

# **WNCW 88.7**

(A Wholly Owned Entity of Isothermal Community College)

Spindale, North Carolina

Financial Statements

Years Ended June 30, 2017 and 2016

## **WNCW 88.7**

### OFFICERS

Leonard Hollifield, Chairman  
Don Hofmann, Vice Chairman  
Grady Franklin, Secretary

### BOARD OF TRUSTEES

Roger Jolly  
Alan Toney  
John Condrey  
Amy Jenkins  
Chivous Bradley  
Joan King  
Angela McKinney, SGA President  
Roger Petty  
David Hunt  
William Eckler  
Ray Williams  
Todd Bennett

### ADMINISTRATIVE OFFICERS

Walter Dalton, President, Isothermal Community College  
Stephen Matheny, Vice President of Administrative Services

# WNCW 88.7

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to the Financial Statements	12 - 24



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
WNCW 88.7  
Spindale, North Carolina

### Report on the Financial Statements

We have audited the accompanying statements of net position of WNCW 88.7, a wholly owned enterprise fund entity of Isothermal Community College, as of June 30, 2017 and 2016 and the related statements of revenues, expenses and changes in net position, and statements of 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 the 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 audits. We conducted our audits in accordance with governmental auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

---

### Certified Public Accountants

Greensboro, NC

336.286.3204

Matthews, NC

704.841.1120

Mount Airy, NC

336.789.8989

[www.LBAHS.com](http://www.LBAHS.com)



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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WNCW 88.7 as of June 30, 2017 and 2016, and the results of their operations and their 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 13 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. 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 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information for consistency with management's responses to our inquires, 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.

*LBA Haynes Strand, PLLC*

Matthews, North Carolina  
January 8, 2018

---

### **Certified Public Accountants**

Greensboro, NC  
336.286.3204

Matthews, NC  
704.841.1120

Mount Airy, NC  
336.789.8989

[www.LBAHS.com](http://www.LBAHS.com)

## WNCW 88.7

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of WNCW 88.7 (the Station), we offer readers of the Station's financial statements this narrative overview and analysis of the financial activities of the Station for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Station's financial statements, which follow this narrative.

The Station is a department under the auspices of the Vice President for Administrative Services of Isothermal Community College, a State of North Carolina Community College System facility located in Spindale, North Carolina. The FCC license is held by the Trustees of Isothermal Community College. WNCW is a public radio station broadcasting its main signal at frequency 88.7 FM (which covers much of Western North Carolina and parts of Upstate South Carolina, East Tennessee, southwest Virginia, and northeast Georgia), a repeater station in Wilkesboro, North Carolina (WSIF 90.9 FM) and a series of translators serving Boone and Charlotte, North Carolina and Greenville, South Carolina.

The Station programs an eclectic mixture of music, news and information, educational, and public service programming that has established it as a significant regional artistic and cultural icon and perennial winner of "Best of" awards as voted by readers of regional periodicals.

#### **Financial Highlights**

- The assets of the Station exceeded its liabilities at the close of the fiscal year by \$659,285 (*net position*).
- The Station's total net position decreased by \$62,265 for the year.
- At the end of the current fiscal year there was \$506,144 of unrestricted net position available for spending. The remaining net position of \$153,141 represents the Station's investment in capital assets.

