

**Public Radio East Foundation
New Bern, North Carolina**

**Financial Statements and
Independent Auditor's Report**

Year Ended June 30, 2017

Public Radio East Foundation
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June 30, 2017

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

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Independent Auditor's Report

To the Board of Directors
Public Radio East Foundation
New Bern, North Carolina

We have audited the accompanying financial statements of Public Radio East Foundation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risks of material misstatement of the financial statement, 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 involves 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.

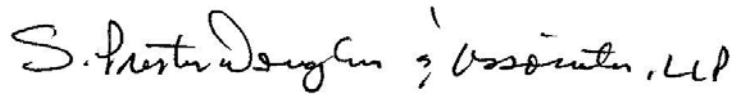
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Radio East Foundation as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Public Radio East Foundation as of June 30, 2016 were audited by other auditors whose report dated December 16, 2016, expressed an unmodified audit opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style with a large initial "S".

Lumberton, North Carolina
January 8, 2018

Financial Statements

Public Radio East Foundation
Statement of Financial Position
June 30, 2017
(With Summarized Financial Information at June 30, 2016)

| | <u>June 30, 2017</u> | | | <u>June 30, 2016</u> |
|--|----------------------|-------------------------------|-------------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
| ASSETS | | | | |
| Beneficial interests in assets held by Craven Community College | \$ 78,475 | \$ 28,757 | \$ 107,232 | \$ 144,448 |
| Pledges receivable (net) | 101,861 | - | 101,861 | 96,874 |
| Total assets | <u>\$ 180,336</u> | <u>\$ 28,757</u> | <u>\$ 209,093</u> | <u>\$ 241,322</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 2,500 | \$ - | \$ 2,500 | \$ 657 |
| Total liabilities | <u>2,500</u> | <u>-</u> | <u>2,500</u> | <u>657</u> |
| NET ASSETS | | | | |
| Unrestricted net assets: | | | | |
| Operating | 99,396 | - | 99,396 | 96,217 |
| Board designated endowment | 78,440 | - | 78,440 | 67,813 |
| Temporarily restricted net assets: | | | | |
| Capital campaign | - | 28,757 | 28,757 | 76,635 |
| Total net assets | <u>177,836</u> | <u>28,757</u> | <u>206,593</u> | <u>240,665</u> |
| Total liabilities and net assets | <u>\$ 180,336</u> | <u>\$ 28,757</u> | <u>\$ 209,093</u> | <u>\$ 241,322</u> |

The notes to the financial statements are an integral part of this statement.

Public Radio East Foundation
Statement of Activities
Year Ended June 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

| | <u>June 30, 2017</u> | | | <u>June 30, 2016</u> |
|--|----------------------|-------------------------------|-------------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
| REVENUES | | | | |
| Operating revenues: | | | | |
| Contributions and grants | \$ 685,714 | \$ - | \$ 685,714 | \$ 624,485 |
| Interest income | 719 | 532 | 1,251 | 1,129 |
| Other income | 32,974 | - | 32,974 | 13,050 |
| Total operating revenues | <u>719,407</u> | <u>532</u> | <u>719,939</u> | <u>638,664</u> |
| EXPENSES | | | | |
| Operating expenses: | | | | |
| Payments and direct support to PRE | 638,846 | - | 638,846 | 587,245 |
| Supporting services for fundraising | - | - | - | |
| Advertising, marketing, promotion, postage, and contract services | 38,841 | 3,279 | 42,120 | 35,529 |
| Printing | - | - | - | 821 |
| Legal and accounting | 5,000 | 2,508 | 7,508 | 11,250 |
| Computer software maintenance | 11,474 | 31,084 | 42,558 | 11,192 |
| Electric processing fees | 7,102 | - | 7,102 | 7,202 |
| Offices expenses and travel | 4,338 | 947 | 5,285 | 11,531 |
| Non-capitalized equipment | - | 10,592 | 10,592 | - |
| Total operating expenses | <u>705,601</u> | <u>48,410</u> | <u>754,011</u> | <u>664,770</u> |
| Change in net assets | 13,806 | (47,878) | (34,072) | (26,106) |
| NET ASSETS | | | | |
| Net assets at beginning of year | <u>164,030</u> | <u>76,635</u> | <u>240,665</u> | <u>266,771</u> |
| Net assets at end of year | <u>\$ 177,836</u> | <u>\$ 28,757</u> | <u>\$ 206,593</u> | <u>\$ 240,665</u> |

The notes to the financial statements are an integral part of this statement.

