

**THE UNIVERSITY OF NORTH CAROLINA  
CENTER FOR PUBLIC MEDIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**THE UNIVERSITY OF NORTH CAROLINA  
CENTER FOR PUBLIC MEDIA  
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JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,  
The University of North Carolina Center for Public Media:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The University of North Carolina Center for Public Media ("PBS North Carolina"), a public telecommunications entity, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise PBS North Carolina's basic financial statements as listed in the table of contents.

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

PBS North Carolina's 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 audit. We conducted our audit 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 statement.

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 PBS North Carolina as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Emphasis of Matter*

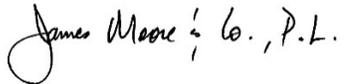
As discussed in Note 1(a), the financial statements of PBS North Carolina are intended to present the financial position, the changes in financial position and cash flows of PBS North Carolina. They do not purport to, and do not, present fairly the financial position of The University of North Carolina System Office as of June 30, 2021, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *2020 Financial Statements*

The financial statements of PBS North Carolina for the year ended June 30, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on February 2, 2021.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as noted in the table of contents 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.

James Moore & Co., P.L.

Gainesville, Florida  
February 13, 2022

**THE UNIVERSITY OF NORTH CAROLINA  
CENTER FOR PUBLIC MEDIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021 AND 2020**

As management of The University of North Carolina Center for Public Media ("PBS North Carolina"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of PBS North Carolina for the fiscal years ended June 30, 2021 and 2020.

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, please read it in conjunction with PBS North Carolina's financial statements.

**Financial Highlights**

- **Net Position:** The assets of PBS North Carolina exceeded liabilities at the close of the most recent fiscal year by \$83.2 million (net position). Of this amount, \$37.4 million may be used to meet PBS North Carolina's ongoing obligations. This amount equates to 101% of operating expenses.

Net Position compared to prior year: PBS North Carolina's total net position (assets less liabilities) increased by \$7.6 million, with total revenue exceeding operating expenses by the same amount. The driver of the change was the strong performance of the UNC Investment Fund, resulting in investment gains of \$7.5 million, compared to \$395 thousand in the prior year.

- **Liabilities:** PBS North Carolina's liabilities increased \$1.3 million. These liabilities include deferred revenue, accrued vacation leave, note payable, and accrued expenses for operations, payroll, and capital projects.

**Note Payable:** In FY2016 PBS North Carolina participated in the University of North Carolina Systemwide Lighting Performance Lighting Contract for the purpose of financing the cost of energy conservation measures by installing Cree LED lighting. Payments made under the financing contract will be offset by energy savings supported by a Guaranteed Energy Savings Contract. As of June 30, 2021, the principle owed was \$84 thousand.

**Unearned Revenue – Production Projects:** Production revenue received and not yet expended to produce programming is deferred until those projects are completed. Revenue of \$976 thousand was deferred which was a \$303 thousand increase due to normal fluctuation in the timing of receipts and program projects currently in production.

**Unearned Revenue – Use of Facilities:** Rental revenue received in prior years for the use of PBS North Carolina's transmission infrastructure is recognized over the contract life. Currently \$137.5 thousand is recognized each year as revenue from these contracts thereby reducing deferred revenue by the same amount.

**Unearned Revenue – Grants:** A grant in the sum of \$1.1 million was received at the end of the fiscal year to engage in a public education support program featuring several important projects. This work commenced after the close of the fiscal year and hence, this amount is included in unearned revenue.

**Compensated Absences:** Leave liability increased \$24 thousand due to typical fluctuations for accrued vacation leave.

**Accounts Payable and Accrued Expenses:** Decreased \$338 thousand due to fluctuations in the timing of projects and the subsequent receipt of vendor invoices crossing the fiscal year end.

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(Continued)**

- Assets: PBS North Carolina's assets increased \$8.9 million.

Capital assets: Capital assets are increased by asset additions and replacements and decreased each year as the assets are depreciated over their useful life or retired. Depreciation expense and asset retirements exceeded capital asset additions by \$866 thousand.

Investments – Increased \$7 million due to the strong performance of the UNC Investment Fund, which had an FY21 annual return of 42.3%, offset by an annual distribution to cash of \$500 thousand to be used for capital expenditures.

Current Assets: Increased \$2.7 million. This includes cash, receivables, unexpired program rights, and prepaid expenses.

Cash – Increased \$4.2 million primarily due to unspent grant funds received, notably \$938 thousand American Rescue Plan Act (ARPA) funds and a \$1.1 million program grant, and an annual royalty payment of \$1 million. In addition, \$500 thousand was transferred from investments to cash to fund capital expenditures.

Unconditional promises to give – Decreased \$1.4 million due to a change in how pledge receivables are accounted for, noting these recurring monthly donations are no longer included as a receivable.

Prepaid Expenses – Decrease of \$280 thousand due to a significant decline in a property policy premium stemming from asset valuation updates completed in FY21.

See the Statement of Cash Flows for additional detail.

## **Financial Statements**

### Statement of Net Position

The Statement of Net Position reflects the financial position of PBS North Carolina presenting information on all assets and liabilities, with the difference between the two reported as net position. Net position is divided into categories to show the availability to meet PBS North Carolina's obligations. Unrestricted funds are available to PBS North Carolina for any purpose related to public broadcasting, other than funds held in long-term investments.

### Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position describes the results of operations and other non-operating revenues and expenses for the year and shows how those results increase or decrease net position.

The GASB requires that state appropriations, certain grants, and gifts be classified as non-operating revenues. As a result, this statement reflects an operating loss. Capital grants are considered neither operating nor non-operating.

After addition of non-operating revenues and capital grants, including the State operating appropriation, net position increased \$7.6 million. This increase is the amount that total revenue exceeded operating expense for the year.

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(Continued)**

Statement of Cash Flows

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.

Notes to the Financial Statements

The notes provide additional information essential to facilitating a full understanding of the data provided in the accompanying financial statements.

**Overview of PBS North Carolina's Financial Activity**

Statement of Net Position

Net position may serve over time as a useful indicator of PBS North Carolina's financial position. The largest portion of PBS North Carolina's net position, approximately 55%, reflects its investment in capital assets (e.g. buildings, towers, and equipment). PBS North Carolina uses these capital assets to provide services to viewers, consequently these assets are not available for future spending.

PBS North Carolina's net position was as follows:

**STATEMENTS OF NET POSITION**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
<b>Assets</b>			
Current assets	\$ 18,802,733	\$ 16,083,067	\$ 2,719,666
Capital assets	45,742,425	46,608,047	(865,622)
Other noncurrent assets	25,285,076	18,278,670	7,006,406
Total assets	<u>89,830,234</u>	<u>80,969,784</u>	<u>8,860,450</u>
<b>Liabilities</b>			
Current liabilities	4,815,716	3,591,845	1,223,871
Non-current liabilities	1,829,065	1,775,028	54,037
Total liabilities	<u>6,644,781</u>	<u>5,366,873</u>	<u>1,277,908</u>
<b>Net position</b>			
Net investment in capital assets	45,742,425	46,608,047	(865,622)
Unrestricted	30,817,579	22,820,345	7,997,234
Restricted for:			
Time restricted pledges	120,145	1,530,688	(1,410,543)
Time restricted CPB grants	3,619,385	3,513,894	105,491
Restricted for Bryan Center and equipment	1,000,000	1,000,000	-
Purpose restrictions – CPB and other grants	1,885,919	129,937	1,755,982
Total net position	<u>\$ 83,185,453</u>	<u>\$ 75,602,911</u>	<u>\$ 7,582,542</u>

**THE UNIVERSITY OF NORTH CAROLINA  
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A portion of PBS North Carolina's net position, approximately 3.5%, represents resources that are subject to external purpose restrictions on how they may be used. The remaining balance of unrestricted and time restricted net position may be used to meet PBS North Carolina's ongoing obligations.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year.

**COMPARISON OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
<b>Revenues</b>			
State appropriation	\$ 11,105,435	\$ 9,650,051	\$ 1,455,384
Contributions	13,607,427	13,769,365	(161,938)
Indirect administrative support	2,011,486	-	2,011,486
Grants from CPB	4,557,406	3,790,728	766,678
Capital Grants - PBS	60,450	308,357	(247,907)
Capital Grants – Federal	3,967,426	8,526,137	(4,558,711)
Net investment gain	7,511,076	394,978	7,116,098
Loss on disposal of capital assets	(717,981)	(3,055,500)	2,337,519
Other revenues	2,597,657	1,778,740	818,917
Total revenues	<u>44,700,382</u>	<u>35,162,856</u>	<u>9,538,066</u>
<b>Expenses</b>			
Program services			
Programming and production	16,044,931	13,884,309	2,160,622
Broadcasting and engineering	10,721,604	8,985,222	1,736,382
<b>Supporting services</b>			
Development and fund raising	4,526,590	4,801,712	(275,122)
Management and general	5,824,715	4,139,651	1,685,064
Total expenses	<u>37,117,840</u>	<u>31,810,894</u>	<u>5,306,946</u>
Change in net position	<u>\$ 7,582,542</u>	<u>\$ 3,351,962</u>	<u>\$ 4,231,120</u>

**Changes in PBS North Carolina's Financial Position**

State appropriations increased year over year by \$1.5 million which stems from \$1.4 million received from the NC Department of Information Technology to fund At Home Learning program initiatives to minimize the pandemic's impact on North Carolina students.

PBS North Carolina continues to depend on contributions from viewers, corporate partners and grants from the Corporation for Public Broadcasting for a large portion of operating expenses. Revenue from the Corporation for Public Broadcasting increased \$767 thousand which included \$938 thousand in ARP Act

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JUNE 30, 2021 AND 2020  
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stabilization funds received in FY21 offset by \$260 thousand in CARES Act stabilization funds received in FY20.

Indirect administrative support reflects the value of services PBC North Carolina received from the University of North Carolina at no cost. Previously, the value of these services was disclosed in the footnotes but not included in the financial results, which increases revenue with an offsetting increase to expenses.

The FCC repack project that provided capital funding to replace aging transmission equipment is coming to a conclusion and is the driver for the \$4.6 million decline in the Federal grants provided, Correspondingly, losses on disposal of capital assets was lower than prior year by \$2.3 million.

Net investment gains were a notable \$7.5 million compared to \$395 thousand in the prior year due to the strong performance of the UNC Investment Fund, returning 42.3%

Other revenue grew by \$819 thousand due to an increase in royalties revenues.

Expenses grew by \$5.3 million due to increased costs associated with completing funded production projects, increase in depreciation expense due to new capital assets put into service and the recognition of the \$1.2 million Indirect Administrative Support services expense mentioned above.

Overall Net Position increased \$7.6 million.

PBS North Carolina retains sufficient funds in cash and investments in operating reserves to effectively pursue its objectives and general operations and respond to unforeseen circumstances.

**Requests for Information**

This report is designed to provide an overview of PBS North Carolina's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance and Administration, The University of North Carolina Center for Public Media, Post Office Box 14900, Research Triangle Park, North Carolina 27709, telephone (919) 549-7000.

**THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC MEDIA**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,314,092	\$ 12,144,809
Receivables, net	1,847,681	1,619,622
Unconditional promises to give, net	120,145	1,530,688
Unexpired program rights	150,084	137,435
Prepaid expenses	370,731	650,513
Total current assets	18,802,733	16,083,067
<b>Noncurrent assets</b>		
Capital assets, net	45,742,425	46,608,047
Investments, net	25,285,076	18,278,670
Total noncurrent assets	71,027,501	64,886,717
<b>Total assets</b>	<b>89,830,234</b>	<b>80,969,784</b>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	1,460,344	1,598,415
Unearned revenue	3,036,358	1,837,957
Long term liabilities, current portion	319,014	155,473
Total current liabilities	4,815,716	3,591,845
<b>Non-current liabilities</b>		
Long term liabilities, less current portion	1,829,065	1,775,028
<b>Total liabilities</b>	<b>6,644,781</b>	<b>5,366,873</b>
<b><u>NET POSITION</u></b>		
<b>Net position</b>		
Net investment in capital assets	45,742,425	46,608,047
Unrestricted	30,817,579	22,820,345
Restricted-expendable		
Time restricted pledges	120,145	1,530,688
Time restricted CPB grants	3,619,385	3,513,894
Restricted for Bryan Center & equipment	1,000,000	1,000,000
Purpose restrictions - CPB and other grants	1,885,919	129,937
<b>Total net position</b>	<b>\$ 83,185,453</b>	<b>\$ 75,602,911</b>

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

**THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC MEDIA  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating revenues</b>		
Community Service Grants from the Corporation for Public Broadcasting	\$ 3,504,798	\$ 3,399,970
Broadcasting	114,587	130,553
Other grants from the Corporation for Public Broadcasting	309,121	293,830
Other grants	1,901,565	1,062,750
Sales and royalties	5,830,071	4,887,103
Total operating revenues		
<b>Operating expenses</b>		
Program services:		
Programming and production	16,044,931	13,884,309
Broadcasting and engineering	10,721,604	8,985,222
Total program services	26,766,535	22,869,531
Supporting services:		
Development and fund raising	4,526,590	4,801,712
Management and general	5,824,715	4,139,651
Total supporting services	10,351,305	8,941,363
Total operating expenses	37,117,840	31,810,894
Operating loss	(31,287,769)	(26,923,791)
<b>Non-operating revenues</b>		
State appropriation	11,105,435	9,650,051
Contributions	13,607,427	13,769,365
Donated administrative support from the University of North Carolina at Chapel Hill	2,011,486	-
Stabilization funds	938,021	260,205
Use of facilities	327,286	249,029
Other income	59,685	173,131
Loss on disposal of capital assets	(717,981)	(3,055,500)
Net investment gain	7,511,076	394,978
Net non-operating revenues	34,842,435	21,441,259
Gain (loss) before capital grants	3,554,666	(5,482,532)
<b>Capital grants</b>		
Federal grant and contracts - Federal Communications Commission	3,967,426	8,526,137
Capital grant non-governmental - PBS	60,450	308,357
Total other revenue	4,027,876	8,834,494
<b>Change in net position</b>	7,582,542	3,351,962
<b>Net position, beginning of year</b>	75,602,911	72,250,949
<b>Net position, end of year</b>	\$ 83,185,453	\$ 75,602,911

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

**THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC MEDIA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Cash received from operating revenues	\$ 5,269,780	\$ 5,356,655
Cash paid for operating expenses	<u>(32,584,696)</u>	<u>(28,246,927)</u>
Net cash used in operating activities	<u>(27,314,916)</u>	<u>(22,890,272)</u>
<b>Cash flows from non-capital financing activities</b>		
State appropriation	11,105,435	9,650,051
Contributions and underwriting	18,102,568	284,660
Other non-operating revenue	246,679	13,938,054
Proceeds from ARPA funds	938,021	-
Net cash provided by non-capital financing activities	<u>30,392,703</u>	<u>23,872,765</u>
<b>Cash flows from capital and related financing activities</b>		
Capital contributions - Federal	4,552,590	13,881,699
Capital contributions - other	60,450	308,357
Proceeds from sale of capital assets	75,787	36,807
Purchases of capital assets	(4,063,003)	(13,636,983)
Principal paid on capital debt and leases	(45,767)	(43,972)
Cash paid for interest on debt	<u>(2,086)</u>	<u>(2,909)</u>
Net cash provided by capital and related financing activities	<u>577,971</u>	<u>542,999</u>
<b>Cash flows from investing activities</b>		
Purchases and proceeds from investments	504,670	(769,912)
Interest on cash	<u>8,855</u>	<u>37,360</u>
Net cash provided by (used in) investing activities	<u>513,525</u>	<u>(732,552)</u>
<b>Change in cash and cash equivalents</b>	<u>4,169,283</u>	<u>792,940</u>
<b>Cash and cash equivalents, beginning of year</b>	12,144,809	11,351,869
<b>Cash and cash equivalents, end of year</b>	<u>\$ 16,314,092</u>	<u>\$ 12,144,809</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
<b>Operating loss</b>	\$ (31,287,769)	\$ (26,923,791)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>		
Depreciation and amortization	4,180,788	3,118,690
Changes in assets and liabilities related to operating activities:		
Accounts receivable	(793,771)	209,346
Unexpired program rights/licenses	(12,649)	(36,079)
Prepaid expenses	279,782	(21,698)
Accounts payable and accrued expenses	(190,771)	414,629
Workers compensation payable	239,217	(23,131)
Compensated absences	24,128	108,648
Deferred revenue	246,129	-
<b>Net cash used in operating activities</b>	<u>\$ (27,314,916)</u>	<u>\$ (23,153,386)</u>
<b>Supplemental disclosure of noncash capital activities</b>		
Capital purchases included in accounts payable	\$ 45,930	\$ -

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

**THE UNIVERSITY OF NORTH CAROLINA  
CENTER FOR PUBLIC MEDIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

(a) **Reporting entity**—The University of North Carolina Center for Public Media (“PBS North Carolina”) is a constituent organizational division of The University of North Carolina System Office (the “System Office”) authorized by North Carolina General Statute Section 116-37.1 for establishment by the Board of Governors of The University of North Carolina at Chapel Hill (the “University”). The Board of Governors is authorized to establish the Board of Trustees of PBS North Carolina and to delegate to the Board of Trustees such powers and duties deemed necessary or appropriate except for broadcasting licensee responsibilities. The broadcast licenses issued by the Federal Communications Commission are issued to the Board of Governors of the University. The System Office provides administrative support to PBS North Carolina.

PBS North Carolina is directed by statute to provide research, development, and production of noncommercial educational television programming and program materials, to provide distribution of noncommercial television programming through the broadcasting licenses issued to The University of North Carolina Board of Governors, and to enhance the uses of television for public purposes. Administrative offices and studio facilities are located in the Joseph and Kathleen Bryan Communications Center in Research Triangle Park, North Carolina. Twelve digital full power stations and nineteen digital translators provide broadcasting services.

(b) **Basis of presentation**—Pursuant to the provisions of GASB Statement No. 34 - Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 35 - Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities, the full scope of PBS North Carolina’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

(c) **Basis of accounting**—The accompanying financial statements of PBS North Carolina have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Non-exchange transactions, in which PBS North Carolina receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, indirect administrative support, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

(d) **Cash and cash equivalents**—This classification includes cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (“STIF”). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

(e) **Investments**—To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. The fair value for investments in the UNC Investment Fund was based on amounts reported to PBS North Carolina by UNC Management Company, Inc. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the

**THE UNIVERSITY OF NORTH CAROLINA  
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NOTES TO FINANCIAL STATEMENTS  
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(1) **Summary of Significant Accounting Policies:** (Continued)

investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income. Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by PBS North Carolina for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

(f) **Accounts receivable and unconditional promises to give**—Receivables consist of amounts due from the federal government, state and local governments, other universities, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider’s conditions have been satisfied, and accrued interest receivable from investments. Receivables are recorded net of estimated uncollectible amounts. Beginning in fiscal year 2021, it was determined that subscriber pledges are no longer able to be measured by PBS North Carolina as pledge receivables as they are not verifiable and therefore PBS North Carolina has opted to not record these recurring contributions until money is actually collected. As a result, subscriber pledges are no longer included within unconditional promises to give.

(g) **Prepaid broadcast rights**—PBS North Carolina acquires broadcast rights for programs or a series of programs produced for public television. The cost of these rights is amortized using the straight-line method based on the number of future broadcasts estimated by management over their remaining contractual lives.

(h) **Unearned revenue**—Unearned revenue represents cash advances received from third parties, relating to programs which have not yet been broadcast. As these programs are broadcast, the costs incurred are included in operating expenses and the associated unearned revenue is included in revenue.

(i) **Capital assets**—Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

PBS North Carolina capitalizes assets that have a value or cost of \$5,000 or greater and intangible assets that have a value or cost of \$100,000 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	15 – 75 Years
Machinery & Equipment	5 – 75 Years
Other Structures	2 – 20 Years

Estimated useful lives that later prove to be incorrect based on new information are adjusted and considered changes in estimates treated prospectively. The intent is to allocate the cost of a capital asset over its entire useful life and minimize reporting assets still in service as fully depreciated.

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

(j) **Occupancy rights**—Occupancy rights represent payments for the privilege to occupy real property and to occupy space in a service building and certain support facilities.