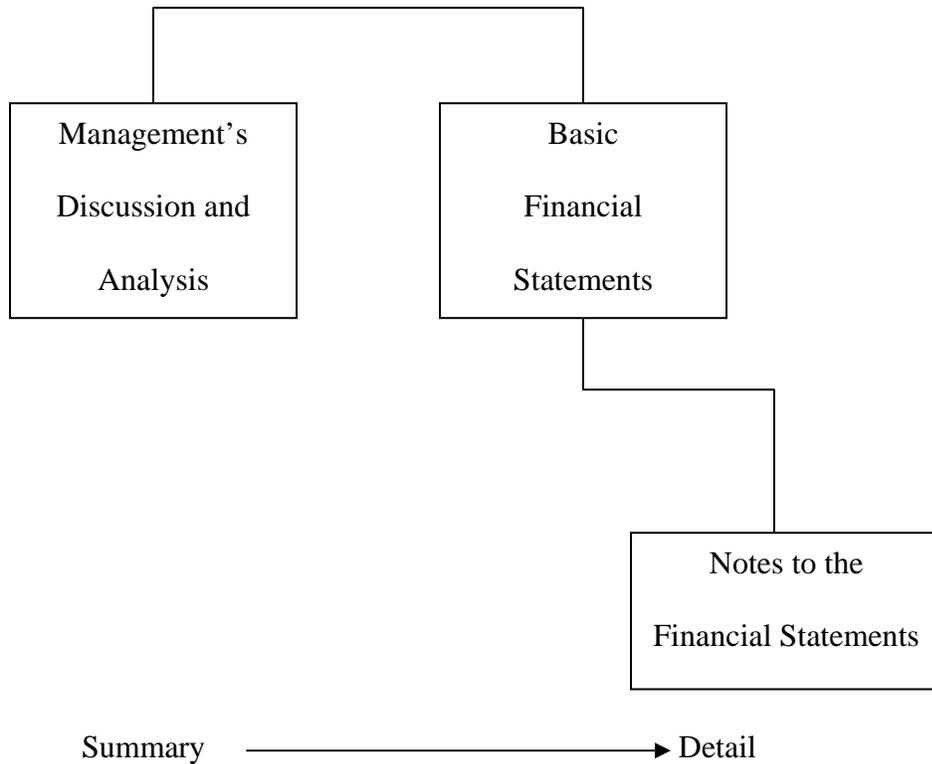
#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to WNCW 88.7's basic financial statements. The Station's basic financial statements consist of two components: 1) the financial statements and 2) notes to the financial statements (see Figure 1).

## WNCW 88.7

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

The first two statements in the basic financial statements are the **Statements of Net Position** and the **Statements of Revenues, Expenses, and Changes in Net Position**. They provide both short and long-term information about the Station's financial status.

The next statement is the **Statements of Cash Flows**. This statement's focus is on the cash inflows and outflows of the Station.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements.

## WNCW 88.7

**Proprietary Funds** - WNCW 88.7 operates as a proprietary, enterprise fund. Enterprise funds are used to report business-type activities. WNCW 88.7 uses an enterprise fund to account for its activities. Because the Station only has one enterprise fund and there are no other funds, the basic enterprise fund statements are complete financial statements.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements are on pages 12 through 24 of this report.

### Financial Analysis

#### WNCW 88.7's Net Position

Figure 2

	<u>2017</u>	<u>2016</u> (As restated)
Current and other assets	\$ 660,141	\$ 686,219
Capital assets	153,141	170,404
Total assets	<u>813,282</u>	<u>856,623</u>
Current liabilities	83,391	65,833
Long-term liabilities outstanding	70,606	69,240
Total liabilities	<u>153,997</u>	<u>135,073</u>
Net position:		
Invested in capital assets	153,141	170,404
Unrestricted	506,144	551,146
Total net position	<u>\$ 659,285</u>	<u>\$ 721,550</u>

Net position may serve over time as one useful indicator of an entity's financial condition. Increases or decreases in WNCW 88.7's net position are an indicator of whether its financial health is improving or deteriorating. The assets of the Station exceeded liabilities by \$659,285 as of June 30, 2017. The Station's net position decreased by \$62,265 for the fiscal year then ended. A portion of the Station's net position, \$153,141, or 23%, represents an investment in capital assets. The remaining balance of \$506,144, or 77%, is unrestricted. To assess the overall health of WNCW 88.7, one also needs to consider additional non-financial factors such as stability of audience service and listener loyalty.

