

**THE UNIVERSITY OF NORTH CAROLINA**  
**CENTER FOR PUBLIC TELEVISION**  
Research Triangle Park, North Carolina

**Financial Statements**

Years Ended June 30, 2019 and 2018

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
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Years Ended June 30, 2019 and 2018

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## **Report of Independent Auditors**

To the Board of Trustees  
The University of North Carolina  
Center for Public Television  
The University of North Carolina  
System Office  
Research Triangle Park, North Carolina

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

We have audited the accompanying financial statements of The University of North Carolina Center for Public Television (“UNC-TV”), a public telecommunications entity, 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 and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 opinions.

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note 1(a), the financial statements of UNC-TV are intended to present the financial position, the changes in financial position and cash flows of UNC-TV. 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, 2019, 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. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020 on our consideration of UNC-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UNC-TV's internal control over financial reporting and compliance.

### **Emphasis of Matter Regarding Restatement**

As discussed in note 21 to the financial statements, certain errors resulting in misstatements of amounts previously reported for net position as of June 30, 2018 were discovered by UNC-TV during the year ended June 30, 2019. Accordingly, amounts reported for net position as of June 30, 2018 have been restated to correct this misstatement. We audited the adjustments detailed in note 21 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

*Thomas & Gillette CPAs, PLLC*

Durham, North Carolina  
January 10, 2020

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THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
Years Ended June 30, 2019

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As management of The University of North Carolina Center for Public Television (UNC-TV), we offer readers of the financial statements this narrative overview and analysis of the financial activities of UNC-TV for the fiscal years ended June 30, 2019 and 2018.

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 UNC-TV's financial statements.

### Financial Highlights

- **Net Position:** The assets of UNC-TV exceeded liabilities at the close of the most recent fiscal year by \$72 million (net position). Of this amount, \$29 million may be used to meet UNC-TV's operating obligations. This amount equates to 99% of operating expenses.

Net Position compared to prior year: UNC-TV's total net position (assets less liabilities) increased by \$19 million, with total revenue exceeding operating expenses by the same amount. The major impact was the spectrum repacking project mandated by the Federal Communications Commission (the "FCC") to upgrade the transmission infrastructure and repack the television band to accommodate new channel assignments. \$19.4 million in capital funding revenue from the FCC was recorded with corresponding increases primarily in capital assets and remainder in operating expenses.

- **Liabilities:** UNC-TV's liabilities increased \$4.8 million due to accrued expense. These liabilities include deferred revenue, accrued vacation leave, note payable, and accrued expenses for operations, payroll, and capital projects.

**Note Payable:** In FY2016 UNC-TV participated in the University of North Carolina System wide 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, 2019, the principle owed was \$174,213.

**Unearned Revenue – Production Projects:** Underwriting revenue received and not yet expended to produce programming is deferred until those projects are completed. Revenue of \$448,000 was deferred which was a \$252,000 increase due to normal fluctuation in the timing of receipts and program projects currently in production. Total deferred revenue for productions included \$342,000 for Blue Cross Blue Shield Opioid Crisis.

**Unearned Revenue – Use of Facilities:** Rental revenue received in prior years for the use of UNC-TV's transmission infrastructure is recognized over the contract life. Approximately, \$137,500 is recognized each year as revenue from these contracts thereby reducing deferred revenue by the same amount.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
Years Ended June 30, 2019

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Compensated Absences: Leave liability increased \$123,000 due to typical fluctuations for accrued vacation leave.

Accounts Payable and Accrued Expenses: Accounts payable and accrued expenses increased \$4.5 million primarily due to the repack capital project. Other variances are typical due to fluctuations in the timing of projects and the subsequent receipt of vendor invoices crossing the fiscal year end.

Capital assets: Increased \$19 million from capitalized assets for the repack project.

Current Assets: Increased \$9.3 million. This includes cash, receivables, unexpired program rights, and prepaid expenses.

Cash and investments - Increased \$2.1 million primarily due to transfers from investments to cover capital expenditures for transmission infrastructure upgrades to accommodate the FCC spectrum auction repack. Eligible reimbursable expenses should eventually be returned to investments from FCC funding.

