

WUNC PUBLIC RADIO, LLC
A Public Telecommunications Entity
Operated by The University of
North Carolina at Chapel Hill

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018



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Carla G. Daniel, EA
Andrea W. Eason, CPA, CGMA
Robin H. McDuffie, CPA, CGMA
M. Neely McLaughlin, CPA, MBA, CGMA
Joan C. Pharr, CPA, CGMA
Deetra B. Watson, CPA, CGMA



MEMBERS:
American Institute of
Certified Public Accountants

North Carolina Association of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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WUNC Public Radio, LLC
The University of North Carolina at Chapel Hill
Chapel Hill, North Carolina

We have audited the accompanying financial statements of WUNC Public Radio, LLC (the "Station"), a public telecommunications entity operated by The University of North Carolina at Chapel Hill, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position, cash flows, and functional expenses 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.

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.

BLACKMAN & SLOOP, CPAS, P.A.

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530

The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517

www.b-scpa.com • email:cpa@b-scpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WUNC Public Radio, LLC, as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages four through eight 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. 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 certain limited 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. However, 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.



Chapel Hill, North Carolina
October 31, 2019

WUNC PUBLIC RADIO, LLC
A Public Telecommunications Entity Operated by
The University of North Carolina at Chapel Hill
MANAGEMENT’S DISCUSSION AND ANALYSIS

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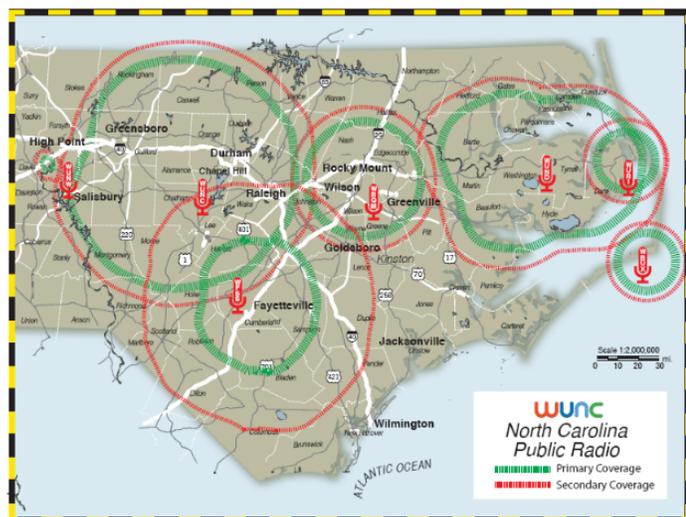
The Organization

North Carolina Public Radio – WUNC creates, acquires, and distributes programming that enhances and reflects the diverse communities it serves. Through a blend of newscasts, feature radio, and digital reports, WUNC provides balanced information in a manner designed to help listeners make informed decisions as citizens. WUNC also produces culturally rich music programming that celebrates the diverse musical community in North Carolina. WUNC continues to be one of the most listened to radio stations of any kind in the Raleigh Metro Market. As an NPR affiliate, the station provides a 24 hour-a-day, 7-day-a-week news and public affairs service to listeners each week throughout the state of North Carolina. WUNC serves a wide geographic area with broadcasts that reach into more than half of North Carolina’s 100 counties. For this reason, WUNC strives to produce news stories for a statewide audience.

On May 8, 2015, WUNC Public Radio became a limited liability company (LLC) organized pursuant to the North Carolina Limited Liability Company Act. WUNC (91.5 FM) is licensed to WUNC Public Radio, LLC, which is owned by the University of North Carolina at Chapel Hill. WUNC Public Radio, LLC, works to further the University’s efforts to extend knowledge-based and educational services to the citizens of North Carolina and to enhance the quality of life for the people of the state.

Over the last forty years, WUNC’s mission has been to provide high-quality news, cultural and entertainment content to create a more informed and engaged community. This includes producing award-winning journalism from local reporters and broadcasting national programming, such as *Morning Edition* and *All Things Considered* from NPR. WUNC has multiple reporters focused on education, military and veterans’ issues, and state government. In addition, WUNC has one of the largest public radio newsrooms in the southeast with reporters regularly covering race and southern culture, health, and local music. WUNC reporters are regularly featured on network news magazines such as *All Things Considered* and *Morning Edition*. The station is also a member of the Here & Now Contributors Network and the BBC Hub Station Project.

