

WNCW 88.7
(A Wholly Owned Enterprise Fund Entity of
Isothermal Community College)

Financial Statements and Independent Auditors' Report
For the Year Ended June 30, 2023

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

WNCW 88.7
(A Wholly Owned Enterprise Fund Entity of Isothermal Community College)

Officers - Trustees
June 30, 2023

Officers

Chairman	James Hutchins
Vice-Chairman	Bill Miller
Secretary	Jacqueline Godlock

Board of Trustees

John Condrey
Seema Daigle
Grady Franklin
Roger Jolly
Chivous Bradley
Amanda Shevette
Amy Jenkins
Eddie Holland
Marche Pittman
David Schevette
David Hunt
Vacant – SGA President

Administrative Officers

President, Isothermal Community College	Margaret Annunziata
Vice-President of Administrative Services, and Chief Operating Officer of Isothermal Community College	Stephen Matheny

WNCW 88.7
(A Wholly Owned Enterprise Fund Entity of Isothermal Community College)

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12-21

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

121 North Sterling Street
Morganton, North Carolina 28655
Phone: (828) 433-1226
Fax: (828) 433-1230

Independent Auditors' Report

To the Board of Trustees of WNCW 88.7
Spindale, North Carolina

Opinions

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of WNCW 88.7 (the "Station") a wholly owned enterprise entity of Isothermal Community College, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise WNCW 88.7's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of WNCW 88.7, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WNCW 88.7, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WNCW 88.7's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WNCW 88.7's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WNCW 88.7's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
December 5, 2023

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, 2023. We encourage readers to read the information presented here in conjunction with the 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. WCNW 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.

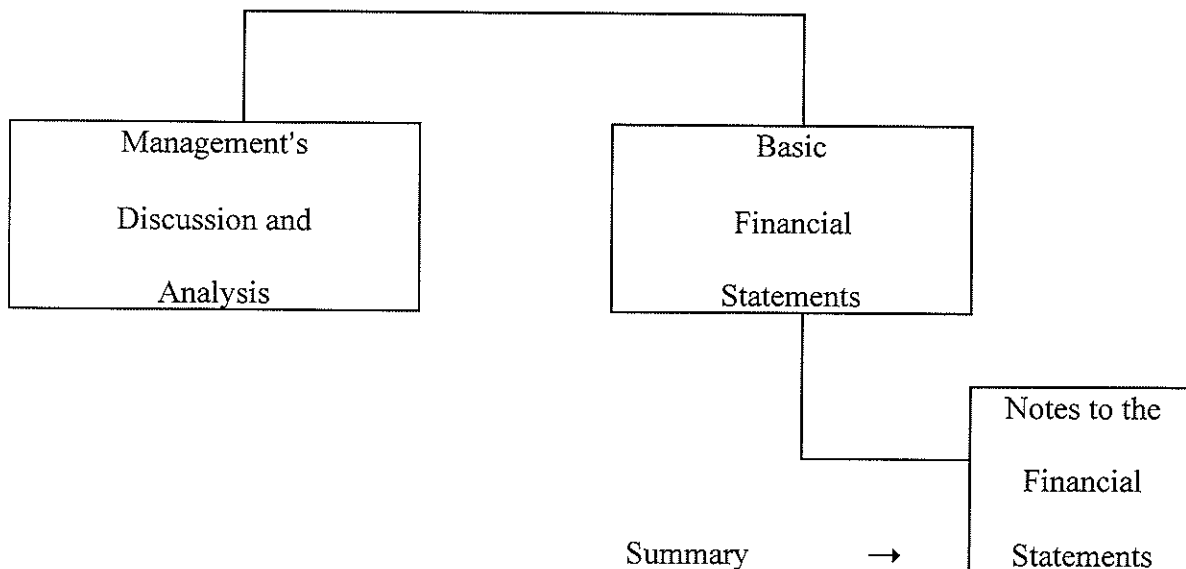
Financial Highlights

- The assets of the Station exceeded its liabilities at the close of the fiscal year by \$847,602 (net position).
- The Station's total net position increased by \$151,053 for the year.
- At the end of the current fiscal year, there was \$653,323 of unrestricted net position available for spending. The remaining net position of \$194,279 represents the Station's investment in capital assets.

