

THE UNIVERSITY OF NORTH CAROLINA
CENTER FOR PUBLIC TELEVISION
Research Triangle Park, North Carolina

Financial Statements

Years Ended June 30, 2010 and 2009

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
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Years Ended June 30, 2010 and 2009

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and Consultants

Report of Independent Auditors

To the Board of Trustees
The University of North Carolina
Center for Public Television
The University of North Carolina
General Administration
Research Triangle Park, North Carolina

We have audited the accompanying Statements of Net Assets of The University of North Carolina Center for Public Television (the Center), a public telecommunications entity, as of June 30, 2010 and 2009, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina Center for Public Television as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the Center's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Durham, North Carolina
December 3, 2010

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THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2010 and 2009

As management of The University of North Carolina Center for Public Television (the Center), we offer readers of the Center's financial statements this narrative overview and analysis of the financial activities of The University of North Carolina Center for Public Television for the fiscal years ended June 30, 2010 and 2009.

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, please read it in conjunction with the Center's financial statements.

Financial Highlights

- The assets of the Center exceeded its liabilities at the close of the most recent fiscal year by \$55,483,606 (net assets). Of this amount, \$22,003,412 (unrestricted net assets and time restricted net assets) may be used to meet the Center's ongoing obligations, which is approximately 86% of total cash operating expenses.
- The Center's total net assets increased by \$1,257,189. This was primarily from a decrease in operating expenses. The most significant factor was a \$907,870 reduction in utilities expenditures. This was mainly due to turning off analog transmission in June 2009 as part of the conversion process to digital transmission.
- The Center's liabilities decreased by \$1,707,100 primarily due to decreases in accrued expenses associated with capital projects and deferred revenue associated with production projects. The number and scope of capital improvement and production projects varies from year to year.

Financial Statements

Statement of Net Assets

The focus of the Statement of Net Assets is to reflect the financial position of the Center presenting information on all assets and liabilities, with the difference between the two reported as net assets. This statement consolidates the Unrestricted, Restricted, Property and Endowment Funds that were formerly presented separately.

Statement of Revenues, Expenses, and Changes in Net Assets

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

Most revenue sources other than grants from the Corporation of Public Broadcasting are classified as non-operating revenue. As a result, this statement reflects an operating loss in excess of \$24 million. After addition of non-operating revenues and other revenue including the State operating appropriation and State capital contribution, this statement reflects an increase in net assets of \$1.3 million.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended June 30, 2010 and 2009

Financial Statements (continued)

Statement of Cash Flows

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.

Notes to the Financial Statements

The notes provide additional information essential to facilitating a full understanding of the data provided in the accompanying financial statements.

Overview of the Center's Financial Activity

Net assets may serve over time as a useful indicator of the Center's financial position. The largest portion of the Center's net assets, approximately 58%, reflects its investment in capital assets (e.g. buildings, towers, and equipment). The Center uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Center's net assets were as follows:

	June 30,		Variance
	2010	2009	
Assets			
Current assets	\$ 28,374,665	\$ 28,750,346	\$ (375,681)
Capital assets	32,224,698	32,130,958	93,740
Other non-current assets	238,336	406,306	(167,970)
Total assets	60,837,699	61,287,610	(449,911)
Liabilities			
Current liabilities	4,053,745	5,656,897	(1,603,152)
Non-current liabilities	1,300,348	1,404,296	(103,948)
Total liabilities	5,354,093	7,061,193	(1,707,100)
Net assets			
Invested in capital assets	32,224,698	32,130,958	93,740
Unrestricted	18,615,832	17,676,116	939,716
Restricted	4,643,076	4,419,343	223,733
Total net assets	\$ 55,483,606	\$ 54,226,417	\$ 1,257,189

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended June 30, 2010 and 2009

Overview of the Center's Financial Activity (continued)

A portion of the Center's net assets, approximately 2%, represents resources that are subject to external purpose restrictions on how they may be used. The remaining balance of unrestricted and time restricted net assets may be used to meet the Center's ongoing obligations to citizens and creditors.