North Carolina Public Radio – WUNC consists of 7 radio stations:



- WUNC 91.5 FM (flagship station: Triangle & Triad)
- WFSS 91.9 FM (Fayetteville & Sandhills region)
- WRQM 90.9 FM (Rocky Mount/Wilson)
- WUND 88.9 FM (northeastern NC & Outer Banks)
- WURI 90.9 FM (Manteo)
- WBUX 90.5 FM (Buxton)
- WUNW 91.1 FM (Welcome)

**A Public Telecommunications Entity Operated by
The University of North Carolina at Chapel Hill
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This discussion and analysis of North Carolina Public Radio - WUNC (the Station) is designed to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the Station's financial activities; and (c) identify changes in the Station's financial position (i.e., its ability to address the next year's challenges). Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Station's financial statements (beginning on page 9).

Financial Statements

The Statement of Net Position provides a snapshot of the Station's financial position as of the end of the fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Assets describes the results of operating and other non-operating revenues and expenses for the fiscal year and shows how those results increase or decrease net assets for the Station as a whole.

The Statement of Cash Flows describes the sources of cash and the expense categories to which those funds were directed. The statement includes cash acquired during the current year, and funds that have been held in reserve from operating surpluses in previous years.

The Statement of Functional Expenses provides an overview of spending by category in Program Services (i.e., the direct expenses of providing programming that is broadcast on the Station) and Supporting Services (i.e., the expenses associated with management, fundraising, and other services required for the professional operation of the Station.)

Overview of the Station's Financial Activities

In fiscal year 2018-2019, North Carolina Public Radio - WUNC maintained its commitment to provide quality news and programming in a cost-effective manner. The station's overall cash increased by \$2,643,938 from \$12,584,059 to \$15,227,997. Expenses for the year totaled \$10,971,226, which includes \$458,061 of donated in-kind expenses. These expenses support purchased programming, such as programming from NPR, and locally produced programming. WUNC produces three highly regarded local shows, *The State of Things*, *The People's Pharmacy*, and *Back Porch Music*. Each show serves a unique audience and provides informative local content. WUNC is also the lead station for the American Homefront national reporting collaborative. The collaborative of six public radio stations from around the country focuses on breaking through stereotypes to tell in-depth stories about military life and what it means to be a veteran in the 21st century.

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Overview of the Station's Financial Activities (Continued)

Revenue raised in fiscal year 2018-2019 totaled \$14,465,363. Eighty-six percent of WUNC's revenue was raised through contributions to the station. WUNC Public Radio, LLC's assets exceeded liabilities by \$25,010,667 (total net position) as of June 30, 2019. The total unrestricted net position increased to \$15,843,532. This increase in revenue reflects the strong community support WUNC receives from listeners, donors, and underwriters, which helped the Station exceed its annual fundraising goal. Furthermore, WUNC staff tracks expenditures closely in order to keep expenses within budget and to build a reserve for upcoming expenses and projects.

Condensed Statements of Net Position as of June 30, 2019 and 2018:

	2019	2018	Variance
<u>Assets</u>			
Other Assets	\$ 22,513,602	\$ 18,773,954	\$ 3,739,648
Capital Assets	2,238,430	2,356,949	(118,519)
Broadcast license	1,162,777	1,162,777	-
Total Assets	<u>\$ 25,914,809</u>	<u>\$ 22,293,680</u>	<u>\$ 3,621,129</u>
<u>Liabilities</u>			
Current Liabilities	<u>\$ 904,142</u>	<u>\$ 777,150</u>	<u>\$ 126,992</u>
<u>Net Position</u>			
Invested in capital assets	2,238,430	2,356,949	(118,519)
Unrestricted	15,843,532	13,320,114	2,523,418
Restricted	<u>6,928,705</u>	<u>5,839,467</u>	<u>1,089,238</u>
Total Net Position	<u>25,010,667</u>	<u>21,516,530</u>	<u>3,494,137</u>
Total Liabilities and Net Position	<u>\$ 25,914,809</u>	<u>\$ 22,293,680</u>	<u>\$ 3,621,129</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Overview of the Station's Financial Activities (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
<u>Revenues</u>			
Contributions Corporation for Public Broadcasting ("CPB") grants	\$ 12,443,414	\$ 12,445,598	\$ (2,184)
Other CPB grants	624,917	617,832	7,085
Other revenue	799,948	435,942	364,006
	<u>597,084</u>	<u>227,239</u>	<u>369,845</u>
Total revenues	<u>14,465,363</u>	<u>13,726,611</u>	<u>738,752</u>
<u>Expenses</u>			
Program services:			
Programming and production	5,166,738	5,274,308	(107,570)
Broadcasting	1,678,270	1,629,840	48,430
Supporting services:			
Management and general	1,425,575	1,320,709	104,866
Fundraising	2,658,523	2,413,874	244,649
Income tax expense	<u>42,120</u>	<u>67,772</u>	<u>(25,652)</u>
Total expenses	<u>10,971,226</u>	<u>10,706,503</u>	<u>264,723</u>
Changes in net position	<u>\$ 3,494,137</u>	<u>\$ 3,020,108</u>	<u>\$ 474,029</u>

