WUNC PUBLIC RADIO, LLC

A Public Telecommunications Entity
Operated by The University of
North Carolina at Chapel Hill

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the
Year Ended June 30, 2015)

BLACKMAN & SLOOP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

WUNC Public Radio, LLC
The University of North Carolina at Chapel Hill
Chapel Hill, North Carolina

We have audited the accompanying financial statements of WUNC Public Radio, LLC (the "Station"), a public telecommunications entity operated by The University of North Carolina at Chapel Hill, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 WUNC Public Radio, LLC, as of June 30, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages four through eight 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to certain limited auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. However, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Blackman & Sloop

Chapel Hill, North Carolina
December 8, 2016

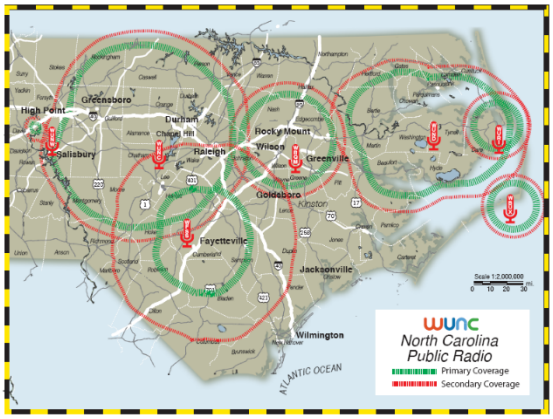
Our Organization

North Carolina Public Radio – WUNC is the most listened to public radio station in North Carolina and one of the most successful in the country. WUNC provides a 24-hour-a-day, 7-day-a-week news and public affairs service to more than 300,000 weekly listeners in more than 50 counties. On May 8, 2015, WUNC Public Radio became a limited liability company (LLC) organized pursuant to the North Carolina Limited Liability Company Act. WUNC (91.5 FM) is licensed to WUNC Public Radio, LLC, which is owned by the University of North Carolina at Chapel Hill. WUNC Public Radio, LLC, works to further the University's efforts to extend knowledge-based and educational services to the citizens of North Carolina and to enhance the quality of life for the people of the state.

40 Years of Service

On April 3, 2016, WUNC celebrated its 40th anniversary. Over the last forty years, WUNC's mission has been to provide high-quality news, cultural and entertainment content to create a more informed and engaged community. This includes producing award-winning journalism from local reporters and broadcasting national programming, such as *Morning Edition* and *All Things Considered* from National Public Radio. In 1977, WUNC debuted *Back Porch Music*, which is the station's longest running locally produced show. In 1981, *The People's Pharmacy* began airing on the station and continues to do so today. In recent years, the station has expanded its locally produced programming to include more North Carolina news coverage, and created a daily program – *The State of Things,* hosted by Frank Stasio, focusing on topics of interest to citizens of the state. Additionally, in 2016 WUNC launched its new music channel, WUNC Music. WUNC Music focuses on indie rock and includes many North Carolina artists.

WUNC's news team has won more than 50 awards from state and national associations such as the North Carolina Associated Press, Public Radio News Directors, and the Alfred I. duPont-Columbia University Awards. WUNC is an NPR-affiliated public radio station, which serves the citizens of central and northeastern North Carolina, including the cities of Raleigh/Durham, Greensboro, High Point, Greenville, Thomasville, Fayetteville, Southern Pines, and the Inner and Outer Banks.



North Carolina Public Radio - WUNC consists of 7 radio stations:

- WUNC 91.5 FM (flagship station: Triangle & Triad)
- WFSS 91.9 FM (Fayetteville & Sandhills region)
- WRQM 90.9 FM (Rocky Mount/Wilson)
- WUND 88.9 FM (northeastern NC & Outer Banks)
- WURI 90.9 FM (Manteo)
- WBUX 90.5 FM (Buxton)
- WUNW 91.1 FM (Welcome)

This discussion and analysis of North Carolina Public Radio - WUNC (the Station) is designed to (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the Station's financial activities; and (c) identify changes in the Station's financial position (i.e., its ability to address the next year's challenges). 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, it should be read in conjunction with the Station's financial statements (beginning on page 9).

Financial Statements

The Statement of Net Position provides a snapshot of the Station's financial position as of the end of the fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Assets describes the results of operating and other non-operating revenues and expenses for the fiscal year, and shows how those results increase or decrease net assets for the Station as a whole.