Account Receivable – Increased \$6.8 million due to \$6.9 million due from FCC for the repack project.

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 UNC-TV 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 UNC-TV's obligations. Unrestricted funds are available to UNC-TV 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.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
Years Ended June 30, 2019

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After addition of non-operating revenues and other revenue, including the State operating appropriation, net position increased \$19.1 million. This increase is the amount that total revenue exceeded operating expense for the year.

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 UNC-TV's Financial Activity**

Statement of Net Position

Net position may serve over time as a useful indicator of UNC-TV's financial position. The largest portion of UNC-TV's net position, approximately 65%, reflects its investment in capital assets (e.g. buildings, towers, and equipment). UNC-TV uses these capital assets to provide services to citizens, consequently these assets are not available for future spending.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
 Years Ended June 30, 2019

UNC-TV's net position was as follows:

	June 30,		Variance
	2019	2018	
<b>Assets</b>			
Current assets	\$ 20,773,519	\$ 11,506,972	\$ 9,266,547
Capital assets	43,257,152	24,222,393	19,034,759
Other non-current assets	17,151,139	21,548,741	(4,397,602)
Total assets	<u>81,181,810</u>	<u>57,278,106</u>	<u>23,903,704</u>
<b>Liabilities</b>			
Current liabilities	7,264,562	2,889,084	4,375,478
Non-current liabilities	1,666,299	1,243,920	422,379
Total liabilities	<u>8,930,861</u>	<u>4,133,004</u>	<u>4,797,857</u>
<b>Net position</b>			
Net investment in capital assets	43,257,152	24,116,550	19,140,602
Unrestricted	22,974,023	23,422,252	(448,229)
Restricted for:			
Time restricted pledges	1,391,397	1,056,126	335,271
Time restricted CPB grants	3,595,331	3,392,914	202,417
Restricted for Bryan Center & equipment	1,000,000	1,000,000	-
Purpose restrictions - CPB and other grants	33,046	157,260	(124,214)
Total net position	<u>\$ 72,250,949</u>	<u>\$ 53,145,102</u>	<u>\$ 19,105,847</u>

A portion of UNC-TV's net position, approximately 2%, 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 UNC-TV'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.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
Years Ended June 30, 2019

**Comparison of Revenues, Expenses and Changes in Net Position**

	June 30,		Variance
	2019	2018	
<b>Revenues:</b>			
Contributions	\$ 12,654,830	\$ 11,995,077	\$ 659,753
State appropriations - operating	9,376,292	9,142,341	233,951
Grants from CPB	3,595,331	3,509,878	85,453
Capital grant non governmental - PBS	144,410	-	144,410
State appropriations - capital	-	220,000	(220,000)
Federal grant and contracts - U.S. Department of Commerce	19,375,332	207,646	19,167,686
Net realized and unrealized gains on investments	1,542,259	2,578,627	(1,036,368)
Loss on disposal of capital assets	114,547	(91,931)	206,478
Other revenue	1,671,255	1,413,868	257,387
	<u>48,474,256</u>	<u>28,975,506</u>	<u>19,498,750</u>
Total revenues			
<b>Expenses:</b>			
Program services			
Programming and production	12,969,350	12,060,740	908,610
Broadcasting and engineering	8,255,965	7,742,344	513,621
Supporting services			
Development and fund raising	3,550,365	3,348,004	202,361
Management and general	4,592,729	3,801,025	791,704
	<u>29,368,409</u>	<u>26,952,113</u>	<u>2,416,296</u>
Total expenses			
Change in net position	<u>\$ 19,105,847</u>	<u>\$ 2,023,393</u>	<u>\$ 17,082,454</u>

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
 Years Ended June 30, 2019

**Capital Assets**

The recorded value of capital assets increased \$19 million.