**A Public Telecommunications Entity Operated by
The University of North Carolina at Chapel Hill
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in the Station's Financial Position

WUNC's support from its dedicated audience allows the Station to move forward on new projects and opportunities. In fiscal year 2018-2019, the total unrestricted net position increased by \$2,523,418 to a total of \$15,843,532. The station's overall cash increased by \$2,643,938 from \$12,584,059 to \$15,227,997. These funds are used to support future expenses such as improving WUNC's studio equipment and upgrading existing software. Additionally, cash reserves are set aside to cover six months of emergency operating expenses and to provide new venture funding – rigorous, planned investment in the staff of WUNC and their new ideas. Reserves provide the Station increased financial stability and the ability to respond to unforeseen circumstances without causing disruption to general operations. The Station's reserve funds provide the ability to improve infrastructure and allow the Station to produce in-depth reporting features in order to meet its mission of creating a more informed and engaged community.

WUNC PUBLIC RADIO, LLC

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EXHIBIT A

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 15,227,997	\$ 12,584,059
Investments	19,752	19,679
Accounts receivable	426,876	299,923
Other receivables	624,948	40,649
Promises to give, net	6,048,815	5,725,341
Prepaid expenses	165,214	104,303
TOTAL CURRENT ASSETS	<u>22,513,602</u>	<u>18,773,954</u>
NONCURRENT ASSETS:		
Capital assets, net	2,238,430	2,356,949
Broadcast license	1,162,777	1,162,777
TOTAL NONCURRENT ASSETS	<u>3,401,207</u>	<u>3,519,726</u>
TOTAL ASSETS	<u>\$ 25,914,809</u>	<u>\$ 22,293,680</u>
	<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 155,545	\$ 123,777
Accrued salaries and vacation	708,427	613,203
Unearned revenue	40,170	40,170
TOTAL LIABILITIES	<u>904,142</u>	<u>777,150</u>
NET POSITION:		
Invested in capital assets	2,238,430	2,356,949
Unrestricted	15,843,532	13,320,114
Restricted for:		
Expendable:		
Purpose restricted	879,890	114,126
Time restricted	6,048,815	5,725,341
TOTAL NET POSITION	<u>25,010,667</u>	<u>21,516,530</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 25,914,809</u>	<u>\$ 22,293,680</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

A Public Telecommunications Entity Operated by
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EXHIBIT B

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Corporation for Public Broadcasting ("CPB") grants	\$ 624,917	\$ 617,832
Other CPB grants	799,948	435,942
Tower rental	198,909	192,065
Use of facilities	5,135	6,450
TOTAL OPERATING REVENUES	<u>1,628,909</u>	<u>1,252,289</u>
OPERATING EXPENSES:		
Program services:		
Programming and production	5,166,738	5,274,308
Broadcasting	1,678,270	1,629,840
Supporting services:		
Management and general	1,425,575	1,320,709
Fundraising	2,658,523	2,413,874
TOTAL OPERATING EXPENSES	<u>10,929,106</u>	<u>10,638,731</u>
OPERATING LOSS	<u>(9,300,197)</u>	<u>(9,386,442)</u>
NONOPERATING REVENUES:		
Contributions	12,443,414	12,445,598
Interest income	392,024	27,540
Change in fair value of investments	1,016	2,029
Other (expense) income	-	(845)
NET NONOPERATING REVENUES	<u>12,836,454</u>	<u>12,474,322</u>
CHANGES IN NET POSITION BEFORE INCOME TAXES	3,536,257	3,087,880
INCOME TAX EXPENSE	<u>42,120</u>	<u>67,772</u>
CHANGES IN NET POSITION	3,494,137	3,020,108
NET POSITION - BEGINNING OF YEAR	<u>21,516,530</u>	<u>18,496,422</u>
NET POSITION - END OF YEAR	<u>\$ 25,010,667</u>	<u>\$ 21,516,530</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