The comparison of revenues and expenses for fiscal year 2010 to 2009 is helpful in understanding the changes in financial activity for the Center.

Comparison of Revenues, Expenses and Changes in Net Assets

	June 30,		
	2010	2009	Variance
Revenues:			
Contributions	\$ 9,713,013	\$ 10,580,761	\$ (867,748)
State appropriations - operating	11,810,829	12,911,253	(1,100,424)
Grants from CPB	4,233,907	4,116,346	117,559
Interest and dividend income	220,532	471,678	(251,146)
State appropriations - capital	3,111,628	4,913,146	(1,801,518)
Federal grants	380,242	781,333	(401,091)
Realized and unrealized gains (losses) on investments	311,993	(1,084,159)	1,396,152
Loss on disposal of capital assets	(1,351,973)	(157,817)	(1,194,156)
Other revenue	782,796	377,260	405,536
Total revenues	29,212,967	32,909,801	(3,696,836)
Expenses:			
Program services			
Programming and production	11,203,623	12,377,907	(1,174,284)
Broadcasting and engineering	10,065,973	10,656,555	(590,582)
Supporting services			
Development and fund raising	3,070,952	2,977,706	93,246
Management and general	3,615,230	3,461,793	153,437
Total expenses	27,955,778	29,473,961	(1,518,183)
Change in net assets	\$ 1,257,189	\$ 3,435,840	\$ (2,178,653)

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended June 30, 2010 and 2009

Overview of the Center's Financial Activity (continued)

Capital Assets

Net capital assets increased by \$93,740 (less than 1%) from the previous year, primarily due to transmission and studio upgrades for the digital conversion.

The following is a summary of the Center's capital assets, net of accumulated depreciation, at year-end.

	June 30,	
	2010	2009
Land	\$ 185,963	\$ 185,963
Construction in progress	1,339,794	3,743,110
Building and other structures	17,651,444	16,508,757
Other structures	11,856,201	10,502,350
Antennas and other equipment	479,658	499,154
Furniture and fixtures	430,210	451,852
Motor vehicles	281,428	239,772
Total	\$ 32,224,698	\$ 32,130,958

Changes in the Center's Financial Position

The Center continues to depend on contributions from viewers and corporate partners for a large percent of operating expenses.

The Center retains sufficient funds in cash reserves to pursue its objectives and general operations and to respond to unforeseen circumstances. Budgets are reviewed quarterly to adjust spending to funds available. In addition, funds from contributors and the Corporation for Public Television are not obligated in the year collected. They are used to forward fund the following year's budget. This helps to insulate the Center from immediate effects of a weak economy and to allow time for budgets and operational costs to be adjusted as needed.

Requests for Information

This report is designed to provide an overview of the Center'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 Director of Administration and Business Ventures, The University of North Carolina Center for Public Television, Post Office Box 14900, Research Triangle Park, North Carolina 27709, telephone (919) 549-7000.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,740,166	\$ 19,470,420
Investments, net (note 2)	4,783,359	4,495,110
Accounts receivable	2,807,320	3,658,131
Unconditional promises to give, net (note 4)	151,439	215,117
Unexpired program rights/licenses	292,350	246,921
Prepaid expenses	600,031	664,647
Total current assets	28,374,665	28,750,346
Non-current assets:		
Capital assets, net (note 6)	32,224,698	32,130,958
Occupancy rights, at cost, net (note 5)	223,336	391,306
Land held for investment (note 7)	15,000	15,000
Total non-current assets	32,463,034	32,537,264
Total assets	60,837,699	61,287,610
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	1,246,401	1,866,182
Deferred revenue (note 8)	2,721,172	3,750,147
Accrued vacation leave (note 9)	86,172	40,568
Total current liabilities	4,053,745	5,656,897
Non-current liabilities:		
Accrued vacation leave (note 9)	1,300,348	1,404,296
Total liabilities	5,354,093	7,061,193
Net assets		
Invested in capital assets, net of related debt	32,224,698	32,130,958
Unrestricted	18,615,832	17,676,116
Restricted (note 10)	4,643,076	4,419,343
Total net assets	\$ 55,483,606	\$ 54,226,417

