

**Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
New Bern, North Carolina**

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

Year Ended June 30, 2017

**Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Table of Contents
June 30, 2017**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
A-1 Statements of Net Position	7
A-2 Statements of Revenues, Expenses, and Changes in Net Position	8
A-3 Statements of Cash Flows	9
Notes to the Financial Statements.....	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Management of Public Radio East (WTEB-FM) and Affiliate
Board of Trustees of Craven Community College
New Bern, North Carolina

We have audited the accompanying combined financial statements of Public Radio East (WTEB-FM) and its affiliate, Public Radio East Foundation (Public Radio East), a component unit of Craven Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Public Radio East's basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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

Prior Period Financial Statements

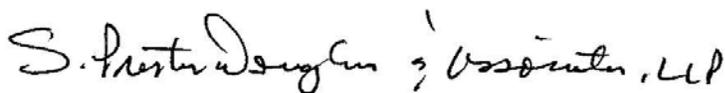
The financial statements of Public Radio East as of June 30, 2016 were audited by other auditors whose report dated December 16, 2016, expressed an unmodified audit opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016, is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

Other Matters - 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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018 on our consideration of Public Radio East's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Radio East's internal control over financial reporting and compliance.



Lumberton, North Carolina
January 8, 2018

Management's Discussion and Analysis

**Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Management's Discussion and Analysis
June 30, 2017**

The information in this section is intended to provide a general overview of Public Radio East (WTEB-FM) and its affiliate, Public Radio East Foundation (Public Radio East), a component unit of Craven Community College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information.

Overview of the Financial Statements

Public Radio East's discussion and analysis (MD&A) provides an overview of Public Radio East's financial performance during the fiscal years ended June 30, 2017 and 2016, based on currently known facts and conditions; and is designed to assist readers in understanding the accompanying financial statements. The MD&A, financial statements and notes are the responsibility of Public Radio East's management. Since the MD&A is designed to focus on current activities, resulting change, and currently known facts, it should be read in conjunction with Public Radio East's financial statements and the related footnote disclosures.

Basic Financial Statements

The basic financial statements present information for Public Radio East as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents information on all of Public Radio East's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Public Radio East is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position report Public Radio East's results of operation for the fiscal year. It presents the revenues earned by Public Radio East's and the expenses incurred by Public Radio East, both operating and nonoperation, and any other revenues, expenses, gains, and losses received or spent by Public Radio East. It is intended to summarize and simplify the user's analysis of the cost of various Public Radio services to students and the public.

The Statement of Cash Flows provides information regarding the Foundation's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash as of July 1, 2016, to the ending cash as of June 30, 2017. The statement also includes comparative information.

The Notes to Financial Statements provide additional information that is essential to a complete understanding of the data provided in the basic financial statements.

**Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Management's Discussion and Analysis (continued)
June 30, 2017**

Condensed Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), liabilities (current and noncurrent), and net position (total assets minus total liabilities) of Public Radio East. This statement provides a fiscal snapshot of Public Radio East's financial position as of June 30, 2017 and 2016.

Condensed Statement of Net Position

	2017	2016	Increase (Decrease)
ASSETS			
Current assets	\$ 469,974	\$ 496,287	\$ (26,313)
Property and equipment, net	361,564	388,921	(27,357)
Total assets	831,538	885,208	(53,670)
LIABILITIES			
Current liabilities	22,064	26,226	(4,162)
Noncurrent liabilities	52,647	59,900	(7,253)
Total liabilities	74,711	86,126	(11,415)
NET POSITION			
Net investment in capital assets	361,565	388,921	(27,356)
Restricted:			
Board designated endowment	78,440	67,813	10,627
Specific programs	316,822	342,348	(25,526)
Total net position	\$ 756,827	\$ 799,082	\$ (42,255)

Notable changes in the Condensed Statement of Net Position include:

- Total assets decreased by \$53,670 primarily due to the decrease in cash and cash equivalents as well as the decrease in property and equipment, net of depreciation.
- Total liabilities decreased by \$11,415, due mainly to a decrease in accrued vacation payable in Public Radio East at the end of the fiscal year.
- Restricted net assets for specific programs decreased by \$25,526, resulting primarily from an increase in expenditures related to programming and production. Restricted net assets for board designated endowments increased due mostly to increased contributions.

**Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Management's Discussion and Analysis (continued)
June 30, 2017**

Condensed Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports the activity of Public Radio East during the year and is subdivided into three major components: operating revenues, operating expenses, and non-operating revenues. Revenues are reported by major source. Depreciation is recognized and presented as an operating expense. Intradepartmental transfers are eliminated.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2017	2016	Increase (Decrease)
Operating revenues:			
In-kind contributions	\$ 428,906	\$ 434,477	\$ (5,571)
Other operating revenues	32,974	13,061	19,913
Total operating revenues	461,880	447,538	14,342
Operating expenses:			
Programming and production	613,252	572,024	41,228
Broadcasting and engineering	93,880	48,126	45,754
Program information and promotion	18,968	18,581	387
Management and general	511,261	516,073	(4,812)
Fundraising and membership development	188,537	171,549	16,988
Underwriting	96,438	91,121	5,317
Total operating expenses	1,522,336	1,417,474	104,862
Operating income (loss)	(1,060,456)	(969,936)	(90,520)
Nonoperating revenues:			
Interest	4,003	2,910	1,093
Pledges and contributions	609,967	559,485	50,482
Grants	393,992	352,029	41,963
Other nonoperating revenues	11,828	-	11,828
Net nonoperating revenues	1,019,790	914,424	105,366
Decrease in net position	(40,666)	(55,512)	14,846
Net position, July 1	799,082	855,041	(55,959)
Restatement	(1,589)	(447)	(1,142)
Beginning, restated	797,493	854,594	(57,101)
Net position, June 30, 2017	\$ 756,827	\$ 799,082	\$ (42,255)

**Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Management's Discussion and Analysis (continued)
June 30, 2017**

Condensed Statement of Revenues, Expenses, and Changes in Net Position (continued)

Notable changes in the Condensed Statement of Revenues, Expenses, and Changes in Net Position include:

- Total operating revenues increased by \$14,342. This was largely the result of an increase in underwriting contributions.
- Total operating expenses increased by \$104,862, driven largely by increases in expenditures in the programming and production and broadcasting and engineering areas.
- The net position decreased by \$40,666 largely due to increased expenses in the year.

Economic Forecast

Public Radio East is comprised of two separate networks broadcast over five transmitting stations. It is licensed by the Federal Communications Commission to the Board of Trustees of Craven Community College. (Craven) and does not receive any direct financial support from Craven. The funding needed to operate the stations is the responsibility of PRE. Public Radio East Foundation is a separate 501(c)(3) and was formed to support the operations of PRE. PRE Foundation funds are blended with the operational funds of PRE for the purpose of this financial statement.

Pledges and contributions from individuals have risen slightly, primarily due to our sustaining membership program. The purchase of membership software to automate the data entry process for sustaining members has allowed our Membership Technician to further refine the collection of monthly funds. Training on that software is scheduled for November 2017. A new initiative to increase the number of new members is underway. It is too soon following our October fundraiser to provide comparisons to last year. In addition, the engagement of a Major Gifts consultant to work with PRE Foundation will continue in FY'18 to increase the number of major donors to the station.

Underwriting has improved compared to last year. As of October 31, 2017, we are ahead of our annual goal and ahead of last year. PRE management has implemented a plan to further increase revenue for underwriting.

For FY'18 we increased the membership goal from \$600,000 to \$700,000. We added two days of fundraising planned for December, emphasized Sustaining Memberships prior to and during the on-air Fall campaign, and engaged a Membership consultant to look at our fundraising systems and practices. We kept the underwriting goal the same as last year, but as stated above are running ahead of goal through the first 4 months of FY'18.

We made significant program changes in August and September to increase the number of people who listen and how to increase how much they listen. Our first Nielsen audience ratings will arrive in February 2018 and will detail listening between September 15, 2017 and December 15, 2017.

Contacting the College's Financial Management

Our financial statements are designed to provide the citizens of North Carolina with a general overview of the PRE's finances and show accountability of all funds received. Questions concerning any of the information found in this report or requests for additional information should be directed to Cindy A. Patterson, Executive Director of Financial Services and Purchasing, Craven Community College, 800 College Court, New Bern, NC 28562.