(k) **Noncurrent long-term liabilities**—Noncurrent long-term liabilities include notes payable and compensated absences that will not be paid within the next fiscal year.

(l) **Compensated absences**—PBS North Carolina’s policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and non-current, leave is considered taken using a last-in-first-out method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31, plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave. There is no liability for unpaid accumulated sick leave because PBS North Carolina has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

(m) **Net position**—PBS North Carolina’s net position is classified as follows:

*Net investment in capital assets*—This represents PBS North Carolina’s total investments 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*—

*Nonexpendable restricted net position*—Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

*Expendable restricted net position*— Expendable restricted net position is resources in which PBS North Carolina is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted*—Unrestricted net position is all resources not invested in capital assets or restricted by external parties.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at PBS North Carolina.

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

(n) **Revenue and expense recognition**—PBS North Carolina classifies its revenues and expenses as operating or non-operating in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with PBS North Carolina’s principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) sales and services of auxiliary enterprises, and (2) certain federal, state, and local grants and contracts that are essentially contracts for services.

Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9 - Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Non-operating revenues include activities that have the characteristics of non-exchange transactions. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to PBS North Carolina, as well as investment income, are considered non-operating since these are investing, capital, or noncapital financing activities. Capital contributions are presented separately after non-operating revenues and expenses.

(o) **Pension and other postemployment benefits**—As PBS North Carolina is an affiliate of the System Office, any pension and other postemployment benefits liabilities are reported by the System Office. The System Office’s Annual Comprehensive Financial Report (“ACFR”) may be obtained from: <https://www.northcarolina.edu/offices-and-services/finance-and-administration/financial-statement-audit-reports/>.

(p) **Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles 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.

(q) **Income taxes**—As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, income generated from activities unrelated to the University’s exempt purpose is subject to income taxes under Internal Revenue Code 511(a)(2)(B). Such amounts have historically been insignificant. As a department of the University, PBS North Carolina is also exempt from income taxes.

(r) **Recent accounting pronouncements**—In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB 95. PBS North Carolina is currently evaluating the effect that implementation of the new statement will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Interest Cost in Construction*. GASB 89 was made to enhance the comparability of information about capital assets and the cost of borrowing for a reported period, and aims to simplify accounting for the interest cost incurred before the end of a construction period. The provisions in GASB 89 are effective for PBS North Carolina’s fiscal year ended June 30, 2022. PBS North Carolina is currently evaluating the impact this statement will have on its financial statements.

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**(2) Deposits and Investments:**

Unless specifically exempt, PBS North Carolina is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116- 36.1, may authorize PBS North Carolina to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, PBS North Carolina may voluntarily deposit institutional trust funds, endowment funds, special funds, and revenue bond proceeds with the State Treasurer.

The amount shown on the Statement of Net Position as cash and cash equivalents includes deposits with private institutions and PBS North Carolina's equity position in the State Treasurer's Short-Term Investment Fund ("STIF). The majority of PBS North Carolina cash balances are on deposit with the State Treasurer and are either insured or fully collateralized. A portion of PBS North Carolina's cash balances are placed with high quality financial institutions that are insured up to \$250,000 under the Federal Deposit Insurance Corporation ("FDIC") for 2021 and 2020. These funds are aggregated with other funds held by the University of North Carolina System Office. At June 30, 2021 and 2020, \$3,545,444 and \$2,097,367 of PBS North Carolina's funds were held in private financial institutions. At June 30, 2021 and 2020, the uninsured cash balance was \$3,295,444 and \$1,847,367, respectively.

At June 30, 2021 and 2020, PBS North Carolina's equity position in the STIF was \$12,768,648 and \$10,047,442, respectively. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's Annual Comprehensive Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

UNC Investment Fund, LLC - At June 30, 2021 and 2020, PBS North Carolina's investments include \$25,285,076 and \$18,278,670, respectively, which represents PBS North Carolina's equity position in the UNC Investment Fund, LLC ("UNC Investment Fund"). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, North Carolina 27517.

Investments are subject to the following risks:

*Interest rate risk:* Interest rate risk is the risk PBS North Carolina may face should interest rate variances affect the fair value of investments. PBS North Carolina does not have a formal policy that addresses interest rate risk.

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PBS North Carolina does not have a formal policy that addresses credit risk.

*Custodial credit risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, PBS North Carolina will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. PBS North Carolina does not have a formal policy for custodial credit risk.

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**(3) Fair Market Value Measurement:**

PBS North Carolina’s cash and investment funds are aggregated with other funds held by the University of North Carolina System Office. All funds held and invested by the System Office on behalf of PBS North Carolina are reflected at fair value. The fair value measurement of these investments is categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

PBS North Carolina has the following recurring fair value measurements as of June 30, 2021 and 2020:

*UNC Investment Fund* - Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund’s operating procedures.

These funds are valued at net asset value (“NAV”) of units held, as reported by the UNC Management Company. PBS North Carolina reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of these investments. Because the investment pool is not readily marketable, NAV is used as a practical expedient, and the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for such investment existed, and differences could be material. PBS North Carolina relies on policies developed and administered by the University and the System Office for managing interest rate risk and credit risk for these investment pools.

