

**THE GREATER CHATTANOOGA PUBLIC  
TELEVISION CORPORATION**

**Chattanooga, Tennessee**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL DATA**

**Years ended June 30, 2013 and 2012**

**JOHNSON, HICKEY & MURCHISON, P.C.**  
Certified Public Accountants  
Chattanooga, Tennessee

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

**The Greater Chattanooga Public Television Corporation:**

### Report on the Financial Statements

We have audited the accompanying financial statements of The Greater Chattanooga Public Television Corporation (a nonprofit Corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Greater Chattanooga Public Television Corporation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses on pages 20 and 21 and the accompanying schedule of expenditures of federal and state financial assistance on page 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Johnson, Wiley & Meacham, P.C.*

October 16, 2013

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 28,652	\$ 4,985
Accounts receivable	102,330	66,334
Grants receivable	25,000	-
Promises to give	4,674	15,912
Prepaid expenses	<u>25,296</u>	<u>13,055</u>
Total current assets	<u>185,952</u>	<u>100,286</u>
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>		
Land	251,000	251,000
Buildings	3,355,177	3,355,177
Equipment, furniture and fixtures	4,392,664	4,371,306
Vehicles	<u>67,767</u>	<u>67,767</u>
	8,066,608	8,045,250
Less accumulated depreciation	<u>3,490,125</u>	<u>3,049,643</u>
	<u>4,576,483</u>	<u>4,995,607</u>
<b>OTHER ASSETS:</b>		
Real estate held for sale	<u>-</u>	<u>90,000</u>
	<u>-</u>	<u>90,000</u>
	<u>\$ 4,762,435</u>	<u>\$ 5,185,893</u>

(The accompanying notes are an integral part of these statements.)

## LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$ 90,000	\$ -
Current maturities of notes payable	54,710	52,839
Current maturities of PBS payable	332,630	171,735
Accounts payable	28,472	21,684
Accrued compensation, benefits and withholdings	122,146	128,030
Deferred revenue	<u>39,733</u>	<u>13,650</u>
 Total current liabilities	 <u>667,691</u>	 <u>387,938</u>
 <b>LONG-TERM LIABILITIES:</b>		
Notes payable, less current maturities shown above	1,547,780	1,601,318
Payable to Public Broadcasting Service, less current maturities shown above	<u>213,761</u>	<u>422,827</u>
	 <u>1,761,541</u>	 <u>2,024,145</u>
 <b>NET ASSETS:</b>		
Unrestricted	2,324,561	2,773,810
Temporarily restricted	<u>8,642</u>	<u>-</u>
	 <u>2,333,203</u>	 <u>2,773,810</u>
	 <u>\$ 4,762,435</u>	 <u>\$ 5,185,893</u>

(The accompanying notes are an integral part of these statements.)

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>UNRESTRICTED NET ASSETS:</b>		
Corporation for Public Broadcasting	\$ 687,542	\$ 704,794
Government Grants -		
Grant from City of Chattanooga	85,000	80,000
PTFP Grant	-	64,004
Tennessee Board of Education	469,439	508,085
Tennessee Department of Education	50,000	49,540
Grants - other	7,000	-
Membership	224,995	235,064
Major giving	205,097	157,754
Underwriting	285,545	311,355
Education	65,680	43,445
Special events	30,004	37,785
In-kind contributions	189,716	294,215
Total contributions and other support	2,300,018	2,486,041
Net assets released from restrictions	21,358	100,980
	 2,321,376	 2,587,021
Production services	137,375	87,123
Studio and tower rental	24,767	37,614
Gain (loss) on disposal of property, plant and equipment	4,098	(12)
Interest income	100	89
Miscellaneous	29,546	24,737
	 195,886	 149,551
Total unrestricted support, revenue and reclassifications	2,517,262	2,736,572
<b>Expenses -</b>		
Program services	2,314,660	2,252,745
Fundraising	314,841	314,795
Management and general	337,010	375,104
	 2,966,511	 2,942,644
Decrease in unrestricted net assets	(449,249)	(206,072)

(The accompanying notes are an integral part of these statements.)