Overview of the Financial Statements

This discussion and analysis is 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) the notes to the financial statements (see Figure 1).

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Statement 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 **Statement 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.

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 21 of this report.

WNCW 88.7's Net Position
Figure 2

Current and other assets	\$ 827,820
Capital assets	454,140
Total assets	<u>\$ 1,281,960</u>
Current liabilities	88,534
Long-term liabilities outstanding	345,823
Total liabilities	<u>\$ 434,357</u>
Net position:	
Invested in capital assets	194,279
Unrestricted	653,323
Total net position	<u>\$ 847,602</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 \$847,602 as of June 30, 2023. The Station's net position increased by \$151,053 for the fiscal year then ended. A portion of the Station's net position, \$194,279, or 22.9%, represents an investment in capital assets. The remaining balance of \$653,323, or 77.1%, 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's Changes in Net Position
Figure 3

Operating revenues:	
Charges for services	\$ 837,590
Operating grants and contributions	1,168,337
Other	8,105
Total operating revenues	<u>2,014,032</u>
Expenses:	
Personnel services	910,410
Other operating expenses	911,331
Depreciation and amortization expense	35,535
Total expenses	<u>1,857,276</u>
Increase (decrease) in net position before non-operating revenues	<u>156,756</u>
Non-operating revenues (expenses):	
Loss on disposal of assets	-
Interest expense	(10,431)
Investment income	4,728
Total non-operating revenues (expenses)	<u>(5,703)</u>
Increase (decrease) in net position	<u>\$ 151,053</u>
Net assets - beginning	\$ 696,549
Increase (decrease) in net position	<u>151,053</u>
Net assets - ending	<u>\$ 847,602</u>

WNCW 88.7's net position increased by \$151,053. Key elements of this increase are as follows:

WNCW 88.7's revenue has increased as the COVID-19 pandemic has subsided. Underwriting contracts and Live Music Calendar Listings have increased because of venue and events returning. Membership donations from local listeners have leveled off. The remainder of the change in net position can be attributed to operating expenses only increasing moderately and continued cost-saving measures that were implemented during the pandemic.

Capital Assets - WNCW 88.7's investment in capital assets as of June 30, 2023, totals \$454,140 (net of accumulated depreciation). These assets include studio, broadcasting, office, and data processing equipment.

**WNCW 88.7's Capital Assets
Figure 4**

Studio and other broadcasting equipment	\$ 718,482
Leasehold improvements	9,843
Office and data processing equipment	19,045
Accumulated depreciation	<u>(491,228)</u>
	<u>256,142</u>
Right to use assets	262,056
Accumulated amortization	<u>(64,058)</u>
	<u>197,998</u>
Total	<u><u>\$ 454,140</u></u>

Long-term Liabilities

As of June 30, 2023, WNCW 88.7 had long-term liabilities of \$55,451. Long-term liabilities increased by \$5,401, or 1.54%, over the previous year. This increase was mainly due to an increase in compensated absences.

**WNCW 88.7's Long-term Liabilities
Figure 5**

Lease liability	\$ 259,861
Compensated absences	<u>95,590</u>
Total	<u><u>\$ 355,451</u></u>

Economic Factors

WNCW's financial position has continued to improve post pandemic. Much of the underwriting revenue that vanished during the pandemic has returned with the renewed confidence of our underwriters in the economy. A large portion of our underwriting revenue comes from the music venues in our region. The music venue and touring industries have returned to their pre-pandemic levels of operation and are spending large portions of their budgets on marketing. This factor alone has benefited our underwriting revenue considerably. The same can be said for most local businesses, in almost all categories. They have begun to flourish in the post pandemic economy, and now have the available dollars to spend on underwriting. Due to a committed focus on new business by our underwriting sales department, we have seen tremendous growth in our underwriting revenue over the past fiscal year. We have continued to effectively manage expenses in all areas of the station, limiting our spending to only what is necessary to maintain our successful operations, and our small staff of full-time employees. The revenue from our semi-annual fund drives continues to remain strong, and our list of sustaining members has grown tremendously, providing substantial, regular monthly revenue for the station. Our on-air product remains in high demand across our listening area. We continue to maintain a substantial audience of loyal members and gain new members with each semi-annual pledge drive. Their financial support of WNCW, remains unwavering. We will continue our commitment of quality service to our existing members and underwriters, with a continued focus on seeking out new ones, to increase our revenue, continuing with our mission of providing quality public radio programming to the communities across our broadcast region.