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.

The Statement of Functional Expenses provides an overview of spending by category in Program Services (i.e., the direct expenses of providing programming that is broadcast on the Station) and Supporting Services (i.e., the expenses associated with management, fundraising, maintenance, and other services required for the professional operation of the Station.)

Overview of the Station's Financial Activities

In fiscal year 2015-2016, North Carolina Public Radio - WUNC maintained its commitment to provide quality news and programming in a cost-effective manner. The station's overall cash decreased by $52,082 from $7,775,303 to $7,723,221. This decrease in overall cash is a result of the purchase of WFSS, a noncommercial radio station located in Fayetteville, which expanded the station's coverage area. Expenses for the year totaled $9,092,604, which includes $538,679 of donated in-kind expenditures. These expenses support purchased programming, such as programming from National Public Radio, and locally produced programming, including:

- *The State of Things*
- *The People's Pharmacy*
- *Back Porch Music*
- *Expanded Local News Coverage*
- *The American Homefront Project, Stories of the American Military & Veterans*
- *North Carolina Teacher Project*

Overview of the Station's Financial Activities (Continued)

Revenue raised in fiscal year 2015-2016 totaled $11,443,714. Ninety-one percent of WUNC's revenue was raised through contributions to the station. WUNC Public Radio, LLC's assets exceeded liabilities by $16,453,321 (total net position) as of June 30, 2016. The total unrestricted net position increased to $8,702,203. This increase in revenue reflects the strong community support WUNC receives from listeners, donors, and underwriters, which helped the station exceed its annual fundraising goal. Furthermore, WUNC staff tracks expenditures closely in order to keep expenses within budget and to build a reserve for upcoming expenses and projects.

Condensed Statements of Net Position as of June 30, 2016 and 2015:

	2016	2015	Variance
Assets			
Other Assets	$ 13,117,804	$ 11,975,088	$ 1,142,716
Capital Assets	2,959,038	3,052,750	(93,712)
Broadcast license	1,249,444	-	1,249,444
Total Assets	$ 17,326,286	$ 15,027,838	$ 2,298,448
Liabilities			
Current Liabilities	$ 872,965	$ 925,627	$ (52,662)
Net Position			
Invested in capital assets, net of related debt	2,959,038	3,052,750	(93,712)
Unrestricted	8,702,203	7,178,148	1,524,055
Restricted	4,792,080	3,871,313	920,767
Total Net Position	16,453,321	14,102,211	2,351,110
Total Liabilities and Net Position	$ 17,326,286	$ 15,027,838	$ 2,298,448

Overview of the Station's Financial Activities (Continued)

	2016	2015	Variance
Revenues			
Contributions	$ 10,461,610	$ 9,533,955	$ 927,655
Corporation for Public Broadcasting ("CPB") grants	579,571	623,646	(44,075)
Other CPB grants	200,498	448,000	(247,502)
Other revenue	202,035	191,642	10,393
Total revenues	11,443,714	10,797,243	646,471
Expenses			
Program services:			
Programming and production	3,961,178	3,771,998	189,180
Broadcasting	1,656,885	1,581,319	75,566
Public information	-	220	(220)
Supporting services:			
Management and general	1,183,065	1,048,426	134,639
Fundraising	2,230,978	2,073,369	157,609
Income tax expense	60,498	41,499	18,999
Total expenses	9,092,604	8,516,831	575,773
Changes in net position	$ 2,351,110	$ 2,280,412	$ 70,698

Changes in the Station's Financial Position

The Station's budget and financial goals are informed by an annual update of its strategic plan. WUNC's support from its loyal audience allows the station to move forward on new reporting projects and opportunities. In fiscal year 2015-2016, the total unrestricted net position increased by $1,524,055 to a total of $8,702,203. This total unrestricted net position may be used toward the station's ongoing expenses. In fiscal year 2016-2017, these expenses will include upgrading WUNC's studio equipment and antennas and a focus on growing its new music channel, WUNC Music. Remaining funds may be used as a reserve that would cover ten months of expenses if needed. These reserves provide the Station increased financial stability and the ability to respond to unforeseen circumstances without causing disruption to general operations. The station's reserve funds provide the ability to improve infrastructure and allow the station to produce in-depth reporting features in order to meet its mission of creating a more informed and engaged community.

