

**THE UNIVERSITY OF NORTH CAROLINA  
CENTER FOR PUBLIC MEDIA  
(AN AFFILIATE OF THE UNIVERSITY  
OF NORTH CAROLINA)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**THE UNIVERSITY OF NORTH CAROLINA  
CENTER FOR PUBLIC MEDIA  
(AN AFFILIATE OF THE UNIVERSITY OF NORTH CAROLINA)  
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JUNE 30, 2022 AND 2021**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of The University of North Carolina Center for Public Media ("PBS North Carolina"), a public telecommunications entity and affiliate of the University of North Carolina, as of and for the years ended June 30, 2022 and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PBS North Carolina as of June 30, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PBS North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PBS North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PBS North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PBS North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the 2021 financial statements have been restated to conform with the provisions of GASB 87, which has been applied retrospectively for all prior periods presented. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of PBS North Carolina are intended to present the financial position and 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 as of June 30, 2022 and 2021, the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 2023

**THE UNIVERSITY OF NORTH CAROLINA  
CENTER FOR PUBLIC MEDIA  
(AN AFFILIATE OF THE UNIVERSITY OF NORTH CAROLINA)  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022 AND 2021**

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, 2022, 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 2022**

- **Net Position:** The assets of PBS North Carolina exceeded liabilities at the close of the most recent fiscal year by \$82.4 million (net position). Of this amount, \$40.7 million may be used to meet PBS North Carolina’s ongoing obligations. This amount equals 108% of operating expenses.

Net Position compared to prior year: PBS North Carolina’s total net position (assets less liabilities) decreased by \$830 thousand. The strong FY2021 investment gains from the UNC Investment Fund Investment that significantly increased net position were significantly less in FY2022 due to market conditions resulting in investment gains of \$1.0 million versus \$7.5 million in the prior year.

- **Liabilities:** PBS North Carolina’s liabilities decreased \$2.0 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, 2022, the principle owed was \$36.9 thousand.

**Unearned Revenue - Projects:** Includes underwriting and grants for production projects. Revenue received and not yet expended is deferred until projects are completed. Revenue of \$909 thousand was deferred which was a \$2.1 million decrease. Significant fluctuations are normal due to the timing of receipts and completion of projects. Most significant reductions in unearned revenue were funds expended for Science GSK, State of Change, PATH Initiative, and NCLearn.

**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. In FY2022 \$87.5 thousand is recognized as revenue based on these contracts thereby reducing deferred revenue by the same amount.

**Accounts Payable and Accrued Expenses:** Increased \$332 thousand due to fluctuations in the timing of payroll and billings and the subsequent receipt of vendor invoices crossing the fiscal year end.

In compliance with changes to accounting standards for recording lease commitments, a lease liability was implemented and recorded. See footnote disclosure for additional details.

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JUNE 30, 2022 AND 2021  
(Continued)**

- Assets: PBS North Carolina's assets decreased \$2.9 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 \$4.1 million. The FCC repack project that provided capital funding to replace aging transmission equipment is coming to a conclusion with a significant decrease to capital asset expenditures and increase depreciation expense.

Current Assets: Increased \$1.4 million. This is due to \$2.4 million increase in cash due to a decrease in accounts receivables and transfer from investment funds. See the Statements of Cash Flows for additional details.

## **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 decreased \$830 thousand in FY22. This decrease is the amount that total expense exceeded revenue 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.

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 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2022 AND 2021  
 (Continued)**

**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 51%, 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, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Assets</b>			
Current assets	\$ 20,224,646	\$ 18,802,733	\$ 16,083,067
Capital assets	42,861,456	46,998,743	46,608,047
Other noncurrent assets	<u>25,840,678</u>	<u>25,985,809</u>	<u>18,278,670</u>
Total assets	<u>88,926,780</u>	<u>91,787,285</u>	<u>80,969,784</u>
<b>Liabilities</b>			
Current liabilities	2,899,117	4,815,716	3,591,845
Non-current liabilities	<u>2,959,954</u>	<u>3,085,383</u>	<u>1,775,028</u>
Total liabilities	<u>5,859,071</u>	<u>7,901,099</u>	<u>5,366,873</u>
Deferred Inflow of Resources – Lease related	<u>712,090</u>	<u>700,733</u>	<u>-</u>
<b>Net position</b>			
Net investment in capital assets	41,652,276	45,696,495	46,608,047
Unrestricted	35,257,200	30,863,509	22,820,345
Restricted for:			
Time restricted pledges	-	120,145	1,530,688
Time restricted CPB grants	3,749,590	3,619,385	3,513,894
Restricted for Bryan Center and equipment	1,000,000	1,000,000	1,000,000
Purpose restrictions – CPB and other grants	<u>696,553</u>	<u>1,885,919</u>	<u>129,937</u>
Total net position	<u>\$ 82,355,619</u>	<u>\$ 83,185,453</u>	<u>\$ 75,602,911</u>