Requests 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
(A Wholly Owned Enterprise Fund Entity of Isothermal Community College)
Statement of Net Position
June 30, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 709,906
Accounts receivable	114,926
Pledges receivable	2,059
Inventory	929
Total current assets	<u>827,820</u>

Noncurrent assets:

Right to use leased assets, net of amortization	197,998
Capital assets, net	<u>256,142</u>
Total noncurrent assets	<u>454,140</u>

Total assets	<u><u>\$ 1,281,960</u></u>
--------------	----------------------------

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	\$ 78,907
Lease liability - current	2,075
Current portion of long-term liabilities	<u>7,552</u>
Total current liabilities	<u>88,534</u>

Noncurrent liabilities:

Lease liability - non-current	257,785
Due in more than one year	<u>88,038</u>
Total noncurrent liabilities	<u>345,823</u>

Total liabilities	<u>434,357</u>
-------------------	----------------

Net Position

Net investment in capital assets	194,279
Unrestricted	<u>653,323</u>
Total net position	<u><u>\$ 847,602</u></u>

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

WNCW 88.7**(A Wholly Owned Enterprise Fund Entity of Isothermal Community College)****Statement of Revenues, Expenses and Changes in Net Position****For the Year Ended June 30, 2023**

Operating Revenues:

Membership and donations	\$ 680,598
Corporation for Public Broadcasting grants	127,358
Sales and services	837,590
Special events	8,105
Other revenues	40,000
In-kind facilities and administrative support	<u>320,381</u>
Total operating revenues	<u>2,014,032</u>

Operating Expenses:

Personnel services	910,410
Supplies and materials	56,356
Services	534,594
In-kind facilities and administrative support	320,381
Depreciation and amortization	<u>35,535</u>
Total operating expenses	<u>1,857,276</u>

Operating income (loss)	<u>156,756</u>
-------------------------	----------------

Non-Operating Revenues (Expenses):

Loss on disposal of asset	-
Interest expense	(10,431)
Investment income	<u>4,728</u>
Total non-operating revenues (expenses)	<u>(5,703)</u>

Increase (decrease) in net position	<u>\$ 151,053</u>
-------------------------------------	-------------------

Net assets - beginning	\$ 696,549
Increase (decrease) in net position	<u>151,053</u>
Net assets - ending	<u>\$ 847,602</u>

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

WNCW 88.7
(A Wholly Owned Enterprise Fund Entity of Isothermal Community College)
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows From Operating Activities:

Received from customers	\$ 1,533,471
Cash paid for good and services	(558,741)
Cash paid to or on behalf of employees for services	(901,449)
Grant income	127,358
Net cash provided (used) by operating activities	<u>200,639</u>

Cash Flows From Investing Activities:

Interest income	<u>4,728</u>
-----------------	--------------

Cash Flows From Capital and Related Financing Activities:

Principal payments on lease obligation	(1,582)
Interest expense	<u>(10,431)</u>
Net cash provided (used) by operating activities	<u>(12,013)</u>

Net increase (decrease) in cash and cash equivalents	193,353
--	---------

Cash and cash equivalents at beginning of year	<u>516,553</u>
--	----------------

Cash and cash equivalents at end of year	<u><u>\$ 709,906</u></u>
--	--------------------------

**Reconciliation of Operating Income to Net Cash Provided
by Operating Activities:**

Operating income (loss)	\$ 156,756
Depreciation and amortization expense	35,535
Donated equipment	-
Accounts receivable	(2,825)
Pledges receivable	504
Inventory	(544)
Accounts payable and accrued liabilities	4,230
Long-term liabilities	6,983
Net cash provided (used) by operating activities	<u><u>200,639</u></u>

Supplemental Disclosures:

Noncash - in kind contributions and expenses	\$ 346,934
Noncash - equipment acquisition	<u><u>\$ -</u></u>

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

WNCW 88.7
(A Wholly Owned Enterprise Fund Entity of Isothermal Community College)

Notes to the Financial Statements
For the Year Ended June 30, 2023

1. Significant Accounting Policies

Organization - 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.

