Cincinnati Public Radio, Inc. and Subsidiary

Consolidated Financial Statements with Supplementary Information
June 30, 2017, with
Summarized Comparative Totals for June 30, 2016, and
Independent Auditors' Report