## WNCW 88.7

### WNCW 88.7 Changes in Net Position

Figure 3

	<u>2017</u>	<u>2016</u> (As restated)
Operating revenues:		
Charges for services	\$ 750,936	\$ 633,745
Operating grants and contributions	1,108,907	980,178
Other	1,980	5,850
Total operating revenues	<u>1,861,823</u>	<u>1,619,773</u>
Expenses:		
Personnel services	879,069	847,394
Other operating expenses	1,019,931	971,368
Depreciation expense	27,038	26,712
Total expenses	<u>1,926,038</u>	<u>1,845,474</u>
Decrease in net position before non-operating revenues	(64,215)	(225,701)
Non-operating revenues:		
Investment income	<u>1,950</u>	<u>1,401</u>
Decrease in net position	(62,265)	(224,300)
Net position, beginning of years, as restated	<u>721,550</u>	<u>945,850</u>
Net position, end of years	<u>\$ 659,285</u>	<u>\$ 721,550</u>

WNCW 88.7's net position decreased by \$62,265. Key elements of this decrease are as follows:

- Overall operating expenditures increased due largely to costs associated with the addition of another full time employee in our sales department and across the board salary increases for all employees which also created an increase in benefit costs.
- We also faced additional cost increases attributable to syndicated programming and an increase in expenses related to our fundraising activities.

## WNCW 88.7

### Capital Assets

WNCW 88.7's investment in capital assets as of June 30, 2017, totals \$153,141 (net of accumulated depreciation). These assets include studio, broadcasting, office, and data processing equipment.

### WNCW 88.7's Capital Assets

Figure 4

At June 30	2017	2016 (As restated)
Studio and other broadcasting equipment	\$ 486,234	\$ 486,234
Leasehold improvements	9,843	9,843
Office and data processing equipment	19,045	9,270
Accumulated depreciation	<u>(361,981)</u>	<u>(334,943)</u>
Total	<u>\$ 153,141</u>	<u>\$ 170,404</u>

Further, during examination of Capital Assets, accumulated depreciation was restated due to the expectation of certain assets' useful lives to be significantly longer than originally estimated. A correction of error was identified as well, due to \$23,482 worth of assets not previously reported. See Note 13 of notes to the financial statements for details to the restatement.

### Long-term Liabilities

As of June 30, 2017, WNCW 88.7 had long-term liabilities of \$70,606. All of the Station's long-term liabilities consist of accrued compensated absences. Long-term liabilities increased by \$1,366, or 2%, over the previous year.

### Economic Forecast

WNCW's coming fiscal year looks promising with the improvement in the economy and an increased effort from our underwriting sales department. The addition of another sales person has already proven financially beneficial and we expect to see that continue into the coming fiscal year. We will continue to focus on membership and development to seek out major donors, super serve our existing members and work to grow our new members. Minor changes to our programming and the addition of the ability to reach out to the community and broadcast live performances from various venues in our listening area will serve us well to help grow our audience and membership. We will continue our focus on growing our underwriting revenue in underdeveloped markets. Our sustaining members program is just in it's infancy, but is growing quickly, providing more steady monthly revenue for operations along with our increased monthly underwriting revenue. Our on air product remains strong and in high demand. We will continue to develop key business relationships. We are also planning to replace our main antenna in the coming fiscal year to better improve our service to our member/listeners across the region.

## **WNCW 88.7**

### **Request for Information**

This report is designed to provide an overview of the Station's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the General Manager, WNCW 88.7, P.O. Box 804, Spindale, North Carolina, 28160.

## WNCW 88.7

### Statements of Net Position June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> <u>(As restated)</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 524,304	\$ 581,596
Accounts receivable	109,242	94,497
Pledges receivable	4,412	4,663
Inventories	22,183	5,463
Total current assets	<u>660,141</u>	<u>686,219</u>
Noncurrent assets:		
Capital assets, net	<u>153,141</u>	<u>170,404</u>
Total assets	<u><u>\$ 813,282</u></u>	<u><u>\$ 856,623</u></u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 70,528	\$ 57,658
Current portion of long-term liabilities	<u>12,863</u>	<u>8,175</u>
Total current liabilities	83,391	65,833
Noncurrent liabilities:		
Long-term liabilities, less current portion	<u>70,606</u>	<u>69,240</u>
Total liabilities	<u><u>153,997</u></u>	<u><u>135,073</u></u>
<b>Net position</b>		
Net Invested in capital assets	153,141	170,404
Unrestricted	<u>506,144</u>	<u>551,146</u>
Total net position	<u><u>\$ 659,285</u></u>	<u><u>\$ 721,550</u></u>