Capital assets are increased by asset additions and replacements and decreased each year as these assets are depreciated over their useful life or retired. Capital asset additions exceeded depreciation expense and asset retirements. This resulted from the spectrum repacking process mandated by FCC channel reassignments and will provide major upgrades to the transmission infrastructure. The majority of funding for these upgrades of aging equipment are being funded by the FCC from proceeds of the spectrum auction. The following is a summary of UNC-TV's capital assets, net of accumulated depreciation, at year-end.

	June 30,	
	2019	2018
Land	\$ 185,963	\$ 185,963
Construction in progress	20,772,857	432,856
Building and other structures	10,941,153	11,746,716
Occupancy rights	97,376	105,843
Other structures	9,093,356	9,512,678
Antennas and other equipment	2,083,458	2,111,809
Motor vehicles	82,988	126,527
Total	\$ 43,257,152	\$ 24,222,393

**Changes in UNC-TV's Financial Position**

UNC-TV 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 these sources increased by 5%. There were additional gains in revenue from investment gains, royalties, and production services. An operating budget surplus reducing total expense by 2% also improved UNC-TV's financial position.

UNC-TV 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 UNC-TV'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 Television, Post Office Box 14900, Research Triangle Park, North Carolina 27709, and telephone (919)-549-7000.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**STATEMENTS OF NET POSITION**  
Years Ended June 30, 2019

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,351,869	\$ 9,223,928
Receivables, net (note 4)	7,184,529	344,033
Unconditional promises to give, net (note 4)	1,391,397	1,056,126
Unexpired program rights	173,514	245,462
Prepaid expenses	672,210	637,423
Total current assets	20,773,519	11,506,972
Non-current assets:		
Capital assets, net (note 5 and 6)	43,257,152	24,222,393
Investments, net (note 3)	17,151,139	21,548,741
Total non-current assets	60,408,291	45,771,134
Total assets	\$ 81,181,810	\$ 57,278,106
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses (note 7)	5,490,568	\$ 996,961
Unearned revenue (note 8)	1,667,476	1,553,248
Long term liabilities- current portion (note 9)	106,518	338,875
Total current liabilities	7,264,562	2,889,084
Non-current liabilities:		
Long term liabilities (note 9)	1,666,299	1,243,920
Total liabilities	8,930,861	4,133,004
<b>Net position</b>		
Net investment in capital assets	43,257,152	24,116,550
Unrestricted	22,974,023	23,422,252
Restricted for:		
Time restricted pledges	1,391,397	1,056,126
Time restricted CPB grants	3,595,331	3,392,914
Restricted for Bryan Center & equipment	1,000,000	1,000,000
Purpose restrictions - CPB and other grants	33,046	157,260
Total net position	\$ 72,250,949	\$ 53,145,102

See accompanying notes to financial statements.

**THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Years Ended June 30, 2019

	2019	2018
<b>Operating revenues:</b>		
Community service grants from the corporation for public broadcasting (note 10)	\$ 3,402,636	\$ 3,282,869
Other grants from the Corporation of Public Broadcasting	192,695	227,009
Other grants	33,047	40,296
Sales and royalties	1,235,955	815,264
Total operating revenues	4,864,333	4,365,438
<b>Operating expenditures:</b>		
Program services:		
Programming and production	12,969,350	12,060,740
Broadcasting and engineering	8,255,965	7,742,344
Total program services	21,225,315	19,803,084
Supporting services:		
Development and fund raising	3,550,365	3,348,004
Management and general	4,592,729	3,801,025
Total supporting services	8,143,094	7,149,029
Total operating expenses	29,368,409	26,952,113
Operating loss	(24,504,076)	(22,586,675)
<b>Non-operating revenues:</b>		
State appropriation	9,376,292	9,142,341
Contributions	12,654,830	11,995,077
Use of facilities	306,143	344,384
Other income	96,110	213,924
Gain (loss) on disposal of capital assets	114,547	(91,931)
Net investment gain (loss)	1,542,259	2,578,627
Net non-operating revenues	24,090,181	24,182,422
Gain (loss) before other revenue gains or (losses)	(413,895)	1,595,747
<b>Other revenue</b>		
State appropriation- capital investment	-	220,000
Federal grant and contracts - U.S. Department of Commerce	19,375,332	207,646
Capital grant non governmental - PBS	144,410	-
Total other revenue	19,519,742	427,646
Changes in net position	19,105,847	2,023,393
Net position – beginning of year	53,145,102	51,121,709
Net position – end of year	\$ 72,250,949	\$ 53,145,102