WUNC PUBLIC RADIO, LLC

A Public Telecommunications Entity Operated by
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EXHIBIT A

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash and equivalents	$ 7,723,221	$ 7,775,303
Investments	17,733	19,099
Accounts receivable	380,705	289,582
Other receivables	504,632	313,600
Promises to give, net	4,414,303	3,461,887
Escrow deposit	-	67,500
Prepaid expenses	77,210	48,117
TOTAL CURRENT ASSETS	13,117,804	11,975,088
NONCURRENT ASSETS:		
Capital assets, net	2,959,038	3,052,750
Broadcast license (net of accumulated amortization of $50,556 and $0, respectively)	1,249,444	-
TOTAL NONCURRENT ASSETS	4,208,482	3,052,750
TOTAL ASSETS	$ 17,326,286	$ 15,027,838

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 325,767	$ 385,129
Accrued salaries and vacation	510,678	505,458
Unearned revenue	36,520	35,040
TOTAL LIABILITIES	872,965	925,627
NET POSITION:		
Invested in capital assets, net of related debt	2,959,038	3,052,750
Unrestricted	8,702,203	7,178,148
Restricted for:		
Expendable:		
Purpose restricted	377,777	409,426
Time restricted	4,414,303	3,461,887
TOTAL NET POSITION	16,453,321	14,102,211
TOTAL LIABILITIES AND NET POSITION	$ 17,326,286	$ 15,027,838

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

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EXHIBIT B

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES:		
Corporation for Public Broadcasting ("CPB") grants	$ 579,571	$ 623,646
Other CPB grants	200,498	448,000
Tower rental	176,150	170,308
Use of facilities	8,172	8,100
TOTAL OPERATING REVENUES	964,391	1,250,054
OPERATING EXPENSES:		
Program services:		
Programming and production	3,961,178	3,771,998
Broadcasting	1,656,885	1,581,319
Public information	-	220
Supporting services:		
Management and general	1,183,065	1,048,426
Fundraising	2,230,978	2,073,369
TOTAL OPERATING EXPENSES	9,032,106	8,475,332
OPERATING LOSS	(8,067,715)	(7,225,278)
NONOPERATING REVENUES:		
Contributions	10,461,610	9,533,955
Interest income	4,237	1,506
Change in fair value of investments	(439)	1,558
Other income	13,915	10,170
NET NONOPERATING REVENUES	10,479,323	9,547,189
CHANGES IN NET POSITION BEFORE INCOME TAXES	2,411,608	2,321,911
INCOME TAX EXPENSE	60,498	41,499
CHANGES IN NET POSITION	2,351,110	2,280,412
NET POSITION - BEGINNING OF YEAR	14,102,211	11,821,799
NET POSITION - END OF YEAR	$ 16,453,321	$ 14,102,211

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

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EXHIBIT C

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Corporation for Public Broadcasting ("CPB") grants	$ 409,837	$ 623,646
Other CPB grants	179,200	218,800
Tower rental	177,630	170,308
Use of facilities	8,172	8,100
Programming and production	(3,877,137)	(3,305,691)
Broadcasting	(1,262,481)	(1,184,731)
Public information	-	(220)
Management and general	(968,404)	(984,740)
Fundraising	(2,009,626)	(1,733,448)
NET CASH USED BY OPERATING ACTIVITIES	(7,342,809)	(6,187,976)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions	8,879,392	8,676,742
Other nonoperating revenues	13,915	10,170
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	8,893,307	8,686,912
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(314,746)	(88,532)
Purchase of broadcast license	(1,300,000)	-
Income taxes paid	(60,498)	(41,499)
Escrow deposit	67,500	(67,500)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,607,744)	(197,531)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash	4,237	1,506
Investment distribution	927	924
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,164	2,430
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(52,082)	2,303,835
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	7,775,303	5,471,468
CASH AND EQUIVALENTS AT END OF YEAR	$ 7,723,221	$ 7,775,303
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (8,067,715)	$ (7,225,278)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	218,741	256,156
Amortization	50,556	14,590
In-kind expenses	538,679	583,293
Increase (decrease) in cash arising from changes in assets and liabilities:		
Other receivables	(191,032)	(229,200)
Prepaid expenses	(29,093)	266,394
Accounts payable and accrued expenses	130,355	136,532
Accrued salaries and vacation	5,220	9,537
Unearned revenue	1,480	-
NET CASH USED BY OPERATING ACTIVITIES	$ (7,342,809)	$ (6,187,976)
Noncash Investing, Capital, and Financing Activities		
Change in fair value of investments	$ (1,366)	$ 634
Non-cash contributions	$ 538,679	$ 583,293