In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The following table discloses the nature and risk of investments for which fair value has been estimated using the NAV of the investments as a practical expedient as of June 30, 2021 and 2020, respectively.

	<b>Investments Measured at NAV</b>			
	<b>Total Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
UNC Investment Fund				
June 30, 2021	\$ 25,285,076	\$ -	Daily	N/A
June 30, 2020	\$ 18,278,670	\$ -	Daily	N/A

**(4) Receivables:**

Receivables at June 30, 2021 were as follows:

	<b>Gross Receivables</b>	<b>Less Allowance for Doubtful Accounts</b>	<b>Net Receivables</b>
Accounts receivable	\$ 1,847,681	\$ -	\$ 1,847,681
Unconditional promises to give	125,145	5,000	120,145
Receivables, net	\$ 1,972,826	\$ 5,000	\$ 1,967,826

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(4) **Receivables:** (Continued)

Receivables at June 30, 2020 were as follows:

	<b><u>Gross Receivables</u></b>	<b><u>Less Allowance for Doubtful Accounts</u></b>	<b><u>Net Receivables</u></b>
Accounts receivable	\$ 1,619,622	\$ -	\$ 1,619,622
Unconditional promises to give	2,841,034	1,310,346	1,530,688
Receivables, net	<u>\$ 4,460,656</u>	<u>\$ 1,310,346</u>	<u>\$ 3,150,310</u>

(5) **Occupancy Rights:**

Occupancy rights represent payments for PBS North Carolina's privilege to occupy real property, space in service buildings and space in certain support facilities. The following is a summary of PBS North Carolina's occupancy rights at June 30:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Occupancy rights, at cost	\$ 2,111,866	\$ 2,111,866
Less accumulated amortization	<u>(1,082,124)</u>	<u>(961,975)</u>
Occupancy rights, net	<u>\$ 1,029,742</u>	<u>\$ 1,149,891</u>

Amortization expense for occupancy rights was \$120,149 and \$64,309 for the years ended June 30, 2021 and 2020, respectively.

During FY2011, in consideration for the use of a communications tower constructed by the State Highway Patrol, PBS North Carolina provided funding assistance of \$169,349 for the construction of the tower. This agreement was made on May 17, 2010 and runs for a period of 20 years.

PBS North Carolina also occupies space in a storage facility owned by WLOS-TV and located on Mount Pisgah, North Carolina. The lease dated November 18, 2002 has a twelve-year (12) term beginning July 1, 2002. This lease required an initial investment for facility improvement. The total cost of the project was \$783,693 and was completed in FY 2005. The original lease expired June 30, 2014 and was renewed with an expiration of June 30, 2024. There were no payments for occupancy rights in FY 2021 and 2020.

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**(6) Capital Assets:**

Capital asset balances and activity for the years ended June 30, 2021 and 2020, were as follows:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Capital assets, not being depreciated:					
Land	\$ 185,963	\$ -	\$ -	\$ -	\$ 185,963
Construction in progress	1,012,034	898,285	-	(1,898,986)	11,333
Total capital assets, not being depreciated	<u>1,197,997</u>	<u>898,285</u>	<u>-</u>	<u>(1,898,986)</u>	<u>197,296</u>
Capital assets, being depreciated:					
Buildings	62,862,593	19,500	(2,790,249)	-	60,091,844
Other Structures	24,045,834	553,199	(1,143,489)	1,825,803	25,281,347
Equipment	26,612,607	2,561,717	(377,419)	73,183	28,870,088
Motor vehicles	763,504	76,233	-	-	839,737
Total capital assets, being depreciated	<u>114,284,538</u>	<u>3,210,649</u>	<u>(4,311,157)</u>	<u>1,893,319</u>	<u>115,083,016</u>
Less: Accumulated depreciation					
Total accumulated depreciation	70,024,379	4,060,638	(3,517,388)	-	70,567,629
Occupancy rights, net	1,149,891	-	(120,150)	-	1,029,742
Total capital assets, net	<u>\$ 46,608,047</u>	<u>\$ 48,296</u>	<u>\$ (793,769)</u>	<u>\$ -</u>	<u>\$ 45,742,425</u>
	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2020</u>
Capital assets, not being depreciated:					
Land	\$ 185,963	\$ -	\$ -	\$ -	\$ 185,963
Construction in progress	20,772,857	8,701,596	(28,462,419)	-	1,012,034
Total capital assets, not being depreciated	<u>20,958,820</u>	<u>8,701,596</u>	<u>(28,462,419)</u>	<u>-</u>	<u>1,197,997</u>
Capital assets, being depreciated:					
Buildings	69,559,841	4,419,626	(11,116,874)	-	62,862,593
Other Structures	20,855,832	5,735,874	(2,545,872)	-	24,045,834
Equipment	7,612,527	19,159,914	(159,835)	-	26,612,607
Motor vehicles	780,981	7,301	(24,778)	-	763,504
Total capital assets, being depreciated	<u>98,809,181</u>	<u>29,332,715</u>	<u>(13,847,359)</u>	<u>-</u>	<u>114,284,538</u>
Less: Accumulated depreciation					
Total accumulated depreciation	76,608,224	3,110,223	(9,694,068)	-	70,024,379
Occupancy rights, net	97,376	1,116,825	(64,309)	-	1,149,891
Total capital assets, net	<u>\$ 43,257,152</u>	<u>\$ 36,030,913</u>	<u>\$(32,839,891)</u>	<u>\$ -</u>	<u>\$ 46,608,047</u>

Depreciation expense charged to operations were \$4,060,639 and \$3,110,223 for the years ended June 30, 2021 and 2020, respectively.