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 year ended June 30, 2023, the allowance for uncollectible accounts receivable was \$32,150. Pledges receivable consist of promises to give and are shown at an estimated realizable value. The provision for uncollectible pledges receivable was \$4,081.

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 Lives</u>
Equipment	5-25 years
Leasehold Improvements	3-20 years

Right to use Assets – The Station has recorded right to use assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease in service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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

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 thirty (30) days which can be carried forward each January 1st, or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of thirty (30) days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st, plus the leave earned, less the leave taken between January 1st and June 30th.

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 31st is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward as 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 is classified as follows:

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

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

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 Non-expendable 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.

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, 2023, there was no cash on hand and cash on deposit was \$709,906. Cash on deposit at year-end consisted of the following:

Cash on deposit with the State Treasurer	\$ 215,691
Cash on deposit with private financial institutions	<u>494,215</u>
Total cash on deposit	<u>\$ 709,906</u>

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 the 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, 2023, the Station's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

3. Capital Assets

A summary of capital assets is presented below as of June 30, 2023:

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Studio and other Broadcast equipment	\$ 718,482			\$ 718,482
Office and data processing equipment	19,045			19,045
Leasehold improvements	9,843			9,843
Total capital assets being depreciated	747,370	\$ -	\$ -	747,370
Less accumulated depreciation	464,428	\$ 26,800	\$ -	491,228
Capital assets, net	282,942			256,142
Right to use lease assets				
Building	262,056	0	0	262,056
Less accumulated depreciation	55,323	\$ 8,735		64,058
Right to use lease assets, net	206,733			197,998
Total capital assets, net	\$ 489,675			\$ 454,140

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2023 are described as follows:

Accounts payable	\$ 6,425
Unearned revenue	57,385
Accrued payroll	15,098
Total accounts payable and accrued liabilities	<u>\$ 78,907</u>

5. Long-Term Liabilities

a. Leases

The Station entered into an agreement to lease a building. The lease agreement qualifies as other than a short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on March 8, 2016, to lease a building. The lease is for 10 years with four 5-year extensions. The lease requires monthly payments of \$805 the first year and a 3.5% annual escalator afterwards through March 2045. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4%, which is our current incremental borrowing rate. As a result of the lease, the Station has recorded a right to use asset with a net book value of \$197,998 at June 30, 2023. The right to use asset is discussed in more detail in the Asset section of this note.

The future minimum obligation and the net present value of these minimum lease payment as of June 30, 2023, were as follows:

<u>Year Ending June 30:</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 2,075	\$ 10,359	\$ 12,434
2025	2,603	10,266	12,869
2026	3,167	10,152	13,319
2027	3,771	10,014	13,785
2028	4,416	9,852	14,268
Thereafter	243,827	118,778	362,605
Total minimum lease payments	<u>\$ 259,860</u>	<u>\$ 169,420</u>	<u>\$ 429,280</u>

b. Changes in Long-Term Liabilities

A summary of changes in the long-term liabilities is presented as follows as of June 30, 2023:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Current Portion</u>
Lease liability	\$ 261,443	\$ -	\$ 1,583	\$ 259,860	\$ 2,075
Compensated absences	88,607	37,279	30,296	95,590	7,552
Total	<u>\$ 350,050</u>	<u>\$ 37,279</u>	<u>\$ 31,879</u>	<u>\$ 355,450</u>	<u>\$ 9,627</u>

6. Operating Expenses by Function

	<u>Personnel Services</u>	<u>Supplies and Materials</u>	<u>Services</u>	<u>Donated Support</u>	<u>Depreciation/ Amortization</u>	<u>Total</u>
Programming and production	\$ 348,643	\$ 19,725	\$ 187,108	\$ 112,133	\$ -	\$ 667,609
Broadcasting	-	5,636	53,459	32,039	-	91,134
Management and general	182,082	5,636	53,459	32,039	-	273,216
Fund-raising and development	409,685	25,359	240,568	144,170	-	819,782
Depreciation	-	-	-	-	35,535	35,535
Total	<u>\$ 940,410</u>	<u>\$ 56,356</u>	<u>\$ 534,594</u>	<u>\$ 320,381</u>	<u>\$ 35,535</u>	<u>\$ 1,887,276</u>

7. 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 (the "System") is a cost sharing, multiple employer defined benefit pension plan administered by the North Carolina State Treasurer.