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

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EXHIBIT D

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Program Services				Supporting Services				
	Programming and Production	Broadcasting	Public Information	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2016 Totals**	**2015 Totals**
Salaries and related benefits	$ 2,001,114	$ 427,880	$ -	$ 2,428,994	$ 479,660	$ 1,187,435	$ 1,667,095	$ 4,096,089	$ 4,038,055
Programming costs	1,394,242	-	-	1,394,242	-	-	-	1,394,242	1,322,016
Professional and contract services	176,564	159,255	-	335,819	596,053	444,789	1,040,842	1,376,661	1,111,046
Building and equipment rental	21,400	353,722	-	375,122	3,482	318	3,800	378,922	353,218
Supplies and small equipment purchases	8,759	170,903	-	179,662	2,067	162,715	164,782	344,444	334,596
Depreciation	80,825	104,413	-	185,238	10,313	23,190	33,503	218,741	256,158
Telephone	22,521	135,739	-	158,260	56	6,033	6,089	164,349	143,361
Postage	10	2,672	-	2,682	2,402	100,397	102,799	105,481	91,689
Utilities	-	153,797	-	153,797	-	-	-	153,797	134,068
Dues, subscriptions, and memberships	94,463	9,360	-	103,823	24,480	12,929	37,409	141,232	112,355
Meetings and amenities	1,056	366	-	1,422	76	136,906	136,982	138,404	250,833
Other expenses	80,842	14,474	-	95,316	-	1,311	1,311	96,627	21,315
Printing	-	-	-	-	335	106,825	107,160	107,160	54,027
Amortization	-	50,556	-	50,556	-	-	-	50,556	14,590
Repairs and maintenance	9,065	40,389	-	49,454	-	-	-	49,454	46,071
Travel	19,413	4,536	-	23,949	7,220	15,853	23,073	47,022	52,969
Advertising and promotion	4,951	874	-	5,825	31,910	7,850	39,760	45,585	40,843
Indirect costs	39,616	-	-	39,616	-	-	-	39,616	24,597
Insurance	6,337	360	-	6,697	25,011	2,097	27,108	33,805	22,526
Maintenance contracts	-	10,276	-	10,276	-	22,330	22,330	32,606	28,750
Other communications	-	17,313	-	17,313	-	-	-	17,313	22,249
TOTAL EXPENSES	$ 3,961,178	$ 1,656,885	$ -	$ 5,618,063	$ 1,183,065	$ 2,230,978	$ 3,414,043	$ 9,032,106	$ 8,475,332

The accompanying Notes to Financial Statements are an integral part of these statements.

WUNC PUBLIC RADIO, LLC

A Public Telecommunications Entity Operated by
The University of North Carolina at Chapel Hill

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

WUNC Public Radio, LLC (the "Station") is operated by The University of North Carolina at Chapel Hill. Administrative offices and studio facilities are located in the Goodmon Building on the Friday Continuing Education Center campus. Studio facilities are also located in Raleigh, Durham, and Greensboro, North Carolina. Additional broadcasting equipment is located at the University of North Carolina Center for Public Television transmitting stations in Chatham County, Rocky Mount, Columbia, and Welcome, North Carolina. WUNC Public Radio, LLC was formed in May 2015. All activity was transferred from "North Carolina Public Radio-WUNC" to "WUNC Public Radio, LLC" in the current fiscal year. The Station still operates under the name "North Carolina Public Radio-WUNC".

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 Government Accounting Standards Board ("GASB"). The Station applies all statements issued by the GASB and all Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, except those that conflict with the GASB.

B. Basis of Accounting.

The financial statements of the Station are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Station reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

C. Cash and Equivalents.

Cash and equivalents consist of monies on deposit with the University of North Carolina at Chapel Hill Temporary Investment Pool, and the State Treasurer Short-Term Investment Fund. At times, cash and equivalents deposits may be in excess of insured amounts. The Station has not experienced any financial loss related to such deposits.

D. Investments.

Investments are stated at their fair market value. Donated securities and real estate are recorded at their fair market value at the date of gift.

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NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accounts Receivable.

Accounts receivable are recorded at net realizable value. The Station uses the reserve method to account for bad debts on accounts receivable. No allowance has been provided given that management of the Station considers accounts receivable fully collectible based on composition and historical collection experience.