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**(7) Accounts Payable and Accrued Expenses:**

Accounts payable and accrued expenses are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 850,350	\$ 1,054,235
Accrued payroll	609,808	543,886
Accrued interest expense	186	294
Total accounts payable and accrued expenses	<u>\$ 1,460,344</u>	<u>\$ 1,598,415</u>

**(8) Unearned revenue:**

Unearned revenue represents PBS North Carolina's financial equity in unused cash balances provided by grantors and lessees for specific purposes not yet fulfilled.

A summary of changes for the years ended June 30, 2021 and 2020, is presented as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,837,957	\$ 1,667,476
Additional revenues received	3,049,130	2,009,900
Revenue recognized	(1,850,729)	(1,839,419)
Balance, end of year	<u>\$ 3,036,358</u>	<u>\$ 1,837,957</u>

**(9) Long Term Liabilities:**

A summary of changes is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Notes Payable	\$ 130,241	\$ -	\$ (45,767)	\$ 84,474	\$ 47,614
Workers compensation	358,249	464,339	(225,122)	597,466	220,910
Compensated absences	1,442,011	716,476	(692,348)	1,466,139	50,490
Total long-term liabilities, net	<u>\$ 1,930,501</u>	<u>\$ 1,180,815</u>	<u>\$ (963,237)</u>	<u>\$ 2,148,079</u>	<u>\$ 319,014</u>
	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
Notes Payable	\$ 174,213	\$ -	\$ (43,972)	\$ 130,241	\$ 45,767
Workers compensation	381,380	-	(23,131)	358,249	80,050
Compensated absences	1,217,224	224,787	-	1,442,011	29,656
Total long-term liabilities, net	<u>\$ 1,772,817</u>	<u>\$ 224,787</u>	<u>\$ (67,103)</u>	<u>\$ 1,930,501</u>	<u>\$ 155,473</u>

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(9) **Long Term Liabilities:** (Continued)

Annual requirements to pay principal and interest on the long-term obligations at June 30, 2021, are as follows:

Fiscal Year	Annual Requirements Notes Payable	
	Principal	Interest
2022	\$ 47,614	\$ 1,230
2023	36,860	340
Total Requirements	\$ 84,474	\$ 1,570

PBS North Carolina was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Rate / Ranges	Maturity Date	Amount of Issue	Paid through June 30, 2021	Outstanding June 30, 2021
Energy Services Agreement	Bank of America Public Capital Corp.	1.842%	02/14/2023	\$ 305,747	\$ 221,273	\$ 84,474

(10) **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 telecommunications entities. These grants are used to augment the financial resources of public television stations and thereby to enhance the quality of programming and expand the scope of public television services. Each grant may be expended over two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement.

According to the Communications Act, funds may be used at the discretion of recipients. PBS North Carolina uses 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.

Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

Any remaining CSG funds and other restricted CPB grant funds at fiscal year-end are reported as restricted cash and restricted-expendable net position on the statements of net position.

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(10) **Community Service Grants:** (Continued)

The Community Service Grants received and expended during the most recent fiscal years were as follows:

<b>Year of Grant</b>	<b>Amount Received</b>	<b>Expended</b>			<b>Balance at June 30, 2021</b>
		<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	
2020-22	\$3,504,798	\$ -	\$ -	\$ -	\$ 3,504,798
2019-21	3,399,970	-	-	3,399,970	-
2018-20	3,402,636	-	3,402,636	-	-
Total	<u>\$10,307,404</u>	<u>\$ -</u>	<u>\$ 3,402,636</u>	<u>\$ 3,399,970</u>	<u>\$ 3,504,798</u>

(11) **Reversionary Interest in Assets:**

PBS North Carolina has received grants from the U. S. Department of Commerce's National Telecommunications and Information Administration/Public Telecommunications Facility Program (NTIA/PTFP) for construction and purchase of equipment. The Federal Government retains a priority reversionary interest in the equipment purchased with these funds through a ten-year period after the official completion dates of the projects.

The Federal interest in the property at June 30, 2021 and 2020, is \$438,459, as illustrated below:

	<b>2021</b>	<b>2020</b>
Center outlays	\$ 502,445	\$ 502,445
Federal outlays	438,459	438,459
Total costs of assets	<u>\$ 940,904</u>	<u>\$ 940,904</u>

(12) **Risk Management:**

**A – Insurance activities**

*Automobile, fire, and other property losses* - PBS North Carolina is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to PBS North Carolina for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. PBS North Carolina has elected to purchase additional "all risk" coverage for all computers, equipment, buildings, and contents.

Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence.

PBS North Carolina pays premiums to the North Carolina Department of Insurance for the coverage. Auto policy is subject to a \$500 per occurrence deductible. PBS North Carolina purchased other authorized coverage from private companies through the North Carolina Department of Insurance. These purchased coverages are: leased computer equipment (stated value with \$500 deductible) and fine art (stated value with \$2,500 deductible).