See accompanying notes to financial statements.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2010 and 2009

	2010	2009
Operating revenues:		
Community service grants from the Corporation for Public Broadcasting		
Broadcasting (note 12)	\$ 3,180,085	\$ 3,009,226
Interconnection grant from the Corporation for Public Broadcasting	56,056	54,572
Other grants	260,182	195,000
Sales and royalties	201,138	10,316
Total operating revenues	3,697,461	3,269,114
Operating expenses:		
Program services:		
Programming and production	11,203,623	12,377,907
Broadcasting and engineering	10,065,973	10,656,555
Total program services	21,269,596	23,034,462
Supporting services:		
Development and fund raising	3,070,952	2,977,706
Management and general	3,615,230	3,461,793
Total supporting services	6,686,182	6,439,499
Total operating expenses	27,955,778	29,473,961
Operating loss	(24,258,317)	(26,204,847)
Non-operating revenues (expenses):		
State appropriation (note 11)	11,810,829	12,911,253
Contributions	9,713,013	10,580,761
Interest and dividend income	220,532	471,678
Insurance proceeds	325,990	16,744
Use of facilities	174,925	157,380
Other income	76,059	192,820
Loss on disposal of capital assets	(1,351,973)	(157,817)
Realized gains on investments (note 2)	23,744	28,807
Unrealized gains (losses) on investments (note 2)	288,249	(1,112,966)
Net non-operating revenues	21,281,368	23,088,660
Net loss before transfers and capital contributions	(2,976,949)	(3,116,187)
Capital contributions - State (note 11)	3,111,628	4,913,146
Capital contributions - Federal	124,746	781,333
Other grants - Capital	997,764	857,548
Changes in net assets	1,257,189	3,435,840
Net assets - beginning of year	54,226,417	50,790,577
Net assets - end of year	\$ 55,483,606	\$ 54,226,417

See accompanying notes to financial statements.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
Operating activities:		
Community service grants	\$ 3,180,085	\$ 3,009,226
Interconnection grant	56,056	54,572
Other grants	454,128	-
Sales and royalties	201,138	10,316
Operating expenses	(25,593,793)	(25,764,484)
Net cash used by operating activities	<u>(21,702,386)</u>	<u>(22,690,370)</u>
Non capital financing activities:		
State appropriation	11,952,420	12,926,241
Contributions	9,235,920	9,903,577
Other non-operating revenue	435,223	722,092
Net cash provided by non capital financing activities	<u>21,623,563</u>	<u>23,551,910</u>
Capital and related financing activities:		
Capital contributions – State	3,299,261	4,796,603
Capital contributions – Federal	765,926	738,020
Purchases of capital assets	(3,960,894)	(4,952,807)
Net cash provided by capital and related financing activities	<u>104,293</u>	<u>581,816</u>
Investing activities:		
Proceeds net of purchases of investments	23,744	5,419
Interest on investments	220,532	471,678
Net cash provided by investing activities	<u>244,276</u>	<u>477,097</u>
Net increase in cash and cash equivalents	269,746	1,920,453
Cash and cash equivalents - beginning of year	19,470,420	17,549,967
Cash and cash equivalents - end of year	<u>\$ 19,740,166</u>	<u>\$ 19,470,420</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	(24,258,317)	(26,204,847)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	3,052,515	3,142,546
In-kind expenses	372,568	861,597
Changes in assets and liabilities:		
Accounts receivable	159,151	(195,000)
Unexpired program rights/licenses	(45,429)	34,564
Prepaid expenses	64,616	(25,275)
Accounts payable and accrued expenses	(989,146)	(343,812)
Compensated absences	(58,344)	39,857
Net cash used by operating activities	<u>\$ (21,702,386)</u>	<u>\$ (22,690,370)</u>

See accompanying notes to financial statements.