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(Continued)**

A portion of PBS North Carolina's net position, approximately 2.1%, 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  
(For the Fiscal Year Ended)**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Revenues</b>			
State appropriation	\$ 10,657,168	\$ 9,679,930	\$ 9,650,051
Contributions	17,201,087	13,607,427	13,769,365
Indirect administrative support	2,114,429	2,011,486	-
Grants from CPB	3,749,590	4,557,406	3,790,728
Capital Grants - PBS	-	60,450	308,357
Capital Grants – Federal	163,062	3,967,426	8,526,137
Capital Grants – State	-	1,425,505	
Net investment gain	1,049,132	7,511,076	394,978
Loss on disposal of capital assets	(549,892)	(717,981)	(3,055,500)
Other revenues	2,351,751	2,597,657	1,778,740
Total revenues	<u>36,736,327</u>	<u>44,700,382</u>	<u>35,162,856</u>
<b>Expenses</b>			
Program services			
Programming and production	16,289,126	16,044,931	13,884,309
Broadcasting and engineering	9,585,920	10,721,604	8,985,222
<b>Supporting services</b>			
Development and fund raising	4,742,452	4,526,590	4,801,712
Management and general	6,948,663	5,824,715	4,139,651
Total expenses	<u>37,566,161</u>	<u>37,117,840</u>	<u>31,810,894</u>
Change in net position	<u>\$ (829,834)</u>	<u>\$ 7,582,542</u>	<u>\$ 3,351,962</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022 AND 2021  
(Continued)**

**Changes in PBS North Carolina's Financial Position 2022**

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 \$130 thousand excluding one-time funding received in FY21 from CPB by way of the CARES Act stabilization funds of \$938 thousand.

Indirect administrative support reflects the value of services PBC North Carolina received from the University of North Carolina at no cost to PBS NC.

The FCC repack project that provided capital funding to replace aging transmission equipment is coming to a conclusion resulting in the \$3.8 million decline in Federal grants.

Net investment gains were lower by \$6.5 million due to market conditions.

Overall change in net position decreased \$8.4 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**  
**AN AFFILIATE OF THE UNIVERSITY OF NORTH CAROLINA**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 18,678,468	\$ 16,314,092
Receivables, net	947,852	1,847,681
Unconditional promises to give, net	-	120,145
Unexpired program rights	227,492	150,084
Prepaid expenses	369,644	370,731
Interest receivable	1,190	-
Total current assets	20,224,646	18,802,733
<b>Noncurrent assets</b>		
Capital assets - depreciable, net	42,675,493	46,801,447
Capital assets - nondepreciable	185,963	197,296
Lease receivable	703,661	700,733
Investments, net	25,137,017	25,285,076
Total noncurrent assets	68,702,134	72,984,552
<b>Total assets</b>	<b>88,926,780</b>	<b>91,787,285</b>
<b><u>LIABILITIES AND DEFERRED INFLOW OF RESOURCES</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	1,792,495	1,460,344
Unearned revenue	909,267	3,036,358
Long term liabilities, current portion	197,355	319,014
Total current liabilities	2,899,117	4,815,716
<b>Non-current liabilities</b>		
Lease liability	1,195,220	1,256,318
Long term liabilities, less current portion	1,764,734	1,829,065
Total current liabilities	2,959,954	3,085,383
<b>Total liabilities</b>	<b>5,859,071</b>	<b>7,901,099</b>
<b>Deferred Inflow of Resources - Lease related</b>	<b>712,090</b>	<b>700,733</b>
<b><u>NET POSITION</u></b>		
<b>Net position</b>		
Net investment in capital assets	41,652,276	45,696,495
Unrestricted	35,257,200	30,863,509
Restricted-expendable		
Time restricted pledges	-	120,145
Time restricted CPB grants	3,749,590	3,619,385
Restricted for Bryan Center & equipment	1,000,000	1,000,000
Purpose restrictions - CPB and other grants	696,553	1,885,919
<b>Total net position</b>	<b>\$ 82,355,619</b>	<b>\$ 83,185,453</b>