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(12) **Risk Management:** (Continued)

*Public officers' and employees' liability insurance* - The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. PBS North Carolina pays the premium, based on a composite rate, directly to the private insurer.

*Employee dishonesty and computer fraud* - PBS North Carolina is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. PBS North Carolina is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

*Statewide workers' compensation program* - The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, PBS North Carolina's primary responsibility is to arrange for and provide the necessary treatment for work related injury. PBS North Carolina is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. PBS North Carolina retains the risk for workers' compensation.

PBS North Carolina's costs for extended coverage during the years ended June 30, 2021 and 2020, were \$682,488 and \$729,679, respectively. Additional details on the state-administered risk management programs are disclosed in the State's Annual Comprehensive Financial Report, issued by the Office of the State Controller.

**B - Employee benefit plans**

*State Health Plan*- PBS North Carolina employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan ("Plan"), a discretely presented component unit of the State of North Carolina. The Plan has contracted with third parties to process claims.

*Death Benefit Plan of North Carolina*- Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

(13) **Lease Commitments**

PBS North Carolina is obligated for annual rental payments under various long-term operating lease agreements for tower sites and office facilities. Rental expense for the years ended June 30, 2021 and 2020, was \$271,300 and \$190,710, respectively.

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2021:

<u>Fiscal Year</u>	<u>Principal</u>
2022	\$ 175,167
2023	158,862
2024	156,355
2025	135,405
2026	76,274
2027 – 2037	217,980
Total Minimum lease payments	<u>\$ 920,043</u>

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**(14) Contributed Professional Services:**

PBS North Carolina recognizes donated services that creates or enhances non-financial 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. PBS North Carolina receives significant amounts of professional services in exchange for underwriting recognition on air. For the years ended June 30, 2021 and 2020, the amounts recorded in the financial statements were \$20,736 and \$4,544 respectively.

**(15) Indirect Administrative Support:**

PBS North Carolina received administrative and operating support during the year ended June 30, 2021 and 2020 from the System Office. This support was in the form of assistance, guidance, and service in accounting, budget, personnel, and purchasing and was provided without direct cost to PBS North Carolina. Beginning in 2021, the value of these services are reported in the statement of revenues, expenses and changes in net position as revenues and expenses.

Indirect administrative support is calculated using the CPB's Standard Method. Indirect administrative support for the years ended June 30, 2021 and 2020, were \$2,011,486 and \$2,078,391, respectively.

**(16) Related Party Transactions:**

The North Carolina Public Television Foundation, Inc. (the "Foundation") is organized and operated exclusively to engage in fundraising activities for the purpose of supporting PBS North Carolina including, without limitation, the purchase of equipment determined by PBS North Carolina to be necessary or desirable for carrying out its public service functions. The bylaws of the Foundation direct that the chair of the Board of Trustees of PBS North Carolina and the director of PBS North Carolina must be two of the possible nineteen members of the Board of the Foundation.

The Foundation contributed \$1,107,570 and \$282,898 to PBS North Carolina during the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, the Foundation paid \$78,050 in support of strategic planning, feasibility study and other PBS North Carolina projects. PBS North Carolina reimbursed Foundation \$113,559 and \$144,898 for central casting, advertising, software, E&O insurance, and other expenses during the years ended June 30, 2021, and 2020, respectively.

During the year ended June 30, 2021, PBS North Carolina paid \$94,568 to the University in administrative fees.

**(17) Concentrations:**

During the years ended June 30, 2021 and 2020, PBS North Carolina received 24% and 37%, respectively, of its total operating support and revenue in the form of appropriations from the State of North Carolina. \$1,425,505 in capital funding was received from a North Carolina state agency in FY2021. No funding for capital improvements was received in FY2020. During the years ended June 30, 2021 and 2020, PBS North Carolina received 11% and 14%, respectively, of its total operating support and revenue from the CPB.

**(18) Nonfederal Financial Support:**

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on nonfederal financial support ("NFFS"). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

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(18) **Nonfederal Financial Support:** (Continued)

A “contribution” is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcasting station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station. However, to eliminate distortions in the TV CSG grant program precipitated by extraordinary infusions of new capital investments in DTV, all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities regardless of source or form of the contribution are not included in calculating the NFFS. This change excludes all revenues received for any capital purchases.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government or agency thereof, or an educational institution; (2) the form of the payment must be an appropriation or contract payment in exchange for specific materials or services related to public broadcasting; (3) the purpose must be for services or materials with respect to the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was \$25,396,232 and \$24,866,743 for the years ended June 30, 2021 and 2020, respectively.

(19) **Restrictions on Net Position:**

Included in restricted expendable net position at June 30, 2021, are contributions totaling \$120,145 that are restricted based on timing, restricted cash from grants of \$5,505,304 based on grantor requirements, and restricted Bryan Center funds of \$1,000,000. Included in restricted expendable net position at June 30, 2020, are contributions totaling \$1,530,688 that are restricted based on timing, restricted cash from grants of \$3,643,831 based on grantor requirements, and restricted Bryan Center funds of \$1,000,000.