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THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Note 1 – Summary of significant accounting policies

A. Financial Reporting Entity

The University of North Carolina Center for Public Television (the Center) is a constituent organizational division of The University of North Carolina General Administration (the University) authorized by North Carolina General Statute Section 116-37.1 for establishment by the Board of Governors of The University. The Board of Governors is authorized to establish the Board of Trustees of the Center and to delegate to the Board of Trustees such powers and duties deemed necessary or appropriate except for broadcasting licensee responsibilities. The broadcast licenses issued by the Federal Communications Commission are issued to the Board of Governors of The University of North Carolina. The University of North Carolina General Administration provides administrative support to the Center.

The Center is directed by statute to provide research, development, and production of noncommercial educational television programming and program materials, to provide distribution of noncommercial television programming through the broadcasting licenses issued to The University of North Carolina Board of Governors, and to enhance the uses of television for public purposes.

The Center is operated by The University of North Carolina, headquartered in Chapel Hill, North Carolina. Administrative offices and studio facilities are located in the Joseph and Kathleen Bryan Communications Center in Research Triangle Park, North Carolina. Twelve digital full power stations and twenty-two digital translators provide broadcasting services.

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), which consist of GASB statements and interpretations, as well as American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to state and local government entities by GASB statement and interpretations.

C. Basis of Accounting

The accompanying financial statements were 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.

The Center 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, temporarily restricted net assets are reclassified to unrestricted net assets.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Note 1 – Summary of significant accounting policies (continued)

C. Basis of Accounting (continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

D. Cash and Cash Equivalents

The majority of the Center's cash balances are on deposit with the State Treasurer and are either insured or fully collateralized. A small amount of the Center's cash balances are placed with high quality financial institutions that are insured up to \$250,000 under the Federal Deposit Insurance Corporation (FDIC) for 2010 and 2009. These funds are aggregated with other funds held by The University of North Carolina General Administration. At June 30, 2010 and 2009, \$322,874 and \$350,684 of the Center's funds were held in these accounts.

E. Investments.

Investments are stated at fair market value, aggregated by investment account. Donated securities are initially recorded at their fair value at the date of gift.

F. Accounts Receivable

An allowance for uncollectible accounts receivable is provided for amounts estimated to be uncollectible. No allowance has been provided at June 30, 2010 and 2009, due to the estimated collectability of all accounts.

G. Unconditional Promises to Give

Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible promises to give is based on historical collection rate experience.

H. Unexpired Program Rights/Licenses

Unexpired Program Rights/Licenses are costs incurred for program rights, film rights, and licenses (i.e., fees paid to telecast programs owned by other parties) not yet broadcast relating to programs that will be aired principally in the next fiscal year. Contributions relating to programs not yet broadcast are included in deferred revenue. As these programs are broadcast, the costs incurred are included in operating expenses and the associated deferred revenue is included in revenue.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Note 1 – Summary of significant accounting policies (continued)

I. Capital Assets

It is the policy of the Center to capitalize all property and equipment with the cost greater than \$5,000. Capital 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 calculated by the straight-line method over the estimated useful lives of individual assets, which range from five to seventy-five years. Expenditures for repairs and maintenance are reported as operating expenses as incurred.

Estimated useful lives that later prove to be incorrect based on new information are adjusted and considered changes in estimates treated prospectively. The intent is to allocate the cost of a capital asset over its entire useful life and minimize reporting assets still in service as fully depreciated.

J. Occupancy Rights

Occupancy rights represent payments for the privilege to occupy real property and to occupy space in a service building and certain support facilities.

UNC-TV terminated rights to occupy space in FY 10 on and at the Adams Communications, Inc., broadcasting transmitter and tower site located at Winnabow, North Carolina, fifteen miles southwest of Wilmington.

UNC-TV also occupies space in a storage facility owned by WLOS-TV and located on Mount Pisgah, North Carolina. The lease dated November 18, 2002 has a twelve- year (12) term beginning July 1, 2002. This lease required an initial investment for facility improvement. The total cost of the project was \$783,693 and was completed in FY 05.

There were no payments for occupancy rights in FY 10.