See accompanying notes to financial statements.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
**STATEMENTS OF CASH FLOW**  
Years Ended June 30, 2019

	2019	2018
<b>Operating activities:</b>		
Operating revenues	\$ 4,899,449	\$ 4,937,712
Operating expenses	(26,625,487)	(24,886,937)
Net cash (used) by operating activities	(21,726,038)	(19,949,225)
<b>Non capital financing activities:</b>		
State appropriation	9,376,292	9,142,341
Contributions and underwriting	12,475,711	11,846,350
Other non-operating revenue	221,104	434,048
Net cash provided by non capital financing activities	22,073,107	21,422,739
<b>Capital and related financing activities:</b>		
Capital contributions – State	-	220,000
Capital contributions – Federal	12,638,746	19,015
Proceeds from sale of capital assets	117,605	29,068
Purchases of capital assets	(17,017,524)	(556,826)
Principal paid on capital debt and leases	(42,229)	(40,535)
Other capital grants	144,410	-
Net cash (used) by capital and related financing activities	(4,158,992)	(329,278)
<b>Investing activities:</b>		
Purchases of investments	(1,425,587)	(391,031)
Proceeds from Investments transferred to Cash	7,200,828	3,500,000
Interest on cash	164,620	58,173
Net cash provided by investing activities	5,939,861	3,167,142
Net decrease in cash and cash equivalents	2,127,938	4,311,378
Cash and cash equivalents - beginning of year	9,223,928	4,912,549
Cash and cash equivalents - end of year	\$ 11,351,868	\$ 9,223,929
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	(24,504,076)	(22,586,675)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	2,080,525	2,159,350
Changes in assets and liabilities:		
Accounts receivable	35,314	(116,595)
Unexpired program rights/licenses	71,947	25,661
Prepaid expenses	(34,788)	(16,258)
Accounts payable and accrued expenses	392,789	14,613
Unearned revenue	-	689,490
Workers compensation payable	109,042	(7,301)
Compensated absences	123,209	(111,510)
Net cash (used) by operating activities	\$ (21,726,038)	\$ (19,949,225)

See accompanying notes to financial statements.

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THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**Note 1 – Summary of significant accounting policies**

**A. Financial reporting entity**

The University of North Carolina Center for Public Television (“UNC-TV”) 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 UNC-TV 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 UNC-TV.

UNC-TV 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 twenty-five 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 UNC-TV’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 UNC-TV 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 UNC-TV receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, 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.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**Note 1 – Summary of significant accounting policies (continued)**

**D. Cash and cash equivalents**

This classification includes receipts not deposited, petty cash, 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 UNC-TV 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 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 UNC-TV 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**

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.

**G. Prepaid broadcast rights**

UNC-TV 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.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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**Note 1 – Summary of significant accounting policies (continued)**

**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.

UNC-TV capitalizes assets that have a value or cost of \$5,000 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.

**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**

UNC-TV'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<sup>st</sup> 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<sup>th</sup> equals the leave carried forward at the previous December 31<sup>st</sup> plus the leave earned, less the leave taken between January 1<sup>st</sup> and June 30<sup>th</sup>.

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**Note 1 – Summary of significant accounting policies (continued)**

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 UNC-TV 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**

UNC-TV's net position is classified as follows:

*Net investment in capital assets* – This represents UNC-TV'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 net position- Nonexpendable* - 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.

*Restricted net position- Expendable* – Expendable restricted net position is resources in which UNC-TV is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted net position* – 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 UNC-TV. Both restricted and unrestricted net position include consideration of deferred outflows and inflows of resources.