	<u>2013</u>	<u>2012</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	\$ 30,000	\$ 72,925
Net assets released from restrictions	<u>(21,358)</u>	<u>(100,980)</u>
Increase (decrease) in temporarily restricted net assets	<u>8,642</u>	<u>(28,055)</u>
<b>DECREASE IN NET ASSETS</b>	(440,607)	(234,127)
<b>NET ASSETS:</b>		
Beginning	<u>2,773,810</u>	<u>3,007,937</u>
Ending	<u>\$ 2,333,203</u>	<u>\$ 2,773,810</u>

(The accompanying notes are an integral part of these statements.)



**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (440,607)	\$ (234,127)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities -		
Depreciation	440,482	443,491
Noncash contribution	-	(29,409)
(Gain) loss on disposal of property, plant and equipment	(4,098)	12
Net (increase) decrease in operating assets -		
Accounts receivable	(35,996)	(16,653)
Grants receivable	(25,000)	-
Promises to give	11,238	29,959
Prepaid expenses	(12,241)	8,896
Net increase (decrease) in operating liabilities -		
Accounts payable	6,788	(80,212)
Payable to Public Broadcasting Service	(48,171)	(45,989)
Accrued compensation, benefits and withholdings	(5,884)	27,574
Deferred revenue	26,083	(1,600)
 Net cash provided (used) by operating activities	 (87,406)	 101,942
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(21,358)	(175,668)
Proceeds from sale of property and equipment	-	175
Proceeds from sale of real estate	94,098	-
 Net cash provided (used) by investing activities	 72,740	 (175,493)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase on line of credit	90,000	-
Payments on notes payable	(51,667)	(79,539)
 Net cash provided (used) by financing activities	 38,333	 (79,539)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 \$ 23,667	 \$ (153,090)

(The accompanying notes are an integral part of these statements.)

	<u>2013</u>	<u>2012</u>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning	\$ 4,985	\$ 158,075
Net increase (decrease) in cash and cash equivalents	<u>23,667</u>	<u>(153,090)</u>
Ending	<u>\$ 28,652</u>	<u>\$ 4,985</u>

**NONCASH INVESTING AND FINANCING  
TRANSACTIONS:**

Noncash contribution - Equipment	<u>\$ -</u>	<u>\$ 29,409</u>
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During the year ended June 30, 2012, the Corporation re-financed its real property loans in the amount of \$1,661,055 with a new loan, which is described in Note 6.

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW  
INFORMATION:**

Cash paid during year for interest	<u>\$ 121,620</u>	<u>\$ 155,856</u>
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(The accompanying notes are an integral part of these statements.)

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Corporation -**

The Greater Chattanooga Public Television Corporation (the Corporation) is a nonprofit corporation providing public and educational broadcast services to the greater Chattanooga area. The Corporation operates a noncommercial public television station, WTCI - Chattanooga, which is affiliated with the Public Broadcasting Service.

**Basis of presentation -**

The financial statements of The Greater Chattanooga Public Television Corporation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. In accordance with current guidance, the Corporation is reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2013 and 2012, the Corporation had no permanently restricted net assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Estimates -**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

**Promises to give -**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued):

**In-kind contributions and donated personal services -**

Donated personal services are recognized as contributions in accordance with current standards if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Numerous volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under these standards were not met.

Donated services that do not represent personal services are actually donated "goods" and should be treated as gifts-in-kind, rather than as contributed services. These contributions are valued at estimated fair value at the time of the donation.