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

## WNCW 88.7

### Statements of Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> (As restated)
<b>Operating revenues</b>		
Membership donations	\$ 690,300	\$ 570,354
Corporation for Public Broadcasting grant	127,698	125,208
Sales and services	750,936	633,745
Special events	1,980	5,850
Donated facilities and administrative support from Isothermal Community College	290,909	284,616
Total operating revenues	<u>1,861,823</u>	<u>1,619,773</u>
<b>Operating expenses</b>		
Personnel services	879,069	847,394
Supplies and materials	41,256	105,354
Services	687,766	581,398
Donated facilities and administrative support from Isothermal Community College	290,909	284,616
Depreciation	27,038	26,712
Total operating expenses	<u>1,926,038</u>	<u>1,845,474</u>
Operating loss	(64,215)	(225,701)
<b>Non-operating revenues</b>		
Investment income	<u>1,950</u>	<u>1,401</u>
(Decrease) increase in net position	(62,265)	(224,300)
Net position, beginning of year, as restated	721,550	945,850
Net position, ending of year	<u>\$ 659,285</u>	<u>\$ 721,550</u>

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

## WNCW 88.7

### Statements of Cash Flows Years Ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b> <b>(As restated)</b>
<b>Cash flows from operating activities</b>		
Received from customers	\$ 743,867	\$ 584,098
Payments to employees and fringe benefits	(873,681)	(847,548)
Payments to vendors and suppliers	(739,885)	(691,061)
Other receipts	692,531	614,808
Corporation for Public Broadcasting grant	127,698	125,208
Net cash (used) by operating activities	(49,470)	(214,495)
 <b>Cash flows from capital and related financing activities</b>		
Purchase of equipment	(9,772)	-
Net cash (used) by capital and related financing activities	(9,772)	-
 <b>Cash flows from investing activities</b>		
Interest	1,950	1,401
Net cash provided by investing activities	1,950	1,401
 Net (decrease) in cash and cash equivalents	(57,292)	(213,094)
 Cash and equivalents at beginning of years	581,596	794,690
 Cash and equivalents at end of years	\$ 524,304	\$ 581,596
 <b>Reconciliation of operating loss to net cash (used) by operating activities:</b>		
Operating (loss)	\$ (64,215)	\$ (225,701)
Adjustments to reconcile operating loss to net cash (used) by operating activities:		
Depreciation expense	27,038	26,712
Changes in assets and liabilities:		
Accounts receivable	(14,745)	(18,937)
Pledges receivable	251	595
Inventories	(16,722)	(2,666)
Accounts payable and accrued liabilities	12,869	4,946
Long-term liabilities	6,054	556
Net cash (used) by operating activities	\$ (49,470)	\$ (214,495)

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

## WNCW 88.7

Notes to the Financial Statements  
June 30, 2017 and June 30, 2016

### **Note 1 - Summary of Significant Accounting Policies**

#### Financial Reporting Entity

WNCW 88.7 (the Station) is owned and operated by Isothermal Community College (the College) in Spindale, North Carolina. The Station's FM broadcast signal extends throughout 74 counties in North Carolina, South Carolina, Tennessee, Georgia, and Virginia. It is a wholly owned entity of the College and operates under the supervision of the Board of Trustees of the College. The Station's accounting activities are maintained and supervised by the College.

The Station provides full-service, professional, public, FM broadcast service to the constituents of the College and to other listeners in their coverage area. Its mission is to assist the College in the advancement of educational opportunities in the region and to encourage listeners to pursue a quest for lifelong learning.

#### Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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* effective for the Station's year ended June 30, 2002, the full scope of the Station's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Station does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

#### Basis of Accounting

The financial statements of the Station 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Cash and Cash Equivalents

This cash classification appears on the statements of net position and the statements of cash flows and includes cash on deposit in private bank accounts, petty cash and undeposited receipts, and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account and the participants may deposit and withdraw cash at any time without prior notice or penalty.

### Receivables and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due for services performed on or before the fiscal year end and are shown in the accompanying financial statements net of an allowance for uncollectible accounts. For the years ended June 30, 2017 and 2016, the allowance for uncollectible accounts receivable was \$41,986 and \$40,226, respectively. Pledges receivable consist of promises to give and are shown at an estimated realizable value. The provision for uncollectible pledges receivable was \$7,547 and \$6,936 for the years then ended.