F. Promises to Give.

Unconditional promises to give are recognized as support and assets in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance for uncollectible promises to give is based on management's estimates and historical collection experience.

G. Capital Assets.

Capital assets are recorded at cost, and donated capital assets are recorded at fair market value at the date of the gift. Property and equipment are capitalized if their life is expected to be greater than one year and their cost is $5,000 or more. Depreciation is computed over estimated useful asset lives ranging from three to forty years using the straight-line method. Maintenance, repairs, and small equipment purchases are charged to expense when incurred.

H. Broadcasting Licenses.

Broadcasting licenses are recorded at cost. Amortization is computed over an estimated useful life of fifteen years using the straight-line method.

I. Classification of Net Position.

Invested in Capital Assets, Net of Related Debt: Invested in capital assets, net of related debt represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Position: Restricted net position includes resources for which the Station is legally or contractually obligated to spend in accordance with purpose or time restrictions imposed by external third parties.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Classification of Net Position (Continued).

Unrestricted Net Position: Unrestricted net position is not subject to externally imposed stipulations pertaining to their use. Unrestricted net position is used for the general operations of the Station and may be used at the discretion of the governing board to meet current expenses for any purpose.

J. Classification of Revenues.

The Station has classified its revenue as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as Federal and nongovernmental grants and contracts, royalty income, and rental income.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and interest income.

K. Income Taxes.

The Station is a single-member limited liability company, owned by The University of North Carolina at Chapel Hill, which is a branch of the North Carolina state government. It is a disregarded entity for tax purposes, and therefore exempt from federal and state income taxes except for taxes associated with unrelated business income.

L. Advertising Costs.

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2016 and 2015, were $45,585 and $40,843, respectively.

M. Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

WUNC PUBLIC RADIO, LLC

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NOTES TO FINANCIAL STATEMENTS

PROMISES TO GIVE

Promises to give related to operations for the years ended June 30, 2016 and 2015, are as follows:

	2016	2015
Receivable in less than one year	$ 5,088,421	$ 4,351,867
Allowance for uncollectible pledges	(674,118)	(889,980)
	$ 4,414,303	$ 3,461,887

INVESTMENTS

All investments are invested in The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. ("CHIF"). All investments of CHIF are comprised solely of shares in an external investment pool, UNC Investment Fund, LLC (the "Fund"). Within the Fund, the fair value of all debt and equity securities with readily determinable fair values are based on quoted market prices. Investments for which a readily determinable fair value does not exist may include investments in private equity, hedge funds, and limited partnerships. These investments are carried at estimated fair values as provided by the respective fund managers of these investments. UNC Management Company, Inc., the manager of the Fund, reviews and evaluates the fair values provided by the respective fund managers as well as the valuation methods and assumptions used in determining the fair value of such investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. Such differences could be material.

A derivative is a financial instrument created from, or whose value is derived from, the value of one or more underlying assets, reference rates, indexes, or asset values. These instruments may include forwards, futures, options, and currency and interest rate swaps. The Fund utilizes various external investment managers to identify specific investment funds and limited partnerships that meet asset allocation and investment management objectives. These managers and related funds are used to increase the yield and return on the investment portfolio given the available alternative investment opportunities and to diversify its asset holdings. Certain of these investments expose the Fund to market risk by trading or holding direct and indirect derivative securities and by leveraging the securities in the Fund. This risk is mitigated by the Fund's Board's requirement that leveraged securities must be fully collateralized.

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INVESTMENTS (CONTINUED)

Indirect derivatives held by the Fund, (i.e. derivatives held by external investment managers) are primarily used to manage portfolio risk. The Fund's managers use indirect derivatives primarily to hedge underlying positions or to gain exposure to specific markets in an efficient, inexpensive, liquid, and diversified manner. By holding indirect derivatives, the Fund could be exposed to interest rate risk, credit risk, concentration of credit risk, and foreign currency risk. The Fund considers the risk associated with these holdings to be prudent and within acceptable bounds.

Investments in the Fund at June 30 consist of following:

	2016	2015
Fair Value	$ 17,733	$ 19,099
Cost	18,567	18,567
Accumulated net change in fair value	$ (834)	$ 532

Accumulated net change in fair value of investments includes investment income, realized and unrealized gains, and is net of investment fees, the annual distribution (payout) and development assessment fees

At June 30, 2016 and 2015, the investment allocation of the Fund consists of the following:

	2016	2015
Long Biased Equity	26.2%	29.1%
Long / Short Equity	19.3%	20.0%
Diversifying Strategies	8.0%	7.3%
Fixed Income	8.5%	7.9%
Private Equity	20.9%	19.4%
Real Estate	7.3%	6.7%
Energy and Natural Resources	5.8%	5.1%
Cash	3.7%	3.5%
Other	0.3%	1.0%
	100.0%	100.0%

Investment activity at June 30 is as follows:

	2016	2015
Change in fair value	$ (1,366)	$ 634
Investment distribution	927	924
	$ (439)	$ 1,558

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CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is as follows:

	2015 Beginning Balance	Additions	Retirements	2016 Ending Balance
Buildings	$3,150,150	$ -	$ -	$3,150,150
Leasehold improvements	1,295,581	-	-	1,295,581
Antennas/ Transmitters/ Equipment	3,246,512	102,681	-	3,349,193
Vehicle	66,100	22,348	-	88,448
Total	7,758,343	125,029	-	7,883,372
Less accumulated depreciation for:				
Buildings	1,242,118	77,345	-	1,319,463
Leasehold improvements	624,934	55,672	-	680,606
Antennas/ Transmitters/ Equipment	2,802,639	78,597	-	2,881,236
Vehicle	35,902	7,127	-	43,029
Total accumulated depreciation	4,705,593	218,741	-	4,924,334
Capital assets, net	$3,052,750	$ (93,712)	$ -	$2,959,038

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NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2015, is as follows:

	2014 Beginning Balance	Additions	Retirements	2015 Ending Balance
Buildings	$3,150,150	$ -	$ -	$3,150,150
Leasehold improvements	1,239,437	56,144	-	1,295,581
Antennas/ Transmitters/ Equipment	3,030,457	236,533	(20,478)	3,246,512
Vehicle	66,100	-	-	66,100
Total	7,486,144	292,677	(20,478)	7,758,343
Less accumulated depreciation for:				
Buildings	1,164,773	77,345	-	1,242,118
Leasehold improvements	567,125	57,809	-	624,934
Antennas/ Transmitters/ Equipment	2,707,007	116,110	(20,478)	2,802,639
Vehicle	31,010	4,892	-	35,902
Total accumulated depreciation	4,469,915	256,156	(20,478)	4,705,593
Capital assets, net	$3,016,229	$ 36,521	$ -	$3,052,750

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

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities started with Community Service Grants awarded in prior years.

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NOTES TO FINANCIAL STATEMENTS

COMMUNITY SERVICE GRANTS (CONTINUED)

The grants are reported in the accompanying financial statements as operating revenue; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and licensee status with the Federal Communications Commission. For the years ended June 30, 2016 and 2015, $579,571 and $623,646, was received and expended under these grants, respectively.

INCOME TAX EXPENSE

The Station is subject to income tax on unrelated business income. Unrelated business income is any income generated by a trade or business that is not substantially related to the exercise of the Station's exempt purpose. When applicable, the Station is liable for unrelated business income tax on revenue generated from user fees charged to private companies renting space on broadcast towers. For the years ended June 30, 2016 and 2015, the Station was liable for unrelated income tax in the amount of $60,498 and $41,499, respectively.

RESTRICTED NET ASSETS - EXPENDABLE

Restricted net assets at June 30, 2016 and 2015, consist of the following:

	2016	2015
Time restricted:		
Unrestricted promises to give	$ 4,414,303	$ 3,461,887
Purpose restricted:		
Youth programming	50,000	-
CPB Education Grant	172,190	-
CPB Military Grant	155,587	409,426
Restricted net assets-expendable	$ 4,792,080	$ 3,871,313

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NOTES TO FINANCIAL STATEMENTS

RETIREMENT PLAN

Each permanent full-time employee, as a condition of employment, is a member of either the Teacher's and State Employees Retirement System of North Carolina (the "System") or the Optional Retirement Program (the "Program"). The System is a cost sharing, multiple-employer defined benefit pension plan established by the North Carolina General Statutes and administered by the State. The policy of the Station is to fund its portion of pension costs accrued for this System as determined by the State. Contributions to the plan are based on a percentage of the employee's salary. The contributions to the plan totaled $301,451 and $267,508, for the years ended June 30, 2016 and 2015, respectively. The Program is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Employer and member contributions are set each year by the North Carolina General Assembly. Contributions to this plan totaled $132,855 and $135,303, for the years ended June 30, 2016 and 2015, respectively.