K. Compensated absences

The Center's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 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. When classifying compensated absences into current and non-current, leave is considered taken using a last-in-first-out method

The Center has 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. Consequently, no liability has been reported for unused sick leave.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Note 1 – Summary of significant accounting policies (continued)

L. Net Assets

The Center's net assets are classified as follows:

Invested in Capital Assets Net of Related Debt – This represents the Center's total investments 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 Assets – Restricted net assets are those in which the Center is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets are all those not invested in capital assets or restricted by external parties.

Restricted and unrestricted resources are tracked separately in the accounting system. When both restricted and unrestricted funds are available for expenditure, management decides on a case-by case basis which funds to use.

M. Revenues

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Center. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Note 1 – Summary of significant accounting policies (continued)

O. Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued an update to ASC 105-10 (SFAS 168), *Generally Accepted Accounting Principles*. This standard establishes the ASC as the source of authoritative U.S. GAAP recognized by the FASB for nongovernmental entities. The ASC is effective for interim and annual periods ending after September 15, 2009. The ASC is a reorganization of existing U.S. GAAP and does not change existing U.S. GAAP. The Center adopted this standard in its 2010 financial statements. The adoption had no impact on the Center's financial position, results of operations, and net assets.

In September 2006, the FASB issued guidance under ASC 820, *Fair Value Measurements and Disclosures* (SFAS No. 157) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Center adopted SFAS No. 157 for the fiscal year beginning July 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application was permitted until our fiscal year beginning July 1, 2009. SFAS No. 157 is effective for the Center's financial and nonfinancial assets and liabilities in these June 30, 2010 financial statements.

In May 2009, the FASB issued FASB ASC 755, *Subsequent Events* (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. Specifically, SFAS 165 provides clarity around the period after the statement of financial position date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the statement of financial position date. SFAS 165 is effective for the Center in these June 30, 2010 statements.

Effective for periods beginning after December 15, 2008, the FASB issued ASC 740, *Accounting for Uncertainty in Income Taxes* (FIN 48) which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements is required to be adopted by the Center. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions taken or expected to be taken on a tax return. Management has determined that there are no uncertain tax positions which are required to be disclosed in these financial statements under FIN 48.

THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC TELEVISION
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

Note 2 – Investments

Investments at June 30, 2010 and 2009 are held in a pooled investment fund managed by the UNC Management Company.

At June 30, 2010, and 2009, the unrealized gains and losses, and market value of investments were as follows:

	<u>2010</u>	<u>2009</u>
Aggregate fair value	\$ 4,783,359	\$ 4,495,110
Aggregate amortized cost	<u>3,389,075</u>	<u>3,389,075</u>
Unrealized gain (loss)	<u>\$ 1,394,284</u>	<u>\$ 1,106,035</u>

For the years ended June 30, 2010 and 2009, the change in unrealized gains and losses on investments carried at market value was an increase of \$288,249 and decrease of \$1,112,966, respectively.

The following schedule summarizes the investment return for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 220,532	\$ 471,678
Net realized gains	23,744	28,807
Net unrealized gains (losses)	<u>288,249</u>	<u>(1,112,966)</u>
Net realized and unrealized gains (losses)	<u>311,993</u>	<u>(1,084,159)</u>
Total return on investments	<u>\$ 532,525</u>	<u>\$ (612,481)</u>

Note 3 – Fair market value measurement

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established in SFAS No. 157, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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Note 3 – Fair market value measurement (continued)

- Level 1- Values are based upon quoted prices in active markets for identical assets or liabilities.
- Level 2 – Values are based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.
- Level 3 – Values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable. Determination of the fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

Pooled investment funds: The fair values of investments in this category have been estimated using the net asset value per share of the investments.