**N. Revenue and expense recognition**

UNC-TV classifies its revenues and expenses as operating or non-operating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

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**Note 1 – Summary of significant accounting policies (continued)**

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with UNC-TV'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 UNC-TV, 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. 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.

**P. 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, UNC-TV is also exempt from income taxes.

**Note 2 – Deposits and investments**

Unless specifically exempt, UNC-TV 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 UNC-TV 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, UNC-TV may voluntarily deposit institutional trust funds, endowment funds, special funds, and revenue bond proceeds with the State Treasurer.

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**Note 2 – Deposits and investments (continued)**

The majority of UNC-TV's cash balances are on deposit with the State Treasurer and are either insured or fully collateralized. A small amount of UNC-TV'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 2019 and 2018. These funds are aggregated with other funds held by the University of North Carolina System Office. At June 30, 2019 and 2018, \$1,571,152 and \$1,388,515 of UNC-TV's funds was held in these accounts. At June 30, 2019 and 2018, the uninsured cash balance was \$1,321,152 and \$1,138,515, respectively.

At June 30, 2019, the amount shown on the Statement of Net Position as cash and cash equivalents includes deposits with private institutions of \$1,571,152, and \$9,780,717 which represents UNC-TV's equity position in the State Treasurer's Short-Term Investment Fund (STIF). 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 1.5 years as of June 30, 2019. 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 Comprehensive Annual 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, 2019, UNC-TV's investments include \$17,151,139 which represents UNC-TV'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, NC 27517.

Investments are subject to the following risks:

*Interest rate risk:* Interest rate risk is the risk UNC-TV may face should interest rate variances affect the fair value of investments. UNC-TV 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. UNC-TV 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, UNC-TV will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. UNC-TV does not have a formal policy for custodial credit risk.

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**Note 3 – Fair market value measurement**

To the extent available, UNC-TV’s investments are recorded at fair value as of June 30, 2019. GASB Statement No. 72 - Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1      Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2      Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3      Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes UNC-TV’s investments within the fair value hierarchy at June 30, 2019:

	2019			
	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Short Term Investment Fund	\$ 9,780,717	\$ -	\$ 9,780,717	\$ -
UNC Investment Fund	17,151,139	-	-	17,151,139
Total investments by fair value level	<u>\$ 26,931,856</u>	<u>\$ -</u>	<u>\$ 9,780,717</u>	<u>\$ 17,151,139</u>

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**Note 3 – Fair market value measurement (continued)**

The following table summarizes UNC-TV’s investments within the fair value hierarchy at June 30, 2018:

	2018			
	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
Investments by fair value level				
Short Term Investment Fund	\$ 7,835,413	\$ -	\$ 7,835,413	\$ -
UNC Investment Fund	21,548,741	-	-	21,548,741
Total investments by fair value level	<u>\$ 29,384,154</u>	<u>\$ -</u>	<u>\$ 7,835,413</u>	<u>\$ 21,548,741</u>

*Short-Term Investment Fund* - Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

*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.

*Investments in real estate* - These investments of donated real estate held for profit are valued at fair market value. The fair market values were estimated using recent appraisals, tax values, and purchase price.

**Note 4 – Receivables**

Receivables at June 30, were as follows:

	2019			2018		
	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Accounts receivable	\$ 7,184,529	\$ -	\$ 7,184,529	\$ 344,033	\$ -	\$ 344,033
Unconditional promises to give	2,496,892	1,105,495	1,391,397	2,147,980	1,091,854	1,056,126
Receivables, net	<u>\$ 9,681,421</u>	<u>\$ 1,105,495</u>	<u>\$ 8,575,926</u>	<u>\$ 2,492,013</u>	<u>\$ 1,091,854</u>	<u>\$ 1,400,159</u>

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**Note 5 – Occupancy rights**

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

	<u>2019</u>	<u>2018</u>
Occupancy rights, at cost	\$ 995,042	\$ 995,042
Less accumulated amortization	<u>(897,666)</u>	<u>(889,199)</u>
Occupancy rights, net	<u>\$ 97,376</u>	<u>\$ 105,843</u>

Amortization expense for occupancy rights was \$8,467 and \$8,467 for the years ended June 30, 2019 and 2018, respectively.