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

**THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC MEDIA**  
**AN AFFILIATE OF THE UNIVERSITY OF NORTH CAROLINA**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating revenues</b>		
Community Service Grants from the Corporation for Public Broadcasting	\$ 3,184,691	\$ 3,504,798
Other grants from the Corporation for Public Broadcasting	564,899	114,587
Other grants	655,759	309,121
Sales and royalties	1,036,490	1,901,565
Total operating revenues	5,441,839	5,830,071
<b>Operating expenses</b>		
Program services:		
Programming and production	16,289,126	16,044,931
Broadcasting and engineering	9,585,920	10,721,604
Total program services	25,875,046	26,766,535
Supporting services:		
Development and fund raising	4,742,452	4,526,590
Management and general	6,948,663	5,824,715
Total supporting services	11,691,115	10,351,305
Total operating expenses	37,566,161	37,117,840
Operating loss	(32,124,322)	(31,287,769)
<b>Non-operating revenues (expenses)</b>		
State appropriation	10,657,168	9,679,930
Contributions	17,201,087	13,607,427
Donated administrative support from the University of North Carolina at Chapel Hill	2,114,429	2,011,486
Stabilization funds	-	938,021
Use of facilities	288,855	327,286
Lease revenue	28,399	-
Other income	344,253	59,685
Loss on disposal of capital assets	(549,892)	(717,981)
Net investment gain	1,049,132	7,511,076
Interest expense on lease obligations	(2,005)	-
Net non-operating revenues (expenses)	31,131,426	33,416,930
Gain (loss) before capital grants	(992,896)	2,129,161
<b>Capital grants</b>		
Federal grant and contracts - Federal Communications Commission	163,062	3,967,426
State capital grant - North Carolina Department of IT	-	1,425,505
Capital grant non-governmental - PBS	-	60,450
Total other revenue	163,062	5,453,381
<b>Change in net position</b>	(829,834)	7,582,542
<b>Net position, beginning of year</b>	83,185,453	75,602,911
<b>Net position, end of year</b>	\$ 82,355,619	\$ 83,185,453

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

**THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC MEDIA**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Cash received from operating revenues	\$ 4,260,592	\$ 5,269,780
Cash paid for operating expenses	<u>(33,203,105)</u>	<u>(32,584,696)</u>
Net cash used in operating activities	<u>(28,942,513)</u>	<u>(27,314,916)</u>
<b>Cash flows from non-capital financing activities</b>		
State appropriation	10,657,168	11,105,435
Contributions and underwriting	18,450,526	18,102,568
Other non-operating revenue	548,400	246,679
Proceeds from ARPA funds	-	938,021
Net cash provided by non-capital financing activities	<u>29,656,094</u>	<u>30,392,703</u>
<b>Cash flows from capital and related financing activities</b>		
Capital contributions - Federal	1,109,482	4,552,590
Capital contributions - other	-	60,450
Proceeds from sale of capital assets	20,420	75,787
Purchases of capital assets	(601,216)	(4,063,003)
Principal paid on notes payable	(47,614)	(45,767)
Cash paid for interest on notes payable	(1,230)	(2,086)
Lease principal payments	(61,098)	-
Interest paid on lease obligations	(2,005)	-
Cash received from leases	35,638	-
Net cash provided by capital and related financing activities	<u>452,377</u>	<u>577,971</u>
<b>Cash flows from investing activities</b>		
Purchases and proceeds from investments	1,191,773	504,670
Interest on cash	<u>6,645</u>	<u>8,855</u>
Net cash provided by investing activities	<u>1,198,418</u>	<u>513,525</u>
<b>Change in cash and cash equivalents</b>	<u>2,364,376</u>	<u>4,169,283</u>
<b>Cash and cash equivalents, beginning of year</b>	16,314,092	12,144,809
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 18,678,468</u></u>	<u><u>\$ 16,314,092</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
<b>Operating loss</b>	\$ (32,124,322)	\$ (31,287,769)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>		
Depreciation and amortization	4,182,151	4,180,788
Changes in assets and liabilities related to operating activities:		
Accounts receivable	(66,043)	(793,771)
Unexpired program rights/licenses	(77,408)	(12,649)
Prepaid expenses	1,087	279,782
Accounts payable and accrued expenses	318,194	(190,771)
Workers compensation payable	(124,133)	239,217
Compensated absences	(14,243)	24,128
Deferred revenue	(1,037,796)	246,129
<b>Net cash used in operating activities</b>	<u><u>\$ (28,942,513)</u></u>	<u><u>\$ (27,314,916)</u></u>
<b>Supplemental disclosure of noncash capital activities</b>		
Capital purchases included in accounts payable	\$ 13,960	\$ 45,930