Financial Statements

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Statements of Net Position
June 30, 2017 and 2016

Exhibit A-1

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents (Notes 1 and 2)	\$ 78,440	\$ 144,448
Restricted cash and cash equivalents	289,674	254,965
Pledges receivable, net (Note 7)	101,860	96,874
Total current assets	469,974	496,287
Noncurrent assets:		
Property and equipment, net of depreciation (Note 3)	361,564	388,921
Total noncurrent assets	361,564	388,921
Total assets	\$ 831,538	\$ 885,208
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	15,691	12,694
Current vacation payable	6,373	13,532
Total current liabilities	22,064	26,226
Noncurrent liabilities:		
Accrued vacation payable	52,647	59,900
Total noncurrent liabilities	52,647	59,900
Total liabilities	74,711	86,126
NET POSITION		
Net investment in capital assets	361,565	388,921
Restricted for:		
Board designated endowment	78,440	67,813
Specific programs	316,822	342,348
Total net position	\$ 756,827	\$ 799,082

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

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2017 and 2016

Exhibit A-2

REVENUES	2017	2016
Operating revenues:		
Pledges and contributions:		
In-kind contributions (Note 6)	\$ 428,906	434,477
Other income	32,974	13,061
Total operating revenues	461,880	447,538
EXPENSES		
Operating expenses:		
Programming and production	613,252	572,024
Broadcasting and engineering	93,880	48,126
Program information and promotion	18,968	18,581
Management and general	511,261	516,073
Fundraising and membership development	188,537	171,549
Underwriting	96,438	91,121
Total operating expenses	1,522,336	1,417,474
Operating loss	(1,060,456)	(969,936)
NONOPERATING REVENUES		
Interest	4,003	2,910
Pledges and contributions	609,967	559,485
Underwriting contributions	178,032	137,075
Grants received and expended currently:		
Affiliate grant	75,030	65,000
Community service grants from CPB	129,940	138,454
Challenge grants from individuals and businesses	10,990	11,500
Other nonoperating revenues	11,828	-
Total nonoperating revenues	1,019,790	914,424
Decrease in net position	(40,666)	(55,512)
NET POSITION		
Net position, beginning	799,082	855,041
Restatement	(1,589)	(447)
Beginning, restated	797,493	854,594
Net position, ending	\$ 756,827	\$ 799,082

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

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

Exhibit A-3
Page 1 of 1

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from contributions, grants, and other fundraising	\$ 32,974	\$ 13,061
Cash paid to employees and fringe benefits	(495,991)	(479,776)
Cash paid to vendors and suppliers	(584,054)	(491,601)
Other operating revenues	11,829	-
	(1,035,242)	(958,316)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	393,992	352,029
Noncapital gifts and endowments received	605,949	578,635
	999,941	930,664
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	4,003	2,910
	4,003	2,910
Net increase (decrease) in cash and cash equivalents	(31,298)	(24,742)
Cash and cash equivalents, beginning of year	399,412	424,155
Cash and cash equivalents, end of year	\$ 368,114	\$ 399,413

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

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Statements of Cash Flows
Year Ended June 30, 2017 and 2016

Exhibit A-3
Page 2 of 2

	2017	2016
RECONCILIATION OF OPERATING LOSS		
TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,060,456)	\$ (58,422)
Adjustments to reconcile operating loss to		
net cash used by operating activities -		
Miscellaneous nonoperating income (expense)	11,828	-
Depreciation	25,768	26,893
Changes in assets and liabilities:		
Pledges receivable	-	24,230
Accounts payable and accrued liabilities	2,030	(16,808)
Accrued vacation payable	(14,412)	(3,545)
Net cash provided by (used for) operating activities	\$ (1,035,242)	\$ (27,652)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current assets:		
Cash and cash equivalents	\$ 78,440	\$ 67,813
Restricted cash and cash equivalents	289,674	76,635
Total cash and cash equivalents	\$ 368,114	\$ 144,448
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase in receivables related to nonoperating income	\$ 4,018	\$ -

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

Notes to the Financial Statements

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Public Radio East (PRE) is a public service radio station whose purpose is to serve the education and cultural needs of Eastern North Carolina. PRE is an entity owned and governed by the Board of Trustees of Craven Community College (College). The College is a component unit of the North Carolina Community College System. Public Radio East Foundation (Foundation) has been established as the gift receiving organization which solicits funds to be used to support PRE. The Foundation is owned and operated by the College. As such, the accompanying statements of financial position and related statements of activities, cash include the assets owned by the College and the Foundation designated for use by PRE. PRE is funded mainly by federal grants, indirect support from the College, community fundraising and underwriting contributions.

B. 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*, the full scope of Public Radio East's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C. Basis of Accounting

The financial statements of the Foundation have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which Public Radio East receives (or gives) value without directly giving (or receiving) equal value in exchange, include both monetary and in-kind donor contributions. Revenue is recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. Cash and Cash Equivalents

All deposits and expenditures of Public Radio East are maintained by the College's accounting office. PRE's cash accounts are combined with the College's central depository account. PRE cash accounts are "pooled" with College cash receipts and assigned a percentage of participation based on amounts held. The College maintains its deposits in designated official depositories which are secured as required by State Law.