During FY2011, in consideration for the use of a communications tower constructed by the State Highway Patrol, UNC-TV 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.

UNC-TV 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 2019.

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**Note 6 – Capital assets**

A summary of changes in capital assets is presented as follows:

	Beginning June 30, 2018	Increases	Decreases	Ending June 30, 2019
<b>Capital assets, non-depreciable</b>				
Land	\$ 185,963	\$ -	\$ -	\$ 185,963
Construction in progress	432,856	20,560,434	220,433	20,772,857
Total capital assets, non-depreciable	<u>618,819</u>	<u>20,560,434</u>	<u>220,433</u>	<u>20,958,820</u>
<b>Capital assets, depreciable</b>				
Buildings	70,381,555	307,919	1,129,634	69,559,840
Other structures	20,818,272	37,560	-	20,855,832
Equipment	7,409,477	432,862	229,812	7,612,527
Motor vehicles	903,357	-	122,376	780,981
Total capital assets, depreciable	<u>99,512,661</u>	<u>778,341</u>	<u>1,481,822</u>	<u>98,809,180</u>
<b>Less accumulated depreciation</b>				
Buildings	58,634,839	1,113,482	1,129,634	58,618,687
Other structures	11,305,594	456,882	-	11,762,476
Equipment	5,297,668	461,213	229,812	5,529,069
Motor vehicles	776,830	40,481	119,318	697,993
Total accumulated depreciation	<u>76,014,930</u>	<u>2,072,058</u>	<u>1,478,764</u>	<u>76,608,224</u>
<b>Capital assets, net</b>	<u>\$ 24,116,550</u>	<u>\$ 19,266,717</u>	<u>\$ 223,491</u>	<u>\$ 43,159,776</u>

Depreciation expense charged to operations were \$2,072,058 and \$2,150,883 for the years ended June 30, 2019 and 2018, respectively.

**Note 7 – Accounts payable and accrued expenses**

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

	2019	2018
Accounts payable	\$ 5,020,676	\$ 573,641
Accrued payroll	469,504	422,988
Accrued interest expense	388	332
Total accounts payable and accrued expenses	<u>\$ 5,490,568</u>	<u>\$ 996,962</u>

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**Note 8 – Unearned revenue**

Unearned revenue represent UNC-TV's financial equity in unused cash balances provided by grantors and donors for specific purposes not yet fulfilled.

A summary of changes for the year ended June 30, 2019, is presented as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,553,248	\$ 1,170,850
Additional revenues received	1,454,730	1,302,859
Revenue recognized	<u>(1,340,502)</u>	<u>(920,461)</u>
Balance, end of year	<u>\$ 1,667,476</u>	<u>\$ 1,553,248</u>

**Note 9 – Long term liabilities**

A summary of changes is as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Notes payable	\$ 216,442	\$ -	\$ 42,229	\$ 174,213	\$ 43,972
Compensated absences	-	381,380	-	381,380	38,110
Workers compensation	<u>1,094,015</u>	<u>123,209</u>	<u>-</u>	<u>1,217,224</u>	<u>24,436</u>
Total long-term liabilities, net	<u>\$ 1,310,457</u>	<u>\$ 504,589</u>	<u>\$ 42,229</u>	<u>\$ 1,772,817</u>	<u>\$ 106,518</u>

Annual requirements to pay principal and interest on the long-term obligations at June 30, 2019, are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2020	43,972	2,908
2021	45,767	2,086
2022	47,614	1,230
2023	<u>36,860</u>	<u>340</u>
<b>Total Requirements</b>	<u>\$ 174,213</u>	<u>\$ 6,564</u>

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**Note 9 – Long term liabilities (continued)**

UNC-TV was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2019	Principal Outstanding June 30, 2019
Energy Services Agreement	Banc of America Public Capital Corp	1.84%	02/14/2023	\$ 305,747	\$ 131,534	\$ 174,213

**Note 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. UNC-TV 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.

The grants are reported in the accompanying financial statements as unrestricted operating funds; 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.

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

Year of Grant	Amount Received	Expended		Balance June 30, 2019
		2016-17	2017-18	
2016-17	\$ 3,478,325	\$ 3,478,325	\$ -	\$ -
2017-18	3,282,869	-	3,282,869	-
2018-19	3,402,636	-	-	3,402,636
Total	\$ 10,163,830	\$ 3,478,325	\$ 3,282,869	\$ 3,402,636

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**Note 11 – Reversionary interest in assets**

UNC-TV 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, 2019 and 2018 is \$1,313,856 and \$1,313,856, respectively, as illustrated below:

	2019	2018
Center outlays	\$ 2,252,170	\$ 2,252,170
Federal outlays	1,313,856	1,313,856
Total costs of assets	\$ 3,566,026	\$ 3,566,026

**Note 12 – Retirement plan**

UNC-TV through the System Office participates in the State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

As a condition of employment, each permanent full-time employee of the State of North Carolina is a member of a North Carolina State Retirement System. Accordingly, employees of UNC-TV are members of the North Carolina Teachers' and State Employees' Retirement System.

During the years ended June 30, 2019 and 2018, covered employees contributed 6% of gross wages and UNC-TV contributed 12.29% in FY 2019 and 10.79% in FY 2018 to this retirement system. UNC-TV's matching retirement plan costs during the years ended June 30, 2019 and 2018, was \$727,952 and \$648,202, respectively.

Employees can alternatively elect to participate in the Optional Retirement Program (ORP) that also requires the employee to contribute 6% of gross wages. UNC-TV contributed 6.84% in FY 2019 and 6.84% in FY 2018 to this retirement program. UNC-TV's matching retirement plan cost for this program during the years ended June 30, 2019 and 2018 were \$146,080 and \$139,829, respectively.

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**Note 13 - Other postemployment benefits**

**A - Health benefits**

UNC-TV participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS) or the Optional Retirement Program (ORP). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement. The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of TSERS and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year UNC-TV contributed 6.27% of the covered payroll under TSERS and ORP to the Fund. Required contribution rates for the years ended June 30, 2018 and 2017, were 6.05% and 5.81%, respectively. UNC-TV made 100% of its annual required contributions to the Plan for the years ended June 30, 2019, 2018, and 2017 which were \$500,519, \$482,658, and \$485,658 respectively. UNC-TV assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's Comprehensive Annual 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.

**B - Disability income**

UNC-TV participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of TSERS and ORP.

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**B - Disability income (continued)**

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2019, UNC-TV made a statutory contribution of 0.14% of covered payroll under TSERS and ORP to the DIPNC. Required contribution rates for the years ended June 30, 2018 and 2017, were .14% and .38%, respectively. UNC-TV made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2019 and 2018 which were \$11,170 and \$11,185 respectively. UNC-TV assumes no liability for long term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's Comprehensive Annual Financial Report.

**Note 14- Risk management**

**A – Insurance activities**

*Automobile, fire, and other property losses* - UNC-TV 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 UNC-TV for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. UNC-TV 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.

UNC-TV pays premiums to the North Carolina Department of Insurance for the coverage. Auto policy is subject to a \$500 per occurrence deductible. UNC-TV 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).

*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

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**A – Insurance activities (continued)**

provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. UNC-TV pays the premium, based on a composite rate, directly to the private insurer.

*Employee dishonesty and computer fraud* - UNC-TV 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. UNC-TV 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, UNC-TV's primary responsibility is to arrange for and provide the necessary treatment for work related injury. UNC-TV is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. UNC-TV retains the risk for workers' compensation.

UNC-TV's costs for extended coverage during the years ended June 30, 2019 and 2018 were \$701,465 and \$688,988, respectively. Additional details on the state-administered risk management programs are disclosed in the State's Comprehensive Annual Financial Report, issued by the Office of the State Controller.

**B- Employee benefit plans**

*State Health Plan*- UNC-TV 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 0.16% for the current fiscal year.