**Pledges -**

The Corporation engages in periodic fund-raising campaigns manifested by offering some special television programs and on-air and mail fund-raising appeals. These appeals encourage supporters, both individuals and corporations, to provide financial contributions to the Corporation for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. However, as uncollected pledges are not enforceable against contributors, they are neither shown as assets on the statement of financial position nor as revenue on the statement of activities. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the Corporation. This usage is consistent with appeals for contributions and pledges.

**Program underwriting -**

Revenue for program underwriting is recorded on a pro rata basis for the period covered.

**Property, equipment and depreciation -**

It is the Corporation's policy to consider donations of long-lived assets, unless otherwise restricted by the donor, as unrestricted support at the date they are placed in service. These assets are recorded as contributions at their estimated fair value at the time of the donation.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued):

**Property, equipment and depreciation** (continued) -

Contributions for the acquisition of long-lived assets are reported as temporarily restricted support until the asset is placed in service and/or any time restrictions expire. Purchased assets are recorded at cost.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation expense of \$440,482 and \$443,491 was charged to operations for the periods ended June 30, 2013 and 2012, respectively.

**Cash equivalents** -

The Corporation considers all funds on deposit at financial institutions that have original maturities of three months or less to be cash equivalents.

**Investments** -

Investments are stated at fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting principles generally accepted in the United States of America establish a fair value hierarchy which gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described as follows -

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2:

Inputs to the valuation methodology include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted market prices that are observable for the asset or liability; (4) inputs that are derived principally from corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Investments** (continued)-

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Advertising -**

Advertising costs are expensed as incurred. Donated advertising costs are expensed at the estimated fair market value at the time of receipt. Advertising expense of \$41,492 and \$55,608 was charged to operations for the years ended June 30, 2013 and 2012, respectively.

**(2) PROMISES TO GIVE:**

Unconditional promises to give including capital campaign contributions, as of June 30, 2013, are due as follows -

For the year ending June 30, 2013 \$ 4,674

**(3) PROPERTY AND EQUIPMENT:**

The Corporation has purchased equipment using federal funds from the Public Telecommunications Facilities Program (PTFP). Accordingly, under the grant agreements, there is a lien against the equipment for ten years subsequent to the close out of the grant award.

<u>Equipment Description</u>	<u>Original Cost of Equipment Purchased</u>	<u>Lien Expiration Date</u>
PTFP Grant No. 47-02-N03010 Digital Television Equipment	\$ 720,568	March 2014
PTFP Grant No. 47-02-N05107 Digital Television Equipment	\$ 712,092	December 2017
PTFP Grant No. 47-02-09183 Digital Television Equipment	\$ 258,773	September 2021

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(4) FAIR VALUE MEASUREMENTS:**

Investments consists of real estate held for sale and are reported at estimated fair value using the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

The Corporation sold the real estate held for sale during the year ended June 30, 2013. As required by fair value measurement guidelines, at June 30, 2012, the Corporation's fair value hierarchy was classified as follows -

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Real estate held for sale	\$ <u>          -</u>	\$ <u>90,000</u>	\$ <u>          -</u>	\$ <u>90,000</u>

**(5) LINE OF CREDIT:**

The Corporation has a line of credit with First Tennessee Bank in the amount of \$350,000, which is secured by the Corporation's building. As of June 30, 2013, there were borrowings of \$90,000 on this line.

**(6) NOTES PAYABLE:**

Notes payable consists of the following -

	<u>2013</u>	<u>2012</u>
Note to GMAC, payable in monthly installments of \$308, including interest at 9.95%, through August 2012, secured by vehicle	\$ -	\$ 578
Note to First Tennessee Bank, payable in monthly installments of \$10,660, including interest at 4.69%, through March 2032, secured by real property	<u>1,602,490</u>	<u>1,653,579</u>
	1,602,490	1,654,157
Less current maturities	<u>54,710</u>	<u>52,839</u>
	<u>\$1,547,780</u>	<u>\$1,601,318</u>

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(6) NOTES PAYABLE** (Continued):

Maturities of notes payable are as follows -

For the year ending June 30, 2014	\$ 54,710
2015	57,390
2016	68,560
2017	65,678
2018	66,043
Thereafter	<u>1,290,109</u>
	<u>\$1,602,490</u>

During the year ended June 30, 2012, the Corporation re-financed its real property loans in the amount of \$1,661,055 with the new loan to First Tennessee Bank described above.

**(7) PAYABLE TO PUBLIC BROADCASTING SERVICE:**

The Greater Chattanooga Public Television Corporation entered into a financing agreement with Public Broadcasting Service in order to pay its 2012 programming costs over three years. This financing agreement includes interest at 7.25% and provides for monthly payments at varying amounts through June 2015. Maturities of PBS payables are as follows -

Maturities of notes payable are as follows -

For the year ending June 30, 2014	\$ 332,630
2015	<u>213,762</u>
	<u>\$ 546,392</u>

As of June 30, 2013, \$423,761 of this payable relates to 2011-12 programming costs and the remaining \$122,631 relates to 2012-13 programming costs.

**(8) LEASE OBLIGATIONS:**

The Corporation has entered into operating leases for the rental of equipment. Minimum lease commitments under these leases are as follows -

For the year ending June 30, 2014	\$ 6,600
2015	<u>550</u>
	<u>\$ 7,150</u>



**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(9) COMPENSATED ABSENCES:**

Employees accrue annual leave using a ratio determined by years of full-time service. A maximum of 42 days may be accumulated, depending on years of full-time service. A provision has been made for compensated absences relative to annual leave. There was \$71,018 and \$53,514 accrued for compensated absences for the years ended June 30, 2013 and 2012, respectively.

**(10) RESTRICTIONS ON NET ASSETS:**

Temporarily restricted net assets at June 30, 2013, consist of contributions restricted by the donor for specific purposes or for future use. At June 30, 2013, there were \$8,642 in temporarily restricted net assets.

**(11) TOWER RENTAL:**

The Corporation receives revenue for tower rental under five operating leases with remaining terms of two to six years. All of these leases have at least one five-year renewal period remaining.

Future minimum rentals under the above leases are as follows -

For the year ending June 30, 2014	\$ 20,522
2015	17,881
2016	16,005
2017	<u>16,182</u>
	<u>\$ 70,590</u>

**(12) RETIREMENT PLAN:**

The Corporation has a qualified retirement plan with 401(k) salary reduction plan. Employees must meet age and length of service requirements. Effective January 1, 2009, the Corporation amended the plan documents to suspend all matching contributions.

There were no retirement expenses for the years ended June 30, 2013 and 2012.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(13) FUNCTIONAL ALLOCATION OF EXPENSES:**

The cost of providing the various programs and other activities, have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**(14) FUNDING SOURCES:**

**Corporation for Public Broadcasting -**

The Corporation of Public Broadcasting (CPB) is a private, nonprofit grant-making Corporation responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations 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), (1983) Supplement. 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. Public broadcasters use these funds for purposes relating primarily to production and acquisition of programming. Also, the Grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The Grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with the application for and use of the Grants to maintain eligibility and compliance requirements. The guidelines pertain to the use of Grant funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

**State appropriation -**

Funds received from the Tennessee Board of Education are in the form of a direct appropriation. Funding for this appropriation must be approved each year by the state.

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**(15) INCOME TAXES:**

The Corporation is a tax-exempt not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes.

The Corporation has unrelated business income under Section 511 of the Internal Revenue Code. This income arises from production services and studio and tower rental.

The Corporation has available at June 30, 2013, unused Federal operating loss carryforwards of \$22,000 which may be applied against any future taxable income expiring in various years from 2026 to 2030.

The valuation allowance decreased by \$1,700 for the year ending June 30, 2013.

The Corporation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2013 and 2012, there were no interest or penalties recorded or included in its financial statements. Federal and Tennessee tax and information returns for tax years 2009 and beyond remain subject to examination.

**(16) MANAGEMENT'S PLANS REGARDING FUTURE OPERATIONS:**

As shown in the accompanying financial statements, the Corporation's current liabilities exceed current assets by \$481,739 as of June 30, 2013. This deficit is primarily attributable to delayed payments to PBS following the 2008 economic crisis.

In response, management has implemented internal cost reductions, limited purchases to essential items, reorganized personnel and is delaying the staffing of vacant positions. In addition to long-term efforts, the development, underwriting, production and education departments are targeting various funding opportunities with the immediate goal of reducing short-term obligations.

**(17) SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 16, 2013, the date which this financial statement was available for issue.

## **SUPPLEMENTAL DATA**

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services						Fundraising					Total
	Production	Programming	Technical	Underwriting	Education	Public Information	Membership	Special Events	Major Giving	Management and General		
Salaries	\$ 244,147	\$ 51,703	\$ 182,373	\$ 82,310	\$ 76,350	\$ 53,645	\$ 53,768	\$ 32,669	\$ 52,625	\$ 133,168	\$ 962,758	
Employee benefits	31,929	4,019	17,031	13,950	6,951	5,173	13,796	3,872	8,511	8,934	114,166	
Payroll taxes	18,216	3,910	14,186	6,203	5,960	3,764	3,795	2,468	3,938	8,808	71,248	
Professional services	13,368	42,839	5,025	1,675	1,378	24,476	839	500	839	77,505	168,444	
Dues	-	6,054	-	545	128	-	5,377	-	275	24,366	36,745	
Program acquisitions	-	547,956	-	-	-	-	-	-	-	-	547,956	
Communications	7,632	16,920	3,187	1,446	916	661	10,618	-	831	3,577	45,788	
Postage and shipping	826	1,286	258	143	473	3	11,330	352	499	664	15,834	
Rental	890	287	986	1,080	2,211	338	5,231	3,070	449	1,983	16,525	
Interest	49,249	46,339	6,390	2,308	4,449	956	3,719	-	1,158	7,052	121,620	
Maintenance	13,984	775	27,159	684	1,286	267	1,052	-	361	1,991	47,559	
Utilities	39,792	2,206	74,862	1,842	3,590	761	2,999	-	924	5,658	132,634	
Printing and publications	2,195	59	492	6,097	2,815	549	4,547	326	5,784	1,362	24,226	
Supplies	8,480	487	1,388	475	5,449	740	5,061	4,436	252	24,155	50,923	
Meetings, travel	4,909	-	3,254	324	2,461	50	1,332	11,557	1,764	19,112	44,763	
Advertising and promotion	-	-	-	-	-	41,492	-	-	-	-	41,492	
Premiums/acquisitions	-	-	-	-	-	-	38,709	-	-	-	38,709	
Casualty insurance	21,180	1,174	2,710	980	1,911	405	1,596	-	492	3,011	33,459	
Depreciation	186,491	4,496	217,014	3,755	7,322	1,634	6,148	-	1,886	11,736	440,482	
Vehicle expense	410	-	1,524	-	-	25	8	-	-	51	2,018	
Miscellaneous	43	-	-	109	55	-	4,127	471	480	3,877	9,162	
	<u>\$ 643,741</u>	<u>\$ 730,510</u>	<u>\$ 557,839</u>	<u>\$ 123,926</u>	<u>\$ 123,705</u>	<u>\$ 134,939</u>	<u>\$ 174,052</u>	<u>\$ 59,721</u>	<u>\$ 81,068</u>	<u>\$ 337,010</u>	<u>\$ 2,966,511</u>	

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Program Services</u>					<u>Fundraising</u>					<u>Total</u>
	<u>Production</u>	<u>Programming</u>	<u>Technical</u>	<u>Underwriting</u>	<u>Education</u>	<u>Public Information</u>	<u>Membership</u>	<u>Special Events</u>	<u>Major Giving</u>	<u>Management and General</u>	
Salaries	\$ 241,081	\$ 47,087	\$ 183,700	\$ 71,900	\$ 42,979	\$ 28,003	\$ 45,165	\$ 26,320	\$ 59,200	\$ 123,228	\$ 868,663
Employee benefits	32,617	3,867	17,726	7,244	3,867	1,753	10,401	2,948	8,400	4,081	92,904
Payroll taxes	19,017	3,731	15,672	6,204	3,310	1,797	3,551	1,899	4,479	9,299	68,959
Professional services	13,900	42,759	4,861	2,276	14,055	38,522	1,217	4,822	897	115,007	238,316
Dues	-	6,054	-	385	-	-	5,038	-	100	22,071	33,648
Program acquisitions	-	540,976	-	-	-	-	-	-	-	-	540,976
Communications	7,663	16,667	2,126	1,560	200	558	9,831	-	724	3,107	42,436
Postage and shipping	626	1,408	736	93	966	-	10,446	574	278	635	15,762
Rental	909	316	1,012	1,320	1,712	761	6,724	5,291	979	2,780	21,804
Interest	76,066	43,489	10,145	5,053	-	1,541	5,846	-	2,158	11,558	155,856
Maintenance	14,094	786	24,153	937	-	275	1,057	-	392	2,132	43,826
Utilities	37,248	2,100	69,528	2,504	-	734	2,823	-	1,047	5,628	121,612
Printing and publications	114	38	-	166	-	-	2,825	5,400	-	46	8,589
Supplies	14,774	423	1,434	296	1,871	125	747	1,187	156	37,315	58,328
Meetings, travel	6,127	-	2,862	857	3,859	-	1,501	19,615	2,047	13,931	50,799
Advertising and promotion	-	-	-	118	-	49,458	-	6,000	-	32	55,608
Premiums/acquisitions	-	-	-	-	-	-	33,369	-	-	-	33,369
Casualty insurance	21,294	1,201	2,762	1,431	-	416	1,614	-	599	3,218	32,535
Depreciation	190,242	4,942	218,359	3,492	-	2,271	8,488	-	2,460	13,237	443,491
Vehicle expense	563	-	430	-	-	3	-	-	-	37	1,033
Miscellaneous	69	-	-	41	78	-	4,989	695	496	7,762	14,130
	<u>\$ 676,404</u>	<u>\$ 715,844</u>	<u>\$ 555,506</u>	<u>\$ 105,877</u>	<u>\$ 72,897</u>	<u>\$ 126,217</u>	<u>\$ 155,632</u>	<u>\$ 74,751</u>	<u>\$ 84,412</u>	<u>\$ 375,104</u>	<u>\$ 2,942,644</u>

**THE GREATER CHATTANOOGA PUBLIC TELEVISION CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Receivable Balance 07/01/12</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable Balance 06/30/13</u>
<b><u>FEDERAL FINANCIAL ASSISTANCE</u></b>						
<b>U.S. Department of Education</b>						
Passed through Tennessee Department of Education - State Fiscal Stabilization Fund - Race to the Top Incentive Grant - ARRA	84.395	33150-01011	\$ -	\$ 25,000	\$ 50,000	\$ 25,000
<b><u>STATE FINANCIAL ASSISTANCE</u></b>						
<b>TN Department of Education:</b>						
TN Board of Education	N/A	N/A	-	469,439	469,439	-
<b>TOTAL FEDERAL AND STATE EXPENDITURES</b>			<u>\$ -</u>	<u>\$ 494,439</u>	<u>\$ 519,439</u>	<u>\$ 25,000</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors of**

**The Greater Chattanooga Public Television Corporation:**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Greater Chattanooga Public Television Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Greater Chattanooga Public Television Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Greater Chattanooga Public Television Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Greater Chattanooga Public Television Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Johnson, Wickey & Meucham, P.C.*

October 16, 2013