NTIA/PTFP GRANT

The Station has received grants from the National Telecommunications and Information Administration/Public Telecommunications and Facilities Program (NTIA/PTFP) to be used for the capital upgrade of its transmissions facilities and equipment. As part of the grant agreement, the United States Department of Commerce maintains a priority reversionary interest in equipment purchased with these funds for a ten-year period from the commencement date. The Federal interest is secured with a lien under the Uniform Commercial Code filed with the North Carolina Secretary of State. Liens in place as of June 30, 2016, are as follows:

Commencement Date	Location	Amount Expended
September 28, 2006	Chapel Hill, NC	$ 67,001
December 8, 2006	Rocky Mount, NC	$ 44,249
January 31, 2007	Rocky Mount, NC	$ 9,314
October 1, 2007	Chapel Hill, NC	$ 26,705

CONTRIBUTED SERVICES AND FACILITIES

The Station recognizes donated services that create or enhance nonfinancial 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. During the year, the Station received significant amounts of professional services in exchange for underwriting recognition on air. For the years ended June 30, 2016 and 2015, the contributed services recorded in the financial statements are $238,899 and $331,106, respectively. These services consist primarily of advertising, maintenance services, hospitality, and equipment.

The Station received donated facilities in Durham and Greensboro in the amount of $260,560 and $214,250, for the years ended June 30, 2016 and 2015, respectively. The Station also received donated utilities in the amount of $39,220 and $37,937, for the years ended June 30, 2016 and 2015, respectively.

During the years ended June 30, 2016 and 2015, the Station received significant amounts of personal services from volunteers. These services did not meet the requirements above for recognition in the financial statements.

UNIVERSITY OF NORTH CAROLINA SUPPORT

The University of North Carolina at Chapel Hill (the "University") provides indirect administrative support to the Station. This support is in the form of assistance, guidance, and service in areas of management, accounting, budget, legal, purchasing, and physical plant operations. Prior to the year ended June 30, 2016, these services were provided at no cost. For the year ended June 30, 2016, the Station paid the University $200,000 for these services. The University also provides electrical services at no cost that are included in the statement of revenues, expenses, and changes in net assets of $39,220 and $37,937, for the years ended June 30, 2016 and 2015, respectively.

COMMITMENTS

The Station entered into two separate use agreements with The University of North Carolina at Chapel Hill Foundation, Inc. (the "Foundation") for space in the American Tobacco Historic District in Durham, North Carolina, and for space in Greensboro, North Carolina. Under these agreements, the Foundation makes available and grants exclusive use of the space in exchange for a usage fee for all costs incurred by the Foundation under the leases. The Foundation's leases for the space terminate in May 2020 and April 2018, and include options to renew for a period of five years each. The Foundation is responsible for operating costs for the space, which are estimated at the beginning of the year and then reconciled to actual operating costs. The Station receives partial rent credit in exchange for underwriting recognition on air. This credit amount was $260,560 and $214,250, for the years ended June 30, 2016 and 2015, respectively. Monthly rent is $6,835. Rent expense, excluding the credit noted above, amounted to $82,020 for each year ended June 30, 2016 and 2015.

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COMMITMENTS (CONTINUED)

The Station is obligated under lease agreements for ground space for various towers in North Carolina. The leases expire in December 2017 through September 2018. Monthly rent, which is currently $3,016, is increased annually by approximately three percent. Rent expense amounted to $27,907 and $27,042, for the years ending June 30, 2016 and 2015, respectively.

Minimum future payments for all leases are as follows:

Year Ending June 30,	
2017	$ 110,820
2018	100,010
2019	76,746
2020	68,310
	$ 355,886

PROGRAMMING COSTS

Programming costs consist of the following for the years ended June 30, 2016 and 2015:

	2016	2015
National Public Radio	$ 1,052,948	$ 1,012,819
American Public Media	193,270	183,419
Public Radio International	94,577	92,934
Other	53,447	32,844
	$ 1,394,242	$ 1,322,016

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through December 8, 2016, which was the date that the financial statements were available to be issued.

Subsequent to year end, the Station was awarded a $677,264 Community Service Grant by CPB for fiscal year 2017.

No other subsequent events were identified that require disclosure.