The following table sets forth by level, within the fair value hierarchy, the Center’s assets at fair value as of June 30, 2010 and 2009:

Fair Value Measurements at Reporting Date Using				
	Total	Level 1	Level 2	Level 3
June 30, 2010				
Pooled investment funds	\$ 4,783,359	\$ -	\$ -	\$ 4,783,359
Total	\$ 4,783,359	\$ -	\$ -	4,783,359

Fair Value Measurements at Reporting Date Using				
	Total	Level 1	Level 2	Level 3
June 30, 2009				
Pooled investment funds	\$ 4,495,110	\$ -	\$ -	\$ 4,495,110
Total	\$ 4,495,110	\$ -	\$ -	4,495,110

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Note 3 – Fair market value measurement (continued)

The following table reconciles the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2010 and 2009:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	<u>Pooled Investment Fund</u>	
July 1, 2008	\$	5,584,688
Total gains or losses (realized/unrealized)		(1,084,159)
Purchases, issuance, and settlements		(5,419)
June 30, 2009		4,495,110
Total gains or losses (realized/unrealized)		311,993
Purchases, issuance, and settlements		(23,744)
June 30, 2010	\$	4,783,359

Note 4 – Unconditional promises to give

Unconditional promises to give that are expected to be collected and available for expenditure, both verifiable and measurable, are reported in the accompanying financial statements. It is anticipated that the promises to give will be collected in the next fiscal year.

	2010	2009
Unconditional promises to give	\$ 257,862	\$ 351,405
Less allowance	(106,423)	(136,288)
Unconditional promises to give, net	\$ 151,439	\$ 215,117

Note 5 – Occupancy rights

Occupancy rights represent payments for the Center's privilege to occupy real property, space in service buildings and space in certain support facilities. The followings is a summary of the Center's occupancy rights at June 30:

	2010	2009
Occupancy rights, at cost	\$ 825,693	\$ 1,075,693
Less accumulated amortization	(602,357)	(684,387)
Unconditional promises to give, net	\$ 223,336	\$ 391,306

Amortization expense for occupancy rights was \$80,469 and \$104,626 for the years ended June 30, 2010 and 2009, respectively.

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Note 6 – Capital assets

A summary of changes in capital assets is presented as follows:

	Beginning July 1, 2009	Increases	Decreases	Ending June 30, 2010
Capital assets, non-depreciable				
Land	\$ 185,963	\$ -	\$ -	\$ 185,963
Construction in progress	3,743,111	1,141,735	3,545,052	1,339,794
Total capital assets, non-depreciable	<u>3,929,074</u>	<u>1,141,735</u>	<u>3,545,052</u>	<u>1,525,757</u>
Capital assets, depreciable				
Buildings	77,436,436	5,637,927	12,279,798	70,794,565
Other structures	17,829,981	1,830,955	608,752	19,052,184
Antennas, transmitters, other equipment	8,164,361	173,433	2,417,250	5,920,544
Furniture and fixtures	1,767,384	107,796	507,302	1,367,878
Motor vehicles	1,266,680	156,643	-	1,423,323
Total capital assets, depreciable	<u>106,464,842</u>	<u>7,906,754</u>	<u>15,813,102</u>	<u>98,558,494</u>
Less accumulated depreciation				
Buildings	60,927,680	2,255,842	10,040,401	53,143,121
Other structures	7,327,631	434,101	565,749	7,195,983
Antennas, transmitters, other equipment	7,665,207	118,147	2,342,468	5,440,886
Furniture and fixtures	1,315,532	129,438	507,302	937,668
Motor vehicles	1,026,908	114,987	-	1,141,895
Total accumulated depreciation	<u>78,262,958</u>	<u>3,052,515</u>	<u>13,455,920</u>	<u>67,859,553</u>
Capital assets, net	<u>\$ 32,130,958</u>	<u>\$ 5,995,974</u>	<u>\$ 5,902,234</u>	<u>\$ 32,224,698</u>

Depreciation expense charged to operations was \$2,972,046 and \$3,037,920 for the year ended June 30, 2010 and 2009, respectively.

Note 7 – Land held for investment

Land held for investment of \$15,000 at June 30, 2010 and 2009 was received as a contribution by the endowment fund and is valued at estimated fair value as of the date of receipt.

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Note 8 – Deferred revenue

Deferred revenue represent the Center's financial equity in unused cash balances provided by grantors and donors for specific purposes not yet fulfilled.