A Public Telecommunications Entity Operated by
The University of North Carolina at Chapel Hill

EXHIBIT C

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Corporation for Public Broadcasting ("CPB") grants	\$ 624,917	\$ 617,832
Other CPB grants	280,649	460,591
Tower rental	198,909	192,065
Use of facilities	5,135	6,450
Programming and production	(5,027,258)	(4,837,448)
Broadcasting	(1,315,672)	(1,250,469)
Management and general	(1,341,767)	(1,273,755)
Fundraising	(2,387,333)	(2,194,313)
NET CASH USED BY OPERATING ACTIVITIES	<u>(8,962,420)</u>	<u>(8,279,047)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions	<u>11,469,926</u>	<u>11,246,535</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(148,436)	(77,250)
Capital assets purchased not in service	(65,979)	-
Income taxes paid	(42,120)	(67,772)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(256,535)</u>	<u>(145,022)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash	392,024	27,540
Investment distribution	943	933
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>392,967</u>	<u>28,473</u>
NET INCREASE IN CASH AND EQUIVALENTS	2,643,938	2,850,939
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>12,584,059</u>	<u>9,733,120</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 15,227,997</u>	<u>\$ 12,584,059</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (9,300,197)	\$ (9,386,442)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	266,955	536,119
In-kind expenses	458,061	460,066
Increase (decrease) in cash arising from changes in assets and liabilities:		
Other receivables	(519,299)	24,649
Prepaid expenses	5,068	(43,231)
Accounts payable and accrued expenses	31,768	105,522
Accrued salaries and vacation	95,224	24,270
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (8,962,420)</u>	<u>\$ (8,279,047)</u>
Noncash Investing, Capital, and Financing Activities		
Change in fair value of investments	<u>\$ 73</u>	<u>\$ 1,096</u>
Non-cash contributions	<u>\$ 458,061</u>	<u>\$ 460,066</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

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EXHIBIT D

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

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	2019						Totals
	Program Services			Supporting Services			
	Programming and Production	Broadcasting	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Advertising and promotion	\$ 45,772	\$ -	\$ 45,772	\$ 36,207	\$ 62,398	\$ 98,605	\$ 144,377
Associated entity fee	-	-	-	55,000	-	55,000	55,000
Building and equipment rental	25,204	290,976	316,180	11,964	1,232	13,196	329,376
Depreciation	102,425	129,974	232,399	10,785	23,771	34,556	266,955
Dues, subscriptions, and memberships	79,408	483	79,891	30,448	12,321	42,769	122,660
Indirect costs	-	-	-	-	-	-	-
Insurance	13,508	3,313	16,821	51,584	5,410	56,994	73,815
Maintenance contracts	4,901	54,496	59,397	-	-	-	59,397
Meetings and amenities	2,385	-	2,385	502	159,197	159,699	162,084
Other communications	-	23,031	23,031	-	-	-	23,031
Other expenses	90,030	9,917	99,947	-	-	-	99,947
Postage	286	1,791	2,077	10,834	143,390	154,224	156,301
Printing	1,500	-	1,500	-	172,397	172,397	173,897
Professional and contract services	255,996	164,750	420,746	493,681	296,773	790,454	1,211,200
Programming costs	1,515,803	-	1,515,803	-	-	-	1,515,803
Repairs and maintenance	-	47,057	47,057	-	-	-	47,057
Salaries and related benefits	2,912,104	543,138	3,455,242	698,366	1,489,368	2,187,734	5,642,976
Supplies and small equipment purchases	8,784	125,277	134,061	19,173	266,041	285,214	419,275
Telephone	66,704	153,633	220,337	-	9,049	9,049	229,386
Travel	41,928	10,397	52,325	7,031	17,176	24,207	76,532
Utilities	-	120,037	120,037	-	-	-	120,037
TOTAL EXPENSES	\$ 5,166,738	\$ 1,678,270	\$ 6,845,008	\$ 1,425,575	\$ 2,658,523	\$ 4,084,098	\$ 10,929,106