**Note 15 – Lease commitments**

UNC-TV 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, 2019 and 2018 was \$121,817 and \$184,212, respectively.

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**Note 15 – Lease commitments (continued)**

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2019:

Fiscal Year	Amount
2020	\$ 140,129
2021	93,946
2022	88,657
2023	80,300
2024	77,158
2025-2033	<u>120,179</u>
Total Minimum Lease Payments	<u>\$ 600,369</u>

**Note 16 – In-kind contributions**

Certain in-kind contributions are not reported in the statement of revenues, expenses, and changes in net position which consist of non-monetary support, in the form of property and personal services, provided to UNC-TV by organizations and persons outside the licensee entity. However, this support significantly contributes to the fulfillment of UNC-TV's statutory purpose.

Donation of goods in return for on-air promotion reported in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018 was \$0 and \$0, respectively.

**Note 17 – Contributed professional services**

UNC-TV 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. UNC-TV receives significant amounts of professional services in exchange for underwriting recognition on air. For the years ended June 30, 2019 and 2018, the amounts recorded in the financial statements were \$3,096 and \$18,417 respectively.

**Note 18 – Indirect administrative support**

UNC-TV received administrative and operating support during the year ended June 30, 2019 and 2018 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 UNC-TV. The fair value of these services is significant but is not reported in the statement of revenues, expense and changes in net position as revenues and expenses.

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**Note 18 – Indirect administrative support (continued)**

Fair value is computed by a formula using appropriate rates applied to relevant costs. The fair values of indirect administrative support for the years ended June 30, 2019 and 2018 were \$490,703 and \$475,528, respectively.

**Note 19 – 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 UNC-TV including, without limitation, the purchase of equipment determined by UNC-TV 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 UNC-TV and the director of UNC-TV must be two of the possible nineteen members of the Board of the Foundation. During the years ended June 30, 2019 and 2018, contributions from the Foundation to UNC-TV were \$305,712 and \$176,237, respectively.

**Note 20 – Concentrations**

During the years ended June 30, 2019 and 2018, UNC-TV received 32% and 34%, respectively, of its total operating support and revenue in the form of appropriations from the State of North Carolina. No funding for capital improvements was received in either FY2019 or FY2018.

**Note 21 – Net position restatement**

During the fiscal year ended June 30, 2019, the UNC-TV discovered a correction was needed for prior periods, related to workers compensation expense. The correction increased workers compensation expense and long term liabilities by \$38,932 and \$272,388, respectively for the year ended June 30, 2018. The restatement of fiscal year 2018 financial statements is reflected in the 2018 Statement of Financial Position, Statement Revenues, Expenses, and Changes in Net Position and Statement of Cash flows. This correction decreased change in net position and total net position by \$272,388 and \$38,932, respectively for the period ending June 30, 2019. As of July 1, 2017, net position as previously reported was restated as follows:

	Amount
July 1, 2017 Net Position previously reported	\$ 51,355,114
Prior period adjustment:	
Record UNC-TV’s workers compensation liability	233,405
July 1, 2017 Net Position restated	\$ 51,121,709

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**Note 21 – Net position restatement (continued)**

As of July 1, 2018, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2018 Net Position previously reported	\$ 53,417,439
Restatement:	
Record UNC-TV's workers compensation expense	(38,933)
Prior period adjustment:	
Record UNC-TV's workers compensation liability	<u>(233,405)</u>
July 1, 2018 Net Position restated	<u>\$ 53,145,102</u>

**Note 22 – Subsequent events**

In November 2019, UNC-TV was awarded a Community Service Grant in the amount of \$3,008,370 Distance Service Grant in the amount of \$391,600, an Interconnection Grant in the amount of \$58,473, and a Universal Service Support Grant in the amount of \$55,451 from the Corporation for Public Broadcasting for FY2019.

UNC-TV has evaluated subsequent events from the date of the statement of net assets through January 10, 2020, the date the report is available to be issued which is the date of the auditors' report. During this period, there were no additional material subsequent events requiring disclosure.