Public Radio East Foundation
Statement of Cash Flows
(Changes in Beneficial Interest Held by Craven Community College)
Year Ended June 30, 2017
(With Summarized Financial Information for the Year Ended June 30, 2016)

| | <u>June 30, 2017</u> | | | <u>June 30, 2016</u> <u>Total</u> |
|---|----------------------|-----------------------------------|--------------------|--------------------------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Increase (decrease) in net assets | \$ 13,806 | \$ (47,878) | \$ (34,072) | \$ (26,106) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | | | |
| Increase in pledges receivable | (4,987) | - | (4,987) | 24,677 |
| Increase in accounts payable | 1,843 | - | 1,843 | (10,435) |
| Net cash flow provided (used) by operating activities | <u>\$ 10,662</u> | <u>\$ (47,878)</u> | <u>\$ (37,216)</u> | <u>\$ (11,864)</u> |
| Beneficial interest in assets held by Craven Community College | | | | |
| Beginning of year | <u>67,813</u> | <u>76,635</u> | <u>144,448</u> | <u>156,312</u> |
| End of year | <u>\$ 78,475</u> | <u>\$ 28,757</u> | <u>\$ 107,232</u> | <u>\$ 144,448</u> |

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

Public Radio East Foundation
Notes to the Financial Statements
June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Public Radio East Foundation (the “Foundation”) was formed to receive charitable contributions and grants which are to be used exclusively for support of Public Radio East (“PRE”). PRE is owned and operated by Craven Community College (the “College”), which is part of the North Carolina Community College System.

In support of PRE, the Foundation engages in the following activities:

1. Participates in membership drives for dues and contributions to support efforts to benefits PRE.
2. Organizes major giving campaigns that encourage individual contributions to the Foundation.
3. Promotes PRE throughout Eastern North Carolina and makes financial distributions to the College for the benefit of PRE.
4. Pays funds directly to third parties for authorized expenditures for the benefit of PRE.

The Board of Directors of the Foundation is determined by the Board of Trustees of the College. The Foundation’s assets and operations are included in the financial statements of the College as a controlled entity. The College provides administrative, accounting, and payroll services for the Foundation.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting in accordance with generally accepted accounting principles. The net assets, revenues, gains and losses, and other support and expenses in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Foundation are classified as follows:

Unrestricted Net Assets – net assets that are not subject to donor stipulations. This includes Endowment assets that are designated by the Board for support of PRE.

Temporarily and Permanently Restricted Net Assets – net assets subject to donor-imposed restrictions that may be met over time or restrictions that may be maintained permanently by the Foundation. Currently, the Capital Campaign is a temporarily restricted net asset.

Promises to Give: Contributions are recognized when the donor makes a pledge to give to the Foundation that is, in substance, unconditional.

The Foundation uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

Support and Revenue: Grants and contributions are recorded as revenue when received or pledged unconditionally, at fair value.

Cash and Cash Equivalents: The Foundation considers all highly liquid assets with a maturity of three months or less to be cash equivalents. For financial statement purposes, “cash equivalents” are carried as “Beneficial interest in assets held by Craven Community College”. The Foundation does not have separate bank account. Foundation’s cash is “pooled” with College’s cash and assigned a percentage of participation based on amounts held.

Income Taxes: The Foundation is a North Carolina nonprofit corporation and is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code. The Corporation’s Forms 990, *Return of Organizations Exempt From Income Tax*, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Public Radio East Foundation
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and Facilities: The Foundation operates within facilities of the College and receives substantial administrative support from the College and its employees. The College does not charge the Foundation for such services. The value of donated services and facilities is not included in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

A substantial number of volunteers have donated significant amounts of their time to the Foundation’s fundraising campaigns. The value of such volunteers’ services has not been reported in the accompanying financial statements as it does not meet the criteria for revenue recognition established by FASB ASC 958-310-50-1 “Recognition and Measurement Principles for Noncash Contributions.”

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative and Summarized Financial Information: The financial statements include certain prior year comparative and summarized financial information. Such information does not include sufficient detail by itself to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2016 from which the comparative and summarized information was derived.

NOTE 2 – DISTRIBUTIONS TO PUBLIC RADIO EAST

Upon request by PRE, the Foundation distributes funds to PRE. The Executive Director and Treasurer of the Foundation are responsible for determining that PRE’s requests are appropriate and that they are recorded to the proper fund accounts of the College.

NOTE 3 – ENDOWMENT

The Foundation’s endowment consists of funds designated by the Board of Directors to function as an endowment. There are no donor restrictions imposed on the endowment.

| | | |
|--|-----------|---------------|
| Endowment net assets at July 1, 2016 | \$ | 67,813 |
| Endowment contributions | | 9,908 |
| Investment income | | 719 |
| Endowment net assets at June 30, 2017 | \$ | 78,440 |

Public Radio East Foundation
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017, were as follows:

| | Gross Receivables | Less Allowance For Doubtful Accounts | Net Receivables |
|----------------------------------|----------------------|---|--------------------|
| Current receivables: | | | |
| Pledges from media fund drives | \$ 123,047 | \$ (21,186) | \$ 101,861 |
| Total current receivables | \$ 123,047 | \$ (21,186) | \$ 101,861 |

NOTE 5 – RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; and natural disasters. These exposures to loss are handled through Craven Community College via a combination of methods, including participation in various risk pools administered by the State of North Carolina, purchase of commercial insurance and self-retention of certain risks.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Foundation, PRE, and the College have common facilities and employees.

During the year ended June 30, 2017, members of the Craven Community College Board of Trustees made contributions to the Foundation totaling \$4,000.

NOTE 7 – INCOME TAXES

The Foundation is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after the filing date.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 8, 2018, the date on which the financials were available to be issued.