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

**THE UNIVERSITY OF NORTH CAROLINA  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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

(a) **Reporting entity**—The University of North Carolina Center for Public Media (“PBS North Carolina”) is an affiliate of the University of North Carolina (the “University”). Established by the Board of Governors of the University pursuant to North Carolina General Statute Section 116-37.1, PBS North Carolina is organizationally structured as a division of the UNC System Office. 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

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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) **Costs incurred for programs not yet broadcast**—Costs incurred for programs not yet broadcast (prepaid expenses) are record as an asset. 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 expensed as incurred 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

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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.

Right of use lease assets are included in capital assets and amortized over the shorter of the lease term or useful life of the underlying asset.

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

(k) **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.

(l) **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, including leased assets, net of accumulated depreciation and amortization, reduced by the outstanding debt obligations and lease liabilities 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.



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

*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.

(m) **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, and lease revenue are considered non-operating since these are investing, capital, or noncapital financing activities. Capital contributions are presented separately after non-operating revenues and expenses.

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

(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 an affiliate of the University, PBS North Carolina is also exempt from income taxes.

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

(q) **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. PBS North Carolina evaluated implemented the new standard as of July 1, 2022.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022. PBS North Carolina is currently evaluating the impact the Statement will have on its financial statements.

(r) **Reclassifications**—Certain amounts in the prior year financials have been reclassified to conform to the current year presentation. These reclassifications had no effect on total net position.

(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 2022 and 2021. These funds are aggregated with other funds held by the University of North Carolina System Office. At June 30, 2022 and 2021, \$4,159,771 and \$3,545,444 of PBS North Carolina's funds were held in private financial institutions. At June 30, 2022 and 2021, the uninsured cash balance was \$3,909,771 and \$3,295,444, respectively.

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(2) **Deposits and Investments:** (Continued)

At June 30, 2022 and 2021, PBS North Carolina's equity position in the STIF was \$14,518,697 and \$12,768,648, 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 0.9 years as of June 30, 2022. 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, 2022 and 2021, PBS North Carolina's investments include \$25,137,017 and \$25,285,076, 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.

(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, 2022 and 2021:

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

*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, 2022 and 2021, 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, 2022	\$ 25,137,017	\$ -	Daily	N/A
June 30, 2021	\$ 25,285,076	\$ -	Daily	N/A

(4) **Receivables:**

Receivables at June 30, 2022 were as follows:

	<b>Gross Receivables</b>	<b>Less Allowance for Doubtful Accounts</b>	<b>Net Receivables</b>
Accounts receivable, net	\$ 947,852	\$ -	\$ 947,852

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	<u>\$ 1,972,826</u>	<u>\$ 5,000</u>	<u>\$ 1,967,826</u>

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(5) **Capital Assets:**

Capital asset balances and activity for the years ended June 30, 2022 and 2021, were as follows:

	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2022</u>
Capital assets, not being depreciated:					
Land	\$ 185,963	\$ -	\$ -	\$ -	\$ 185,963
Construction in progress	11,333	-	-	(11,333)	-
Total capital assets, not being depreciated	<u>197,296</u>	<u>-</u>	<u>-</u>	<u>(11,333)</u>	<u>185,963</u>
Capital assets, being depreciated/amortized:					
Buildings	60,091,844	199,466	(2,017,503)	-	58,273,807
Other structures	25,281,347	221,299	(1,297,963)	11,333	24,216,016
Equipment	28,870,088	194,411	(205,475)	-	28,859,024
Motor vehicles	839,737	-	(70,586)	-	769,151
Right of use lease assets	3,368,183	-	(825,692)	-	2,542,491
Total capital assets, being depreciated/amortized	<u>118,451,199</u>	<u>615,176</u>	<u>(4,417,219)</u>	<u>11,333</u>	<u>114,660,489</u>
Less: Accumulated depreciation/amortization					
Total accumulated depreciation/amortization	71,649,752	4,182,151	(3,846,907)	-	71,984,996
Total capital assets, being depreciated/amortized, net	<u>46,801,447</u>	<u>(3,566,975)</u>	<u>(570,312)</u>	<u>11,333</u>	<u>42,675,493</u>
Total capital assets, net	<u>\$ 46,998,743</u>	<u>\$ (3,566,975)</u>	<u>\$ (570,312)</u>	<u>\$ -</u>	<u>\$ 42,861,456</u>

	<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/amortized:					
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
Right of use lease assets	3,368,183	-	-	-	3,368,183
Total capital assets, being depreciated/amortized	<u>117,652,721</u>	<u>3,210,649</u>	<u>(4,311,157)</u>	<u>1,898,986</u>	<u>118,451,199</u>
Less: Accumulated depreciation/amortization					
Total accumulated depreciation/amortization	70,986,354	4,180,788	(3,517,390)	-	71,649,752
Total capital assets, being depreciated/amortized, net	<u>46,666,367</u>	<u>(970,139)</u>	<u>(793,767)</u>	<u>1,898,986</u>	<u>46,801,447</u>
Total capital assets, net	<u>\$ 47,864,364</u>	<u>\$ (71,854)</u>	<u>\$ (793,767)</u>	<u>\$ -</u>	<u>\$ 46,998,743</u>

PBS North Carolina has depreciation and amortization expense of \$4,182,151 and \$4,180,788 for the fiscal years ended June 30, 2022 and 2021, respectively.

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

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

	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 1,111,235	\$ 850,350
Accrued payroll	681,179	609,808
Accrued interest expense	81	186
Total accounts payable and accrued expenses	<u>\$ 1,792,495</u>	<u>\$ 1,460,344</u>

**(7) Unearned revenue:**

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

A summary of changes for the years ended June 30, 2022 and 2021, is presented as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 3,036,358	\$ 1,837,957
Additional revenues received	903,000	3,049,130
Revenue recognized	<u>(3,030,091)</u>	<u>(1,850,729)</u>
Balance, end of year	<u>\$ 909,267</u>	<u>\$ 3,036,358</u>

**(8) Long Term Liabilities:**

A summary of changes is as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Current Portion</u>
Notes Payable	\$ 84,474	\$ -	\$ (47,614)	\$ 36,860	\$ 36,860
Workers compensation	597,466	87,264	(211,397)	473,333	93,373
Compensated absences	1,466,139	772,447	(786,690)	1,451,896	67,122
Total long-term liabilities, net	<u>\$ 2,148,079</u>	<u>\$ 859,711</u>	<u>\$ (1,045,701)</u>	<u>\$ 1,962,089</u>	<u>\$ 197,355</u>

  

	<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>

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

Annual requirements to pay principal and interest on the long-term obligations at June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 36,860	\$ 340

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

<u>Purpose</u>	<u>Financial Institution</u>	<u>Rate / Ranges</u>	<u>Maturity Date</u>	<u>Amount of Issue</u>	<u>Paid through June 30, 2022</u>	<u>Outstanding June 30, 2022</u>
Energy Services Agreement	Bank of America Public Capital Corp.	1.842%	02/14/2023	\$ 305,747	\$ 268,887	\$ 36,860

(9) **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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(9) **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, 2022</b>
		<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	
2021-23	\$ 3,184,691	\$ -	\$ -	\$ -	\$ 3,184,691
2020-22	3,504,798	-	-	3,504,798	-
2019-21	3,399,970	-	3,399,970	-	-
Total	<u>\$ 10,089,459</u>	<u>\$ -</u>	<u>\$ 3,399,970</u>	<u>\$ 3,504,798</u>	<u>\$ 3,184,691</u>