Public Radio East considers all highly liquid assets with a maturity of three months or less to be cash equivalents.

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments

Generally, investments are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

F. Receivables

Receivables consist of pledges that are verifiable, measurable, and expected to be collected and available for expenditures. Reported receivables are expected to be collected.

G. Restricted Assets

Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

H. Net Position

Public Radio East's net positions are classified as follows:

Net in Capital Assets - This represents Public Radio East's total investment in capital assets.

Restricted Net Position - The component of net position that reports the constraints placed on the use of net position by either external parties and/or enabling legislation.

Unrestricted Net Position - Unrestricted net position includes resources derived from contributions, grants, interest income, and underwriting fees.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at PRE.

I. Use of Estimates

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

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Revenue and Expense Recognition

Public Radio East classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Public Radio East’s principal ongoing operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Public Radio East’s principal ongoing operations. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by *GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the Foundation, as well as investment income, are considered nonoperating since these are investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

K. Income Taxes

Public Radio East and its affiliate are exempt from federal and state income taxes under Internal Revenue Service Code 501(c)(3).

L. Property and Equipment

Public Radio East follows the College policy to expense property additions less than \$5,000 in the year purchased. Fixed assets are reported at cost or, in the case of donated property, at estimated fair value determined as of the date of receipt. Depreciation is computed on a straight-line basis over the estimated used lives of the asset as follows:

Asset Category	Estimated Useful Lives (in years)
Transmitters and towers	10-50
Studio and technical equipment	10-40
Furniture, fixtures, and equipment	10-50

M. Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2017 and 2016, there were no donated equipment.

**Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements (continued)
June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting ("CPB") is a private, nonprofit grant-making organization responsible for funding numerous television and radio stations. CPB distributes annual Community Service Grants ("CSG's") to qualifying public broadcasting entities. CSG's are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services.

The CSG's are reported on the accompanying financial statements as unrestricted revenues since time and purpose restrictions were all met in the current period.

O. Indirect Administrative Support

Public Radio East receives administrative support from the College. Indirect administrative support consists of allocated institutional support and physical plant costs incurred by the College for which PRE receives benefits. The fair value of this support is recognized in the Statement of Activities as indirect administrative support and also as expense in the management and general functional expense category. The College also provides office, studio and tower facilities, the benefit for which is included as a building use allowance at the approved rate.

P. Program Underwriting

Revenues for program underwriting is recorded on a pro-rata basis for the period covered.

Q. Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

R. Advertising Costs

Advertising costs are expensed in the period in which they are incurred.

S. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Public Radio East and its subsidiary, Public Radio East Foundation, as of the balance sheet date. The financial statements of the subsidiary are prepared for the same reporting date as Public Radio East.

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 2 – DEPOSITS

All funds of Public Radio East are deposited in College board designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D 58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. The amount shown on the Statement of Net Position as cash and cash equivalents includes deposits in private financial institutions with a carrying amount of \$368,114 and bank balance of \$368,114 at June 30, 2017. At June 30, 2016, cash and cash equivalents included deposits in private financial institutions with a carrying amount of \$399,413 and bank balance of \$399,413.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

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

Details of "pooled" cash held by Craven Community College at June 30, 2017 and 2016 were as follows:

	2017	2016
Public Radio East accounts	\$ 260,882	\$ 254,965
Public Radio East Foundation accounts	107,232	144,448
Total cash and cash equivalents	\$ 368,114	\$ 399,413

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 and 2016 is presented as follows:

	Balance				Balance
	July 1, 2016	Increases	Decreases	Adjustments	June 30, 2017
Capital assets being depreciated:					
Transmitters and towers	\$ 713,929	\$ -	\$ -	\$ -	\$ 713,929
Studio and technical equipment	204,524	-	-	-	204,524
Furniture, fixtures, and equipment	32,423	-	-	(6,754)	25,669
Total capital assets being depreciated:	950,876	-	-	(6,754)	944,122
Less accumulated depreciation for:					
Transmitters and towers	396,395	21,830	-	(649)	417,576
Studio and technical equipment	147,292	3,610	-	(170)	150,732
Furniture, fixtures, and equipment	18,268	328	-	(4,345)	14,251
Total accumulated depreciation	561,955	25,768	-	(5,164)	582,559
Capital assets, net	\$ 388,921				\$ 361,563

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 – CAPITAL ASSETS (continued)

	July 1, 2015				June 30, 2016
	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
Capital assets being depreciated:					
Transmitters and towers	\$ 713,929	\$ -	\$ -	\$ -	\$ 713,929
Studio and technical equipment	204,524	-	-	-	204,524
Furniture, fixtures, and equipment	32,423	-	-	-	32,423
Total capital assets being depreciated:	950,876	-	-	-	950,876
Less accumulated depreciation for:					
Transmitters and towers	373,918	22,479	-	-	396,397
Studio and technical equipment	143,477	3,816	-	-	147,293
Furniture, fixtures, and equipment	17,668	598	-	-	18,265
Total accumulated depreciation	535,063	26,893	-	-	561,955
Capital assets, net	\$ 415,813				\$ 388,921

NOTE 4 – CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS

The Community Service Grants received and expended during the year ended June 30, 2017 and 2016 were as follows:

Date Approved	2017	2016
December 14, 2015	\$ -	\$ 96,917
March 30, 2016	-	41,537
December 15, 2016	90,958	-
April 4, 2017	38,982	-
Total	\$ 129,940	\$ 138,454

NOTE 5 – ENDOWMENT

Public Radio East's endowment consists of funds designated by the Board of Directors of the Foundation to function as an endowment. There are no donor restrictions imposed on the endowment. Changes in endowment net position for the years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Endowment net assets at beginning of year	\$ 67,813	\$ 62,211
Endowment contributions	9,908	5,090
Investment income	719	512
Total	\$ 78,440	\$ 67,813

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 6 – INDIRECT ADMINISTRATIVE SUPPORT

Public Radio East receives administrative support from the College. Indirect administrative support consists of allocated institutional support and physical plant costs incurred by the College for which Public Radio East receives benefits. The fair value of this support is recognized in the statement of activities as in-kind contributions and also as expenses in the management and general functional expense category. Details of such support are as follows:

	<u>2017</u>	<u>2016</u>
Institutional support	\$ 386,118	\$ 391,111
Occupancy	3,314	3,314
Physical plant maintenance	39,474	40,052
Total indirect support	<u>\$ 428,906</u>	<u>\$ 434,477</u>

NOTE 7 – RECEIVABLES

Receivables at June 30, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Current receivables:		
Unrestricted pledges from media fund drives	\$ 123,047	\$ 121,518
Allowances for uncollectible pledges and present value discounts	(21,187)	(24,644)
Total current receivables	<u>\$ 101,860</u>	<u>\$ 96,874</u>

NOTE 8 – BENEFIT PLANS

Substantially all of the permanent employees of Public Radio East are included in the College Retirement Plan. The Plan is a cost sharing multiple employer defined benefit pension plan administered by the North Carolina State Treasurer. Benefit and contribution provisions for the Plan are established by North Carolina general statutes. For the years ended June 30, 2017 and 2016, PRE contributed \$40,805 and \$41,905 to the Plan.

NOTE 9 – RELATED PARTY TRANSACTIONS

Public Radio East receives administrative support from the Foundation and the College. The combined statement of activities includes the following related party amounts for the year ended June 30, 2017:

<u>Related Party Transaction</u>	<u>Statement Line Item</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
In-kind contributions	In-kind contributions of indirect administrative support	\$ 428,906	\$ 434,477

Public Radio East (WTEB-FM) and Affiliate
(A Component Unit of Craven Community College)
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 10 – RESTATEMENT

A restatement of the accumulated depreciation account was made in fiscal year 2017. It was adjusted by \$1,589 to correct a prior period error and to agree to the schedule that Craven Community College reports to the state of North Carolina. A restatement of the accumulated depreciation account was made in fiscal year 2016. It was adjusted by \$447 to correct a prior period error and to agree to the schedule that Craven Community College reports to the state of North Carolina.

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – SUBSEQUENT EVENTS

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

Independent Auditor's Report



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs
N. C. Association of CPAs

**Independent Auditor's Report
on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Management of Public Radio East (WTEB-FM) and Affiliate
Board of Trustees of Craven Community College
New Bern, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Public Radio East (WTEB-FM) and its affiliate, Public Radio East Foundation (Public Radio East), a component unit of Craven Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Public Radio East's basic financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Public Radio East's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Radio East's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Radio East's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Public Radio East's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

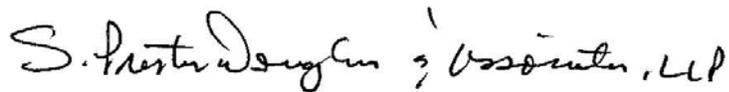
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Public Radio East's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Public Radio East's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Radio East's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Lumberton, North Carolina
January 8, 2018