The following is a summary of the changes in deferred revenue at June 30:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 3,750,147	\$ 3,507,871
Additional revenues received	421,363	1,346,236
Revenue recognized	<u>(1,450,338)</u>	<u>(1,103,960)</u>
Balance, end of year	<u>\$ 2,721,172</u>	<u>\$ 3,750,147</u>

Note 9 – Accrued vacation leave

A summary of changes in accrued vacation leave is as follows:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Accrued vacation leave	\$ 1,444,864	\$ 45,604	\$ 103,948	\$ 1,386,520
Less current portion	<u>40,568</u>	<u>45,604</u>	<u>-</u>	<u>86,172</u>
Total	<u>\$ 1,404,296</u>	<u>\$ -</u>	<u>\$ 103,948</u>	<u>1,300,348</u>

Note 10 – Restricted net assets

Restricted net assets consist of the following:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Purpose Restricted		
Endowment - Bryant Center	\$ 1,000,000	\$ 1,000,000
Grants	<u>255,496</u>	<u>195,000</u>
Total purpose restricted	<u>1,255,496</u>	<u>1,195,000</u>
Time Restricted		
Community service grant	\$ 3,236,141	\$ 3,009,226
Promises to give	<u>151,439</u>	<u>215,117</u>
Total purpose restricted	<u>3,387,580</u>	<u>3,224,343</u>
Total restricted net assets	<u>\$ 4,643,076</u>	<u>\$ 4,419,343</u>

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Note 11 – State appropriations

State appropriations and capital contributions include financial resources provided to the Center through budgetary authorizations of the North Carolina General Assembly. State appropriations and capital contributions were utilized as follows:

	June 30,	
	2010	2009
Authorized state appropriation	\$ 12,108,532	\$ 12,993,727
Unexpected appropriation	(244)	(73,819)
Unexpended budgeted receipts	1	9,803
Expended from non-appropriation receipts	(155,869)	(3,469)
Accrual adjustments	(141,591)	(14,989)
Operating funds	11,810,829	12,911,253
Capital contributions	3,111,628	4,913,146
Total	\$ 14,922,457	\$ 17,824,399

Note 12 – 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 telecommunications entities. These grants are used to augment the financial resources of public television stations and thereby to enhance the quality of programming and expand the scope of public television 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 Center uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

The grants are reported in the accompanying financial statements as unrestricted operating funds; 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.

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Note 12 – Community service grants (continued)

The Community Service Grants received and expended during the most recent fiscal years were as follows:

Year of Grant	Amount Received	Expended		Balance June 30, 2010
		2008-09	2009-10	
2007-08	\$ 2,902,703	\$ 2,902,703	\$ -	\$ -
2008-09	3,009,226	-	3,009,226	-
2009-10	3,180,085	-	-	3,180,085
Total	\$ 9,092,014	\$ 2,902,703	\$ 3,009,226	3,180,085

Note 13 – Reversionary interest in assets

The Center has received grants from the U. S. Department of Commerce's National Telecommunications and Information Administration/Public Telecommunications Facility Program (NTIA/PTFP) for construction and purchase of equipment. The Federal Government retains a priority reversionary interest in the equipment purchased with these funds through a ten-year period after the official completion dates of the projects. The Federal interest in the property at June 30, 2010 and 2009 is \$3,791,782 and \$2,916,385 respectively, as illustrated below:

	2010	2009
Center outlays	\$ 6,028,781	\$ 4,753,153
Federal outlays	3,791,782	2,916,385
Total costs of assets	<u>\$ 9,820,563</u>	<u>\$ 7,669,538</u>

Note 14 – Retirement plan

As a condition of employment, each permanent full-time employee of the State of North Carolina is a member of a North Carolina State Retirement System. Accordingly, employees of the Center are members of the North Carolina Teachers' and State Employees' Retirement System. During the years ended June 30, 2010 and 2009, covered employees contributed 6% of gross wages and the Center contributed 8.75% in FY2010 and 8.14% in FY 2009 to this retirement system. The Center's matching retirement plan costs during the years ended June 30, 2010 and 2009, were \$752,804 and \$ 717,845 respectively.