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 year ended June 30, 2023, these rates were set at 17.07% of covered payroll for employers and 6% of covered payroll for members for the year then ended.

For the fiscal year ended June 30, 2023, the Station had a total payroll of \$655,768 of which \$542,356 was covered under the System. Total employer contributions for pension benefits for the year ended June 30, 2023, was \$94,261. Total employee contributions for pension benefits for the year ended June 30, 2023, was \$32,541. The Station made one hundred percent (100%) of its annual required contributions for the year ended June 30, 2023, which was \$126,802.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's Annual Comprehensive Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page at <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 full-time, temporary, or part-time employees an optional defined contribution retirement plan created in accordance with Internal Revenue Code Section 457 through the Department of the State treasurer (DST) and by the Supplemental Retirement Board of Trustees. The Plan permits each participating employee to contribute a portion of his or her salary until future years. The plan is available to employees upon separation from service, or death, disability, retirement, or financial hardships. 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.

8. Other Postemployment Benefits

Healthcare Benefits - The Station participates in the Comprehensive Major Medical Plan (the "Plan"), a cost-sharing, multiple-employer defined benefit healthcare 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 the 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 of the Teachers' and State Employees' Retirement System, and contributions to the Fund are irrevocable. Also, by law, the 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 6.89% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. The Station made one hundred percent (100%) of its annual required contributions to the Plan for the year ended June 30, 2023, which was \$37,368. 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 Annual Comprehensive Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page at <http://www.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

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, 2023, the Station made a statutory contribution of 0.10% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. The Station made one hundred percent (100%) of its annual required contributions to the DIPNC for the year ended June 30, 2023, which was \$542. 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.

9. **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 \$100,000, per occurrence, with a \$500 deductible.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (the "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. WNCW 88.7 employees are not paid with State funds and, therefore, do not qualify for the provision. 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, 2023, the employer contribution rate was 0.13%.

10. **Stewardship, Compliance, and Accountability**

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

11. **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 year ended June 30, 2023, the Station recognized \$28,196 in sales and service revenues in trade for a portion of administrative support and facility use.

Isothermal Community College has provided the Station additional administrative support and facility use valued at \$320,381 for the year ended June 30, 2023, which is reflected in the accompanying financial statements.

The Earl Scruggs Music Festival, Inc. was established as a 501(c)(3) non-profit organization in September 2020. More specifically, the Corporation is organized as a Type I supporting organization. The activities are limited to the production of an annual music festival and all related business associated with that production. At all times, the organization is operated exclusively for the benefit of, and to carry out the purposes of the supported organizations, which include (1) Isothermal Community College, primarily with respect to its operation and support of WNCW 88.7 FM public radio station, and (2) Destination Cleveland County, with respect to its operation as The Earl Scruggs Center. The Earl Scruggs Music Festival, Inc. is governed by a Board of Directors and has designated three (3) appointments to Isothermal Community College, three (3) to Destination Cleveland County, and other directors to be appointed by the Board of Directors. Currently, the President of the College, the Chief Operating Officer, and one Board of Trustees member serve in these roles. It is the intent of The Earl Scruggs Music Festival to produce a bluegrass festival annually to honor the life contributions of Earl Scruggs specifically to the genre, region, and overall music industry. The Corporation is also authorized to engage in any lawful activity to directly or indirectly support the charitable purposes assigned.

12. **Translator Rights**

The Station has rights to three translators and one repeater in operation as of June 30, 2023. There are two translators in the process of approval by the FCC and are estimated to be approved in 2023.

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)

13. Significant Effects of Subsequent Events

Management has evaluated subsequent events through December 5, 2023, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, the following event occurred that requires recognition or disclosure in these financial statements: