses and changes in net position for the years ended June 30, 2021, 2020, and 2019, are as follows:

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues			
Community service grants	\$149,939	\$114,155	\$121,948
Total operating revenues	<u>149,939</u>	<u>114,155</u>	<u>121,948</u>
Operating expenses	<u>1,021,253</u>	<u>1,072,924</u>	<u>1,018,029</u>
Operating loss	<u>(871,314)</u>	<u>(958,769)</u>	<u>(896,081)</u>
Nonoperating revenues			
State appropriations	234,521	235,115	247,002
Subscriptions and memberships	281,183	248,992	290,460
Underwriting	257,702	340,243	221,807
Donated services	-	-	7,533
Indirect administrative support from UTC	105,414	99,642	109,103
Other	-	-	14,026
Total nonoperating revenues	<u>878,820</u>	<u>923,992</u>	<u>889,931</u>
Change in net position	7,506	(34,777)	(6,150)
Net position, beginning of year	<u>677,077</u>	<u>711,854</u>	<u>718,004</u>
Net position, end of year	<u>\$684,583</u>	<u>\$677,077</u>	<u>\$711,854</u>

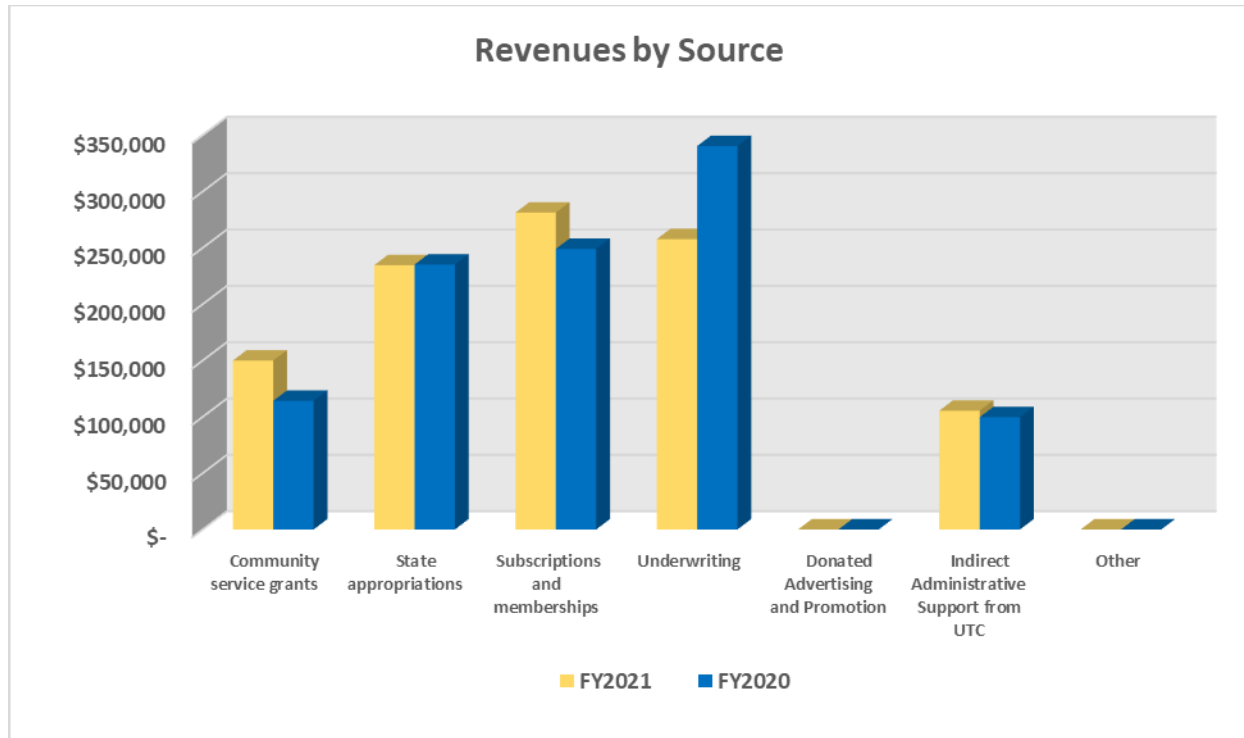
The Statement of Revenues, Expenses and Changes in Net Position appears on page 14.

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, 2021, 2020, and 2019.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Table 3. Revenues by Source

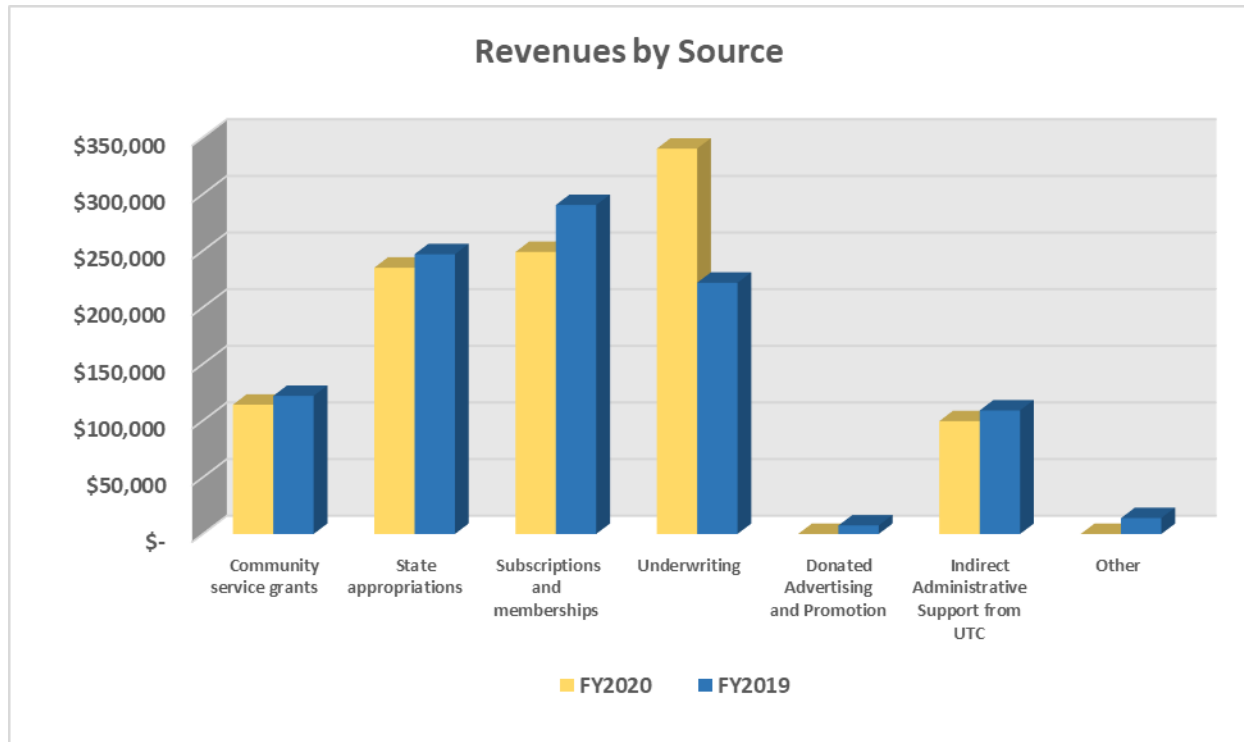


Comparison of Fiscal Year 2021 to Fiscal Year 2020

- Community Service Grants, representing 15% of revenue in FY 2021, increased by \$35,784, or 31%. The increase relates to 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 then expensed and recorded as revenue in FY 2021.
- Subscriptions and memberships, representing 27% of revenue in FY 2021, increased by \$32,191, or 13%. Due to COVID-19, the Station was unable to conduct its spring pledge drive in FY 2020.
- Underwriting, representing 25% of revenue in FY 2021, decreased by \$82,542, or 24%. The decrease is due to a full-time underwriter being terminated in FY 2021 so that the Station’s number of full-time underwriters changed from two to one, which resulted in the Station bringing in less underwriting revenue.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Table 3. Revenues by Source - Continued



Comparison of Fiscal Year 2020 to Fiscal Year 2019

- State appropriations, representing 23% of revenue in FY 2020, decreased by \$11,887, or 5%. Part of the strategic plan of the Radio Station is to become more self-sustaining, which means the Station is anticipating less state appropriations each year.
- Subscriptions and memberships, representing 24% of revenue in FY 2020, decreased by \$41,468, or 14%. Due to COVID-19, the Station was unable to conduct its spring pledge drive.
- Underwriting, representing 33% of revenue in FY 2020, increased by \$118,437, or 53%. The increase is due to a staffing reorganization so that the Station would have two full-time underwriters in FY 2020, which resulted in the Station bringing in more underwriting revenue.
- Indirect administrative support from UTC, representing 10% of revenue in FY 2020, decreased by \$9,462, or 9%. This is due to a decrease in total salaries for FY 2020.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Expenses

The Station's operating expenses by natural and functional classification for the years ended, 2021, 2020, and 2019, are as follows.