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

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EXHIBIT D

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

Page 2 of 2

	2018						
	Program Services			Supporting Services			Totals
	Programming and Production	Broadcasting	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Advertising and promotion	\$ 3,597	\$ -	\$ 3,597	\$ 36,850	\$ 7,232	\$ 44,082	\$ 47,679
Associated entity fee	-	-	-	55,000	-	55,000	55,000
Building and equipment rental	24,858	297,638	322,496	3,038	-	3,038	325,534
Depreciation	356,578	142,222	498,800	13,548	23,771	37,319	536,119
Dues, subscriptions, and memberships	89,472	286	89,758	35,445	8,850	44,295	134,053
Indirect costs	55,044	-	55,044	-	-	-	55,044
Insurance	9,073	8,613	17,686	32,778	983	33,761	51,447
Maintenance contracts	-	31,257	31,257	-	-	-	31,257
Meetings and amenities	3,598	-	3,598	2,048	155,720	157,768	161,366
Other communications	7,500	21,633	29,133	-	-	-	29,133
Other expenses	177,357	8,228	185,585	-	-	-	185,585
Postage	-	2,381	2,381	11,870	148,625	160,495	162,876
Printing	-	-	-	418	142,246	142,664	142,664
Professional and contract services	301,692	155,641	457,333	486,864	365,754	852,618	1,309,951
Programming costs	1,440,107	-	1,440,107	-	-	-	1,440,107
Repairs and maintenance	-	32,950	32,950	-	-	-	32,950
Salaries and related benefits	2,693,362	490,969	3,184,331	605,215	1,353,094	1,958,309	5,142,640
Supplies and small equipment purchases	5,879	164,205	170,084	30,090	178,652	208,742	378,826
Telephone	66,054	152,576	218,630	-	12,756	12,756	231,386
Travel	40,137	4,518	44,655	7,545	16,191	23,736	68,391
Utilities	-	116,723	116,723	-	-	-	116,723
TOTAL EXPENSES	\$ 5,274,308	\$ 1,629,840	\$ 6,904,148	\$ 1,320,709	\$ 2,413,874	\$ 3,734,583	\$ 10,638,731

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC**A Public Telecommunications Entity Operated by
The University of North Carolina at Chapel Hill****NOTES TO FINANCIAL STATEMENTS**

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NATURE OF ACTIVITIES

WUNC Public Radio, LLC (the “Station”) is operated by The University of North Carolina at Chapel Hill. Administrative offices and studio facilities are located in the Goodmon Building on the Friday Continuing Education Center campus. Studio facilities are also located in Raleigh, Durham, and Greensboro, North Carolina. Additional broadcasting equipment is located at the University of North Carolina Center for Public Television transmitting stations in Chatham County, Rocky Mount, Columbia, and Welcome, North Carolina. WUNC Public Radio, LLC, was formed in May 2015. The Station still operates under the name “North Carolina Public Radio-WUNC”.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Presentation.**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (“GASB”). The Station applies all statements issued by the GASB and all Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989, except those that conflict with the GASB.

B. Basis of Accounting.

The financial statements of the Station are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Station reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets.

C. Cash and Equivalents.

Cash and equivalents consist of monies on deposit with the University of North Carolina at Chapel Hill Temporary Investment Pool, which is a governmental external investment pool. The pool is uninsured under FDIC, but is invested in highly liquid securities including, but not limited to, U.S. Government securities.

D. Investments.

Investments are stated at their fair value. Donated securities and real estate are recorded at their fair value at the date of gift.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accounts Receivable.

Accounts receivable are recorded at net realizable value. The Station uses the reserve method to account for bad debts on accounts receivable. No allowance has been provided given that management of the Station considers accounts receivable fully collectible based on composition and historical collection experience.

F. Promises to Give.

Unconditional promises to give are recognized as support and assets in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance for uncollectible promises to give is based on management's estimates and historical collection experience.

G. Capital Assets.

Capital assets are recorded at cost, and donated capital assets are recorded at fair value at the date of the gift. Property and equipment are capitalized if their life is expected to be greater than one year and their cost is \$5,000 or more. Depreciation is computed over estimated useful asset lives ranging from three to forty years using the straight-line method. Maintenance, repairs, and small equipment purchases are charged to expense when incurred.

H. Broadcasting License.

The Station acquired a broadcasting license in November 2015. The license is recorded at cost, is not subject to amortization, and is tested for impairment at least annually. At June 30, 2019 and 2018, management determined no impairment loss was required.

I. Classification of Net Position.

Invested in Capital Assets, Net of Related Debt: Invested in capital assets, net of related debt represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Position: Restricted net position includes resources for which the Station is legally or contractually obligated to spend in accordance with purpose or time restrictions imposed by external third parties.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Classification of Net Position (Continued).

Unrestricted Net Position: Unrestricted net position is not subject to externally imposed stipulations pertaining to their use. Unrestricted net position is used for the general operations of the Station and may be used at the discretion of the governing board to meet current expenses for any purpose. The Station's policy for applying expenses that can use both restricted and unrestricted resources is to first apply restricted resources then to use unrestricted resources.

J. Classification of Revenues.

The Station has classified its revenue as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as Federal and nongovernmental grants and contracts, royalty income, and rental income.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as contributions and interest income.

K. Income Taxes.

The Station is a single-member limited liability company, owned by The University of North Carolina at Chapel Hill, which is a branch of the North Carolina state government. It is a disregarded entity for tax purposes, and therefore exempt from federal and state income taxes except for taxes associated with unrelated business income.

L. Advertising Costs.

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2019 and 2018, were \$144,377 and \$47,679, respectively.

M. Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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PROMISES TO GIVE

Promises to give for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Receivable in less than one year	\$ 6,728,556	\$ 6,373,821
Allowance for uncollectible pledges	(679,741)	(648,480)
	\$ 6,048,815	\$ 5,725,341

INVESTMENTS

All investments are invested in The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (“CHIF”). All investments of CHIF are comprised solely of shares in an external investment pool, UNC Investment Fund, LLC (the “Fund”). CHIF is not registered with the Securities and Exchange Commission and is not subject to formal oversight other than that provided by its Board. The Fund’s Board approves the Fund’s investment objectives and policies and the hiring of investment managers, and monitors its policy implementation and investment performance. Within the Fund, the fair value of all debt and equity securities with readily determinable fair values are based on quoted market prices. Investments for which a readily determinable fair value does not exist may include investments in private equity, hedge funds, and limited partnerships. These investments are carried at estimated fair values as provided by the respective fund managers of these investments. UNC Management Company, Inc., the manager of the Fund, reviews and evaluates the fair values provided by the respective fund managers as well as the valuation methods and assumptions used in determining the fair value of such investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. Such differences could be material.

A derivative is a financial instrument created from, or whose value is derived from, the value of one or more underlying assets, reference rates, indexes, or asset values. These instruments may include forwards, futures, options, and currency and interest rate swaps. The Fund utilizes various external investment managers to identify specific investment funds and limited partnerships that meet asset allocation and investment management objectives. These managers and related funds are used to increase the yield and return on the investment portfolio given the available alternative investment opportunities and to diversify its asset holdings. Certain of these investments expose the Fund to market risk by trading or holding direct and indirect derivative securities and by leveraging the securities in the Fund. This risk is mitigated by the Fund’s requirement that leveraged securities must be fully collateralized.

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INVESTMENTS (CONTINUED)

Indirect derivatives held by the Fund, (i.e. derivatives held by external investment managers) are primarily used to manage portfolio risk. The Fund's managers use indirect derivatives primarily to hedge underlying positions or to gain exposure to specific markets in an efficient, inexpensive, liquid, and diversified manner. By holding indirect derivatives, the Fund could be exposed to interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. The Fund considers the risk associated with these holdings to be prudent and within acceptable bounds.

Investments in the Fund at June 30 consist of following:

	<u>2019</u>	<u>2018</u>
Fair Value	\$ 19,752	\$ 19,679
Cost	<u>18,567</u>	<u>18,567</u>
Accumulated net change in fair value	<u>\$ 1,185</u>	<u>\$ 1,112</u>

At June 30, 2019 and 2018, the investment allocation of the Fund consists of the following:

	<u>2019</u>	<u>2018</u>
Long Biased Equity	27.5%	31.1%
Long / Short Equity	15.5%	15.9%
Diversifying Strategies	9.9%	9.1%
Fixed Income	9.4%	8.9%
Private Equity	24.1%	19.6%
Real Estate	5.8%	6.0%
Energy and Natural Resources	6.8%	7.2%
Cash	0.9%	1.9%
Other	0.1%	0.3%
	<u>100.0%</u>	<u>100.0%</u>

Investment activity at June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Change in fair value	\$ 73	\$ 1,096
Investment distribution	<u>943</u>	<u>933</u>
	<u>\$ 1,016</u>	<u>\$ 2,029</u>

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FAIR VALUE MEASUREMENT

GASB 72, *Fair Value Measurement and Application*, defines fair value as the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price). U.S. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Station. Unobservable inputs reflect the Station's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 – Valuations based on inputs other than quoted prices, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets not active, or determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the assets, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets existed.

There were no changes during the years ended June 30, 2019 and 2018, to the Station's valuation techniques used to measure asset values on a recurring basis. All investments are classified as Level 3.

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CAPITAL ASSETS

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

	2018 Beginning Balance	Additions	Retirements	2019 Ending Balance
Buildings	\$3,150,150	\$ -	\$ -	\$3,150,150
Leasehold improvements	1,295,581	-	-	1,295,581
Antennas/ Transmitters/ Equipment	3,495,201	148,436	-	3,643,637
Vehicles	61,393	-	-	61,393
Total	<u>8,002,325</u>	<u>148,436</u>	<u>-</u>	<u>8,150,761</u>
Less accumulated depreciation for:				
Buildings	1,474,153	77,345	-	1,551,498
Leasehold improvements	1,089,292	78,226	-	1,167,518
Antennas/ Transmitters/ Equipment	3,046,388	102,022	-	3,148,410
Vehicles	35,543	9,362	-	44,905
Total accumulated depreciation	<u>5,645,376</u>	<u>266,955</u>	<u>-</u>	<u>5,912,331</u>
Capital assets, net	<u>\$2,356,949</u>	<u>\$ (118,519)</u>	<u>\$ -</u>	<u>\$2,238,430</u>

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CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2018, is as follows:

	2017			2018
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Buildings	\$3,150,150	\$ -	\$ -	\$3,150,150
Leasehold improvements	1,295,581	-	-	1,295,581
Antennas/ Transmitters/ Equipment	3,422,996	77,250	(5,045)	3,495,201
Vehicles	88,448	-	(27,055)	61,393
Total	<u>7,957,175</u>	<u>77,250</u>	<u>(32,100)</u>	<u>8,002,325</u>
Less accumulated depreciation for:				
Buildings	1,396,808	77,345	-	1,474,153
Leasehold improvements	734,812	354,480	-	1,089,292
Antennas/ Transmitters/ Equipment	2,956,501	94,932	(5,045)	3,046,388
Vehicles	52,391	9,362	(26,210)	35,543
Total accumulated depreciation	<u>5,140,512</u>	<u>536,119</u>	<u>(31,255)</u>	<u>5,645,376</u>
Capital assets, net	<u>\$2,816,663</u>	<u>\$ (458,869)</u>	<u>\$ (845)</u>	<u>\$2,356,949</u>

COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (“CPB”) is a private, nonprofit corporation, funded by federal appropriations authorized by the United States Congress and other sources. CPB distributes annual Community Service Grants to qualifying public communications entities. These grants are used to augment the financial resources of public radio stations and thereby to enhance the quality of programming and expand the scope of public radio services. Each grant 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, and within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities started with Community Service Grants awarded in prior years.

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COMMUNITY SERVICE GRANTS (CONTINUED)

The grants are reported in the accompanying financial statements as operating revenue; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communications Commission. For the years ended June 30, 2019 and 2018, \$624,917 and \$617,832, was received and expended under these grants, respectively.

INCOME TAX EXPENSE

The Station is subject to income tax on unrelated business income. Unrelated business income is any income generated by a trade or business that is not substantially related to the exercise of the Station's exempt purpose. When applicable, the Station is liable for unrelated business income tax on revenue generated from user fees charged to private companies renting space on broadcast towers. For the years ended June 30, 2019 and 2018, the Station was liable for unrelated income tax in the amount of \$42,120 and \$67,772, respectively.