### Inventories

Inventories consist of expendable supplies and postage held for consumption and are valued at cost using the last invoice cost, or average cost method.

### Capital Assets

Capital assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The Station capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected 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>
Equipment	5-25 years
Leasehold Improvement	3-20 years

### Long-term Liabilities

Long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Compensated Absences

The Station'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. 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 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.

The Station has adopted the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

### Net Position

The Station's net position are classified as follows:

Invested in Capital Assets - Represents the Station's capital assets less depreciation and related debt.

Restricted Net Position - Restricted net position include resources for which the Station is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position include resources derived from sales and services, unrestricted gifts, and interest income.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Operating and Non-Operating Revenue and Expense

The Station presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the Station. Operating revenues include all charges to customers and grants received for Public Broadcasting. Grants received for Public Broadcasting are considered operating revenues because they provide resource programs that are necessary and essential to the mission of the Station. Revenues from non-exchange transactions and State appropriations that represent subsidies or gifts to the Station, as well as investment income, are considered non-operating since these are either capital or non-capital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying statements of revenues, expenses, and changes in net position.

### Use of Estimates

The preparation of financial statements in conformity with governmental accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Summary Disclosure of Significant Contingencies

The Station has received grants from federal, state, and private foundations. These grants are subject to audit by the grantor's agency. No violations of grant requirements were discovered during the audit of the Station; therefore, these financial statements do not reflect a provision for refunds to grantors.

### Support of the Station

The Station files for an annual grant from the federally-funded Corporation for Public Broadcasting. Grants and allocations are based on non-federal financial support.

## **Note 1 - Summary of Significant Accounting Policies (concluded)**

### **Pending Pronouncements**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the Station beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the Station beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Station must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

### **Note 2 - Deposits**

For efficiency of cash management and accountability, the funds of the Station are combined with other cash balances of the College. All funds are deposited by the College in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 11D-58.7. At June 30, 2017 and 2016, there was no cash on hand, cash on deposit was \$524,304 and \$581,596, respectively. Cash on deposit at year-end consisted of the following:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash on deposit with State Treasurer	\$ 199,142	\$ 197,192
Cash on deposit with private financial institutions	325,162	384,404
Total cash on deposit	<b><u>\$ 524,304</u></b>	<b><u>\$ 581,596</u></b>

**Note 2 - Deposits (concluded)**

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are “readily convertible into cash.” All investments of the fund are held either by the Department of State Treasurer or an agent in the State’s name. The fund’s uninvested cash is either covered by federal depository insurance or, pursuant to the North Carolina Administrative Code (20 NCAC 7), is collateralized under either the dedicated or pooling method.

Custodial credit risk is the risk that in the event of a bank failure, the Station’s deposits may not be returned to it. As of June 30, 2017 and 2016, the Station’s bank balance in excess of federal depository insurance coverage was covered under the pooling method.

**Note 3 - Capital Assets**

A summary of capital assets is presented below as of June 30, 2017:

	<b>Balance 6/30/16 (As restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/17</b>
Studio and other Broadcast equipment	\$ 486,234	\$ -	\$ -	\$ 486,234
Office and data processing equipment	9,270	9,775	-	19,045
Leasehold Improvements	9,843	-	-	9,843
Accumulated depreciation	(334,943)	(27,038)	-	(361,981)
Capital assets, net	<u>\$ 170,404</u>	<u>\$ (17,263)</u>	<u>\$ -</u>	<u>\$ 153,141</u>

A summary of capital assets is presented below as of June 30, 2016:

	<b>Balance 6/30/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/16</b>
Studio and other Broadcast equipment	\$ 377,915	\$ -	\$ (11,853)	\$ 366,062
Office and data processing equipment	9,270	-	-	9,270
Leasehold Improvements	106,533	-	-	106,533
Accumulated depreciation	(473,645)	(4,362)	11,853	(466,154)
Capital assets, net	<u>\$ 20,073</u>	<u>\$ (4,362)</u>	<u>\$ -</u>	<u>\$ 15,711</u>