Table 4. Expenses by Natural and Functional Classification

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>

Year ended June 30, 2020:

Functional Classification	Natural Classification			Total Functional
	Salaries and Benefits	Operating	Depreciation	
Programming and production	\$ 141,470	\$ 237,943	\$ -	\$ 379,413
Broadcasting	-	118,012	-	118,012
Program information and promotion	50,863	2,905	-	53,768
Management and general	155,450	120,425	-	275,875
Fundraising	72,464	13,385	-	85,849
Underwriting and grant solicitation	140,471	7,351	-	147,822
Depreciation	-	-	12,185	12,185
Total natural	<u>\$ 560,718</u>	<u>\$ 500,021</u>	<u>\$ 12,185</u>	<u>\$ 1,072,924</u>

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Table 4. Expenses by Natural and Functional Classification - Continued

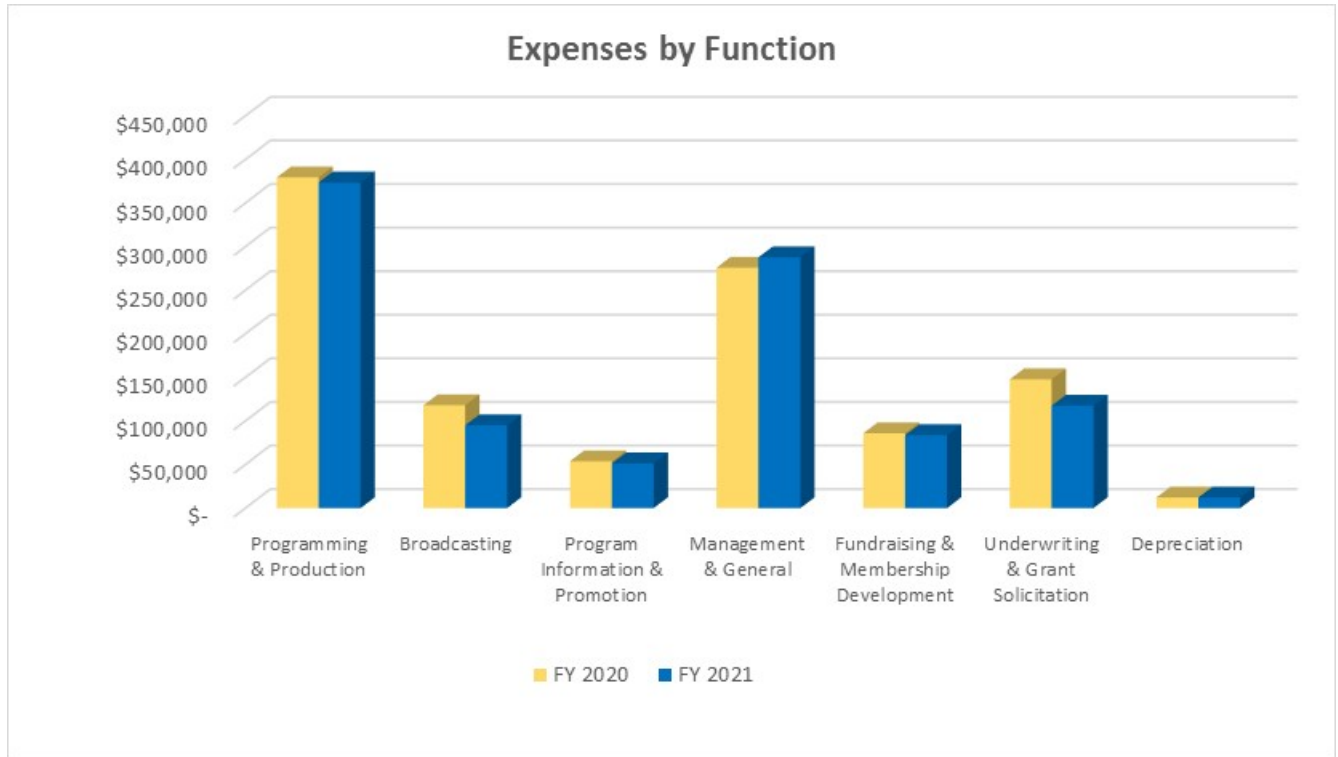
Year ended June 30, 2019:

Functional Classification	Natural Classification			Total Functional
	Salaries and Benefits	Operating	Depreciation	
Programming and production	\$ 157,076	\$ 246,560	\$ -	\$ 403,636
Broadcasting	-	88,621	-	88,621
Program information and promotion	34,092	11,005	-	45,097
Management and general	184,508	131,108	-	315,616
Fundraising	15,352	11,070	-	26,422
Underwriting and grant solicitation	115,532	10,920	-	126,452
Depreciation	-	-	12,185	12,185
Total natural	<u>\$ 506,560</u>	<u>\$ 499,284</u>	<u>\$ 12,185</u>	<u>\$ 1,018,029</u>

Natural classifications show the type of expense regardless of program. For the year ended June 30, 2021, approximately 52% of total expenses are attributed to salaries and benefits. Operating expenses represent approximately 47% of total expenses. The remaining 1% of total functional expenses is a result of current year depreciation expense.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Table 5. Expenses by Functional Classification

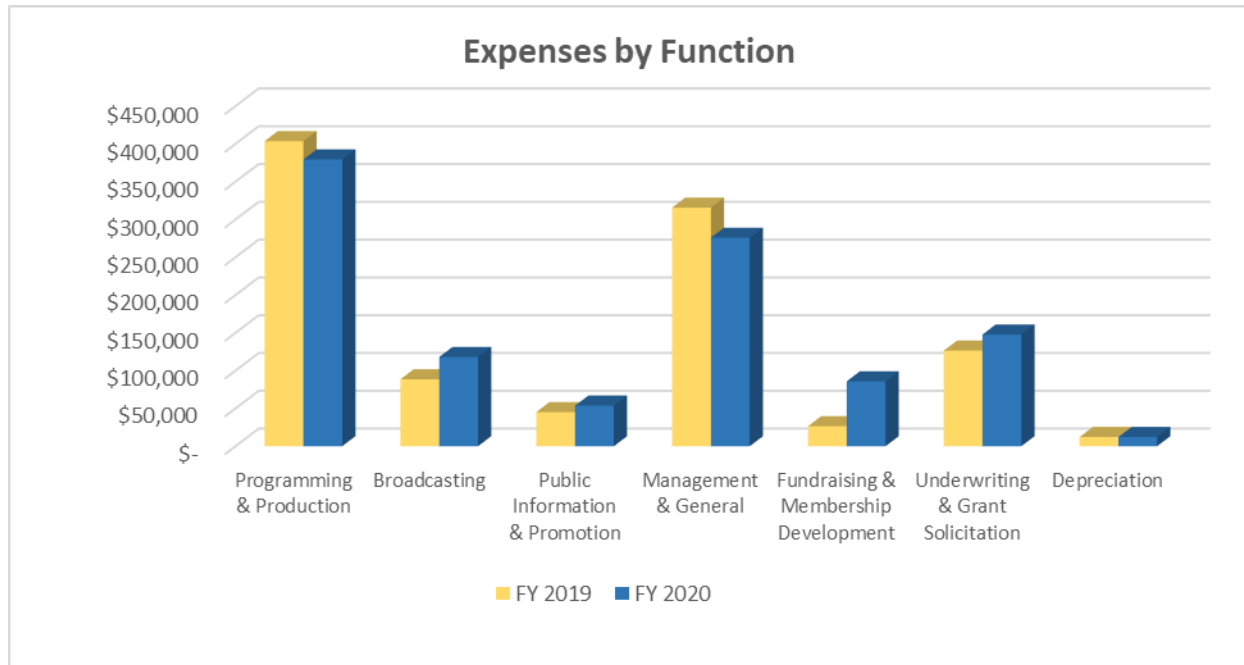


Comparison of Fiscal Year 2021 to Fiscal Year 2020

- Broadcasting, representing 9% of total expenses in FY 2021, decreased by \$23,002, or 19%. The decrease is due to National Public Radio, Inc's billing structure change.
- Program information and promotion, representing 5% of total expenses in FY 2021, decreased by \$2,422 or 5%, as a result of a staffing changes.
- Management and general, representing 28% of total expenses in FY 2021, increased \$11,956, or 4%, as a result of staffing changes.
- Underwriting and grant solicitation, representing 12% of total expenses in FY 2021, decreased by \$30,192, or 20%, as a result of staffing changes.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Table 5. Expenses by Functional Classification - Continued