(10) **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, 2022 and 2021, is \$375,083 and \$438,459, respectively, as illustrated below:

	<u>2022</u>	<u>2021</u>
Center outlays	\$ 403,871	\$ 502,445
Federal outlays	375,083	438,459
Total costs of assets	<u>\$ 778,954</u>	<u>\$ 940,904</u>

(11) **Lease Commitments**

PBS North Carolina is obligated for annual rental payments under various long-term lease agreements for tower sites and office facilities. The agreements have various terms extending from fiscal year 2050 to 2070 and the discount rate for each agreement is 5.25%. As of June 30, 2022, assets recorded under leases were \$2,542,491 and accumulated amortization was \$418,371.



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(11) **Lease Commitments:** (Continued)

Future minimum lease payments as of June 30, 2022 are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
2023	\$ -	\$ 65,879	\$ 65,879
2024	-	65,933	65,933
2025	920	65,923	66,843
2026	4,236	65,842	70,078
2027	5,855	65,585	71,440
2028-2032	62,630	320,621	383,251
2033-2037	139,406	295,289	434,695
2037-2041	247,406	246,122	493,528
2042-2046	397,188	163,668	560,856
2047-2051	195,569	57,030	252,599
2052-2056	22,468	36,451	58,919
2057-2061	34,501	29,694	64,195
2062-2066	50,504	18,729	69,233
2067-2070	34,537	4,203	38,740
Total	<u>\$ 1,195,220</u>	<u>\$ 1,500,969</u>	<u>\$ 2,696,189</u>

The Station recognized lease revenue under an agreement for tower usage and space rental of \$28,399, including interest, for fiscal year ended June 30, 2022. The agreement extends through extend through 2031, with two ten-year optional extension that would extend the term through 2051. The agreement has a discount rate of 5.25%.

Future minimum lease payments to be received under this lease is estimated to be as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
2023	\$ -	\$ 38,720	\$ 38,720
2024	-	38,882	38,882
2025	-	38,996	38,996
2026	1,047	39,058	40,105
2027	2,303	39,064	41,367
2028-2032	34,207	191,716	225,923
2033-2037	84,025	177,882	261,907
2037-2041	154,713	148,908	303,621
2042-2046	253,368	98,613	351,981
2047-2051	173,998	23,137	197,135
Total	<u>\$ 703,661</u>	<u>\$ 834,976</u>	<u>\$ 1,538,637</u>

**THE UNIVERSITY OF NORTH CAROLINA  
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(12) **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, 2022 and 2021, the amounts recorded in the financial statements were \$29,003 and \$20,736 respectively.

(13) **Indirect Administrative Support:**

PBS North Carolina received administrative and operating support during the year ended June 30, 2022 and 2021 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 2022, 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, 2022 and 2021, were \$2,114,429 and \$2,011,486, respectively.

(14) **Concentrations:**

During the years ended June 30, 2022 and 2021, PBS North Carolina received 27% and 24%, respectively, of its total operating support and revenue in the form of appropriations from the State of North Carolina. \$866,876 and \$1,425,505 in capital funding was received from a North Carolina state agency for the years ended June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, PBS North Carolina received 10% and 11%, respectively, of its total operating support and revenue from the CPB.

(15) **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 \$931,768 and \$1,107,570 to PBS North Carolina during the years ended June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, the Foundation paid \$69,409 and \$78,050, respectively in support of strategic planning, feasibility study and other PBS North Carolina projects. PBS North Carolina reimbursed the Foundation \$113,559 for central casting, advertising, software, E&O insurance, and other expenses during the year ended June 30, 2021.

During the years ended June 30, 2022 and 2021, PBS North Carolina paid \$162,206 and \$94,568, respectively, to the University in administrative fees.

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**(16) 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

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 \$28,600,891 and \$23,970,727 for the years ended June 30, 2022 and 2021, respectively.

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

Included in restricted expendable net position at June 30, 2022 are restricted cash from grants of \$4,446,143 based on grantor requirements, and restricted Bryan Center funds of \$1,000,000. 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.