#### **Note 4 - Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities are described as follows:

<b><u>At June 30</u></b>	<b>2017</b>	<b>2016 (As restated)</b>
Accounts payable	\$ 15,918	\$ 10,058
Unearned revenue	44,696	37,020
Accrued payroll	9,914	10,580
Total accounts payable and accrued liabilities	<u>\$ 70,528</u>	<u>\$ 57,658</u>

#### **Note 5 - Lease Commitments**

The Station rents several translator locations to broadcast its signal. The Station has operating leases with lease terms ranging from one to five years. The following is a schedule of future minimum lease payments under non-cancelable operating leases as of June 30, 2017.

<b><u>Years Ending June 30</u></b>	<b><u>Minimum Lease Payments</u></b>
2018	\$ 47,052
2019	47,406
2020	23,148
2021	11,215
2022 and thereafter	<u>57,700</u>
Total minimum lease payments	<u>\$ 186,521</u>

Rental expense for all operating leases for the years ended June 30, 2017 and 2016 was \$66,816 and \$57,512, respectively.

#### **Note 6 - Long -Term Liabilities**

A summary of changes in the long-term liabilities is presented as follows as of June 30, 2017:

	<b><u>Balance 06/30/16</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance 06/30/17</u></b>	<b><u>Current Portion</u></b>
Compensated absences	<u>\$ 77,415</u>	<u>\$ 51,071</u>	<u>\$ 45,017</u>	<u>\$ 83,469</u>	<u>\$ 12,863</u>

## **Note 6 - Long -Term Liabilities (concluded)**

A summary of changes in the long-term liabilities is presented as follows as of June 30, 2016:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>
	<u>06/30/15</u>			<u>06/30/16</u>	<u>Portion</u>
Compensated absences	\$ 76,859	\$ 4,455	\$ 3,899	\$ 77,415	\$ 8,175

## **Note 7 - Operating Expenses by Function**

The Station's operating expenses by functional classification for fiscal year ended June 30, 2017 are presented as follows:

	<u>Personnel</u>	<u>Supplies and</u>	<u>Services</u>	<u>Donated</u>	<u>Depreciation</u>	<u>Total</u>
	<u>Services</u>	<u>Materials</u>		<u>Support</u>		
Programming and production	\$ 307,674	\$ 14,440	\$ 240,719	\$ 101,818	\$ -	\$ 664,651
Broadcasting	-	4,126	68,777	29,091	-	101,994
Management and general	175,814	4,126	68,777	29,091	-	277,808
Fundraising and development	395,581	18,564	309,493	130,909	-	854,547
Depreciation	-	-	-	-	27,038	27,038
<b>Total</b>	<b>\$ 879,069</b>	<b>\$ 41,256</b>	<b>\$ 687,766</b>	<b>\$ 290,909</b>	<b>\$ 27,038</b>	<b>\$ 1,926,038</b>

The Station's operating expenses by functional classification for fiscal year ended June 30, 2016 are presented as follows:

	<u>Personnel</u>	<u>Supplies and</u>	<u>Services</u>	<u>Donated</u>	<u>Depreciation</u>	<u>Total</u>
	<u>Services</u>	<u>Materials</u>		<u>Support</u>		
Programming and production	\$ 296,588	\$ 36,874	\$ 203,489	\$ 99,616	\$ -	\$ 636,567
Broadcasting	-	10,535	58,140	28,461	-	97,136
Management and general	169,479	10,535	58,140	28,461	-	266,615
Fundraising and development	381,327	47,410	261,629	128,078	-	818,444
Depreciation	-	-	-	-	26,712	26,712
<b>Total</b>	<b>\$ 847,394</b>	<b>\$ 105,354</b>	<b>\$ 581,398</b>	<b>\$ 284,616</b>	<b>\$ 26,712</b>	<b>\$ 1,845,474</b>

## **Note 8 - Pension Plans**

### **Retirement Plans**

Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

## **Note 8 - Pension Plans (concluded)**

Benefit and contribution provisions for the System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the years ended June 30, 2017 and 2016, these rates were set at 9.98% and 9.15% of covered payroll for employers and 6% and 6% of covered payroll for members, respectively for years then ended.

For the fiscal years ended June 30, 2017 and 2016, the Station had a total payroll of \$660,562 and \$645,470, of which \$568,561 and \$548,104 were covered under the System, respectively. Total employer contributions for pension benefits for the years ended June 30, 2017 and 2016, were \$56,742 and \$50,152, respectively. Total employee contributions for pension benefits for the years ended June 30, 2017 and 2016, were \$34,114 and \$32,886, respectively.

Required employer contribution rate for the years ended June 30, 2017 and 2016, was 9.98% respectively, while employee contributions were 6% each year. The Station made 100% of its annual required contributions for the years ended June 30, 2017 and 2016, which were \$90,856 and \$83,038, respectively.

The Teachers' and State Employees' Retirement System's financial information is 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.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

### **IRC Section 401(k) Plan**

All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the Station.

### **IRC Section 457 Plan**

The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the Station.

## **Note 9 - Other Postemployment Benefits**

### **Healthcare Benefits**

The Station 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. 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 135-7, Article 1, and Chapter 135, Article 3, 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 Teachers' and State Employees' Retirement System 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 determined by the General Assembly in the Appropriations Bill.

For the current fiscal year the Station contributed 5.81% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rate for the year ended June 30, 2016 was 5.60%. The Station made 100% of its annual required contributions to the Plan for the years ended June 30, 2017 and 2016, which were \$33,033 and \$30,694, respectively. The Station assumes no liability for retiree health care benefits provided by the programs other than its required contributions.

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.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

## **Note 9 - Other Postemployment Benefits - (concluded)**

### **Disability Income**

The Station 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 the Teachers' and State Employees' Retirement System. 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 in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2017, the Station made a statutory contribution of .38% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rate for the year ended June 30, 2016 was .41%. The Station made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2017 and 2016, which were \$2,160 and \$2,247, respectively. The Station 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 10 - Risk Management**

The Station is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, and can include participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$1,000,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Station is protected from losses from employee dishonesty and computer fraud through a contract with a private insurance company with coverage of \$50,000 per occurrence with a \$250 deductible.

### **Note 10 - Risk Management (concluded)**

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions. As of June 30, 2017 and 2016, the employer contribution rate was .16% for each year.

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.

### **Note 11 - Stewardship, Compliance, and Accountability**

No instances of non-compliance with fiscal requirements were noted during the audit.

### **Note 12 - Related Parties**

The Station is owned and operated by Isothermal Community College. The Station regularly trades services with the College for administrative support and facility use. For the years ended June 30, 2017 and 2016, the Station recognized \$9,490 and \$9,389 in sales and service revenues in trade for a portion of its administrative support and facility use. For the years ended June 30, 2017 and 2016, the Station recognized \$3,793 and \$4,454, respectively, in relation to the Performing Arts Center.

Isothermal Community College has provided the Station additional administrative support and facility use valued at \$290,909 and \$284,616 for the years ended June 30, 2017 and 2016, respectively, which is reflected in the accompanying financial statements.

### **Note 13 – Restatement**

As of July 1, 2016, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2016 Net Assets as previously reported	\$ 566,857
Restatements:	
Record the renewal of useful life on assets that were fully depreciated in error during the year.	131,211
Correction of error on fixed assets	<u>23,482</u>
<b>July 1, 2016 Net Assets as restated</b>	<b><u>\$ 721,550</u></b>

### **Note 14 – Translator Rights**

The station has rights to three translators and one repeater in operation as of June 30, 2017. There are two translators in process of approval by the FCC and are estimated to be approved in 2018.

#### **Currently Operational**

97.3 FM in Greenville, SC on air since 1993 (translator)

92.9 FM in Boone, NC on air since 1995 (translator)

90.9 FM in Wilkesboro, NC on air since 2010 (repeater)

101.3 FM in Charlotte, NC on air since 2016 (translator)

#### **Pending License per FCC**

Asheville, NC & Blowing Rock, NC (translators)

### **Note 15 – Subsequent Events**

WNCW has evaluated subsequent events through January 8, 2018, which is the date the financials were available to be issued, no events occurred requiring disclosure.