Comparison of Fiscal Year 2020 to Fiscal Year 2019

- Programming and production, representing 35% of total expenses in FY 2020, decreased by \$24,233, or 6%, as a result of staffing changes.
- Broadcasting, representing 11% of total expenses in FY 2020, increased by \$29,391, or 33%. The increase is due to increase in membership fees.
- Program information and promotion, representing 5% of total expenses in FY 2020, increased by \$8,672 or 19%, as a result of a staffing changes.
- Management and general, representing 26% of total expenses in FY 2020, decreased \$39,742, or 13%, as a result of staffing reorganization with administrative support.
- Fundraising, representing 8% of total expenses in FY 2020, increased by \$59,426, or 225%, as a result of staffing reorganization that includes a full-time fundraiser for FY 2020.
- Underwriting and grant solicitation, representing 14% of total expenses in FY 2020, increased by \$21,369, or 17%, as a result of the implementation of an incentive plan for underwriting staff.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021 AND 2020

Capital Assets

At June 30, 2021, 2020, and 2019, the Station had \$106,238, \$36,723 and \$48,908, respectively, invested in capital assets, net of accumulated depreciation of \$370,337, \$358,152 and \$345,967, respectively. Depreciation charges totaled \$12,185 for each of the three years ended June 30, 2021, 2020, and 2019. These assets are comprised of broadcast and production equipment and computers.

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 23% of the Station's funding during FY 2021. 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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 936,743	\$ 872,410
Total current assets	<u>936,743</u>	<u>872,410</u>
NONCURRENT ASSETS:		
Capital assets, less accumulated depreciation	106,238	36,723
Total noncurrent assets	<u>106,238</u>	<u>36,723</u>
Total assets	<u>1,042,981</u>	<u>909,133</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts program and affiliation fees/dues	<u>5,248</u>	<u>8,841</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Current portion of compensated absences	21,563	22,797
Accounts payable	50,790	-
Accrued payroll	4,374	28,612
Total current liabilities	<u>76,727</u>	<u>51,409</u>
NONCURRENT LIABILITIES:		
Non current portion of compensated absences	28,387	13,311
Total noncurrent liabilities	<u>28,387</u>	<u>13,311</u>
Total liabilities	<u>105,114</u>	<u>64,720</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts on community service grants	<u>258,532</u>	<u>176,177</u>
NET POSITION:		
Investment in capital assets	106,238	36,723
Unrestricted net position	578,345	640,354
Total net position	<u>\$ 684,583</u>	<u>\$ 677,077</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Community service grants	\$ 149,939	\$ 114,155
Total operating revenues	<u>149,939</u>	<u>114,155</u>
OPERATING EXPENSES:		
Program services:		
Programming and production	373,560	379,413
Broadcasting	95,010	118,012
Program information and promotion	51,346	53,768
Support services:		
Management and general	287,831	275,875
Fundraising	83,691	85,849
Underwriting and grant solicitation	117,630	147,822
Depreciation	12,185	12,185
Total operating expenses	<u>1,021,253</u>	<u>1,072,924</u>
Operating loss	<u>(871,314)</u>	<u>(958,769)</u>
NONOPERATING REVENUES:		
State appropriations	234,521	235,115
Subscriptions and memberships	281,183	248,992
Underwriting	257,702	340,243
Donated advertising and promotion	-	-
Indirect administrative support from UTC	105,414	99,642
Other	-	-
Total non-operating revenues	<u>878,820</u>	<u>923,992</u>
CHANGE IN NET POSITION	7,506	(34,777)
NET POSITION - BEGINNING OF YEAR	<u>677,077</u>	<u>711,854</u>
NET POSITION - END OF YEAR	<u><u>\$ 684,583</u></u>	<u><u>\$ 677,077</u></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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from community service grants	\$ 232,294	\$ 176,177
Cash paid to supplies and vendors	(323,190)	(400,581)
Cash paid to employees	(536,477)	(528,735)
Net cash used in operating activities	<u>(627,373)</u>	<u>(753,139)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of capital assets	(81,700)	-
Net cash used in financing activities	<u>(81,700)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from state appropriations	234,521	235,115
Cash received from other	-	-
Cash received from subscriptions and memberships	281,183	248,992
Cash received from underwriting income	257,702	340,243
Net cash provided by noncapital financing activities	<u>773,406</u>	<u>824,350</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,333	71,211
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>872,410</u>	<u>801,199</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 936,743</u></u>	<u><u>\$ 872,410</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (871,314)	\$ (958,769)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	12,185	12,185
Donated advertising and promotions	-	-
Indirect administrative support from UTC	105,414	99,642
Changes in assets and liabilities:		
Accounts payable	50,790	-
Accrued payroll	(24,238)	11,593
Deferred inflows/outflows of resources	85,948	61,820
Compensated absences	13,842	20,390
Net cash used in operating activities	<u><u>\$ (627,373)</u></u>	<u><u>\$ (753,139)</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, 2021 AND 2020

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, which also includes \$75,000 of CARES Act grant funds. See Notes A and F. 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, 5) indirect administrative support for services provided by the University, and 6) other expense.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
WUTC-FM RADIO STATION
NOTES TO FINANCIAL STATEMENTS
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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, 2021 AND 2020

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 \$107,453 and \$91,540 at June 30, 2021 and 2020, 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, 2021 and 2020. It includes deferred amounts not yet incurred, which relates to program and affiliation fees/dues not due until FY 2022 and 2021, 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, 2021 and 2020, the Station has two items that qualify for reporting in this category. Both years include deferred amounts not yet earned on the community service grants as the monies have not yet been spent by the Station. It also includes American Rescue Plan Act Stabilization grant funds and CARES Act grant funds, which were received from CPB that have not yet been spent by the Station in FY 2021 and FY 2020, respectively. See Note F. 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, 2021 and 2020, 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, 2021 AND 2020

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. The approved rate in FY 2020 was 36%, which was effective until June 30, 2020. These amounts were valued at \$105,414 and \$99,642 for the years ended June 30, 2021 and 2020, respectively.

C. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 394,875	\$ -	\$ -	\$ 394,875
Construction in progress	-	81,700	-	81,700
Less: accumulated depreciation	<u>(358,152)</u>	<u>(12,185)</u>	<u>-</u>	<u>(370,337)</u>
Capital assets, net	<u>\$ 36,723</u>	<u>\$ 69,515</u>	<u>\$ -</u>	<u>\$ 106,238</u>

At June 30, 2021, construction in progress relates to the buildout of a new space for the Station. The estimated costs to complete the buildout is approximately \$26,900 and is expected to be completed during fiscal year 2022.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

C. CAPITAL ASSETS - Continued

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 394,875	\$ -	\$ -	\$ 394,875
Less: accumulated depreciation	<u>(345,967)</u>	<u>(12,185)</u>	<u>-</u>	<u>(358,152)</u>
Capital assets, net	<u>\$ 48,908</u>	<u>\$(12,185)</u>	<u>\$ -</u>	<u>\$ 36,723</u>

D. COMPENSATED ABSENCES

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

	2021				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$36,108</u>	<u>\$29,655</u>	<u>\$(15,813)</u>	<u>\$49,950</u>	<u>\$21,563</u>

	2020				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$15,718</u>	<u>\$33,689</u>	<u>\$(13,299)</u>	<u>\$36,108</u>	<u>\$22,797</u>

E. DONATED SERVICES

Donated services for on-air advertising totaling \$-0- for both years ended June 30, 2021 and 2020. When applicable, donated services are recorded as revenue and are expensed at the fair market value of the donated services based on vendor invoices.

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
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F. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the pandemic continues to evolve as of the date of this report and has affected the Station’s operational and financial performance due to the impact on its contributors and employees, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives.

In addition, this pandemic has adversely affected global economic activity and contributed to deterioration and instability in financial markets. The pandemic may have a continued material adverse impact on economic and market conditions, triggering a period of economic slowdown. As such, this may hinder the Station’s ability to advance their mission. To mitigate the negative impact on its operational and financial performance, the Station received CARES Act Stabilization grant funds in fiscal year 2020 and American Rescue Plan Act Stabilization grant funds in fiscal year 2021 from the CPB in the amount of \$75,000 and \$104,314, respectively. These additional stabilization grant funds were provided by Congress to help public television and radio stations maintain local programming and services threatened by declines in non-federal revenue sources during the current economic decline triggered by the COVID-19 pandemic. These stabilization grant funds are unrestricted funds intended for use by stations as needed to sustain operations and services.

While expected to be temporary, the Station cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Station’s results of future operations, financial position, and liquidity in fiscal year 2022.