RESTRICTED NET ASSETS - EXPENDABLE

Restricted net assets at June 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Time restricted:		
Unrestricted promises to give	\$ 6,048,815	\$ 5,725,341
Purpose restricted:		
Youth programming	-	25,000
Education Grant	20,000	-
Gun Violence Initiative	171,253	-
American Homefront Project	<u>688,637</u>	<u>89,126</u>
Restricted net assets-expendable	<u>\$ 6,928,705</u>	<u>\$ 5,839,467</u>

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RETIREMENT PLAN

Each permanent full-time employee, as a condition of employment, is a member of either the Teacher's and State Employees Retirement System of North Carolina (the "System") or the Optional Retirement Program (the "Program"). The System is a cost sharing, multiple-employer defined benefit pension plan established by the North Carolina General Statutes and administered by the State. The policy of the Station is to fund its portion of pension costs accrued for this System as determined by the State. Contributions to the System plan are based on a percentage of the employee's salary. The contributions to the System plan totaled \$439,596 and \$375,242, for the years ended June 30, 2019 and 2018, respectively. The Program is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Employer and member contributions are set each year by the North Carolina General Assembly. Contributions to the Program plan totaled \$218,670 and \$196,718, for the years ended June 30, 2019 and 2018, respectively.

CONTRIBUTED SERVICES AND FACILITIES

The Station recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year, the Station received significant amounts of professional services in exchange for underwriting recognition on air. For the years ended June 30, 2019 and 2018, the contributed services recorded in the financial statements are \$233,636 and \$236,333, respectively. These services consist primarily of advertising, maintenance services, hospitality, and equipment.

The Station received donated facilities in Durham and Greensboro in the amount of \$177,910 and \$180,470, for the years ended June 30, 2019 and 2018, respectively. The Station also received donated utilities in the amount of \$46,515 and \$43,263, for the years ended June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, the Station received significant amounts of personal services from volunteers. These services did not meet the requirements above for recognition in the financial statements.

UNIVERSITY OF NORTH CAROLINA SUPPORT

The University of North Carolina at Chapel Hill (the "University") provides indirect administrative support to the Station. This support is in the form of assistance, guidance, and service in areas of management, accounting, budget, legal, purchasing, and physical plant operations. The Station paid the University \$55,000 for these services for each year ended June 30, 2019 and 2018. The University also provides electrical services at no cost that are included in the statements of revenues, expenses, and changes in net position of \$46,515 and \$43,263, for the years ended June 30, 2019 and 2018, respectively.

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COMMITMENTS

The Station entered into a use agreement with The University of North Carolina at Chapel Hill Foundation, Inc. (the "Foundation") for space in the American Tobacco Historic District in Durham, North Carolina. Under this agreement, the Foundation makes available and grants exclusive use of the space in exchange for a usage fee for all costs incurred by the Foundation under this lease. The Foundation's lease for the space terminates in May 2020. The Foundation is responsible for operating costs for the space, which are estimated at the beginning of the year and then reconciled to actual operating costs. Prior to April 2018, the Station had a use agreement with the Foundation for space in Greensboro, North Carolina. Under this agreement, the Foundation made available and granted exclusive use of the space in exchange for a usage fee for all costs incurred by the Foundation. The Station is now the tenant under this lease in Greensboro, which expires in June 2024, including a one-time three-year extension.

The Station receives partial rent credit for both locations in exchange for underwriting recognition on air. This credit amount was \$177,910 and \$180,470, for the years ended June 30, 2019 and 2018, respectively. Rent expense, excluding the credit noted above, amounted to \$88,446 and \$94,675, for the years ended June 30, 2019 and 2018, respectively.

The Station is obligated under lease agreements for ground space for various towers in North Carolina. The leases expire in August 2019 through December 2042. Monthly rent is increased annually by approximately three percent. Rent expense amounted to \$30,637 and \$29,723, for the years ending June 30, 2019 and 2018, respectively.

Minimum future payments for all leases are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 120,718
2021	61,567
2022	44,017
2023	46,236
2024	42,005
Thereafter	1,018,689
	<u>\$ 1,333,232</u>

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PROGRAMMING COSTS

Programming costs consist of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
National Public Radio	\$ 1,188,840	\$ 1,138,666
American Public Media	194,422	195,208
Public Radio International	47,744	53,241
Other	84,797	52,992
	<u>\$ 1,515,803</u>	<u>\$ 1,440,107</u>

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through October 31, 2019, which was the date that the financial statements were available to be issued. Management did not identify any subsequent events that require disclosure.