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Note 15 - Insurance

Capital assets used by the Center and reported on the statement of Net Assets are owned by the State of North Carolina, by virtue of the Center being an organizational unit of the State. To provide financial protection for these assets, the State maintains a State Property Fire Insurance Fund as self-insurance against casualty losses. This fund is administered by the North Carolina Department of Insurance and is maintained without direct cost to individual State agencies. Extended coverage insurance is available at a cost to electing agencies.

The Center's costs for extended coverage during the years ended June 30, 2010 and 2009 were \$648,738 and \$612,989, respectively.

Note 16 – Lease commitments

The Center is obligated for annual rental payments under various long-term operating lease agreements for tower sites and office facilities. Rental expense for the years ended June 30, 2010 and 2009 was \$283,409 and \$284,337 respectively.

Minimum future rentals on non-cancelable operating lease agreements for the next five years are approximately.

<u>June 30,</u>	<u>Amount</u>
2011	\$ 253,486
2012	244,382
2013	179,017
2014	114,099
2015 and thereafter	<u>781,355</u>
Total	<u>\$ 1,572,338</u>

Note 17 – In-kind contributions

Certain in-kind contributions are not reported in the statement of revenues, expenses, and changes in net assets which consist of non-monetary support, in the form of property and personal services, provided to the Center by organizations and persons outside the licensee entity. However, this support significantly contributes to the fulfillment of the Center's statutory purpose.

Donation of goods in return for on-air promotion reported in the statement of activity for the years ended June 30, 2010 and 2009 was \$97,085 and \$316,477 respectively.

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Note 18 – Contributed professional services

The Center recognizes donated services that create or enhance non-financial 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. The Center receives significant amounts of professional services in exchange for underwriting recognition on air. For the years ended June 30, 2010 and 2009, the amounts recorded in the financial statements were \$129,069 and \$545,120 respectively.

Note 19 – Indirect administrative support

The Center received administrative and operating support during the year ended June 30, 2010 and 2009 from the University of North Carolina General Administration. This support was in the form of assistance, guidance, and service in accounting, budget, personnel, and purchasing and was provided without direct cost to the Center. The fair value of these services is significant but is not reported in the statement of Revenue, Expense and Changes in Net Assets as revenues and expenses. Fair value is computed by a formula using appropriate rates applied to relevant costs. The fair values of indirect administrative support for the years ended June 30, 2010 and 2009 were \$549,978 and \$525,101, respectively.

Note 20 – Related party transactions

The North Carolina Public Television Foundation, Inc. (the Foundation) is organized and operated exclusively to engage in fundraising activities for the purpose of supporting the Center including, without limitation, the purchase of equipment determined by the Center to be necessary or desirable for carrying out its public service functions. The bylaws of the Foundation direct that the chair of the Board of Trustees of the Center and the director of the Center must be two of the possible nineteen members of the Board of the Foundation.

During the years ended June 30 2010 and 2009, there were no related party transactions between the Center and the Foundation.

Note 21 – Income taxes

The Center is an agency of the State of North Carolina. Accordingly, North Carolina General Statute Section 116-16 provides exemption from state and local income taxation. Internal Revenue Code Section 115 provides exemption from federal income taxes other than for unrelated business income.

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Note 22 – Concentrations

During the years ended June 30, 2010 and 2009, the Center received 45% and 47%, respectively, of its total operating support and revenue in the form of appropriations from the State of North Carolina. During 2010 and 2009, 73% and 75%, respectively, of the Center's capital additions were funded by capital appropriations from the State of North Carolina, and are not included in the operating percentage. If future General Fund appropriations were significantly reduced, it could have a severe impact on the Center's ability to continue its operations. The Center does not expect that the support from the State will be substantially reduced in the near term.

Note 23 – Subsequent event

In October 2010, the Center was awarded a Community Service Grant in the amount of \$2,983,011, a Distance Service Grant in the amount of \$378,400 and an Interconnection Grant in the amount of \$57,497 from the Corporation for Public Broadcasting for fiscal year 2011.

The Center has evaluated subsequent events from the date of the balance sheet through December 3, 2010, the date the report is available to be issued which is the date of the auditors' report. The Center has not evaluated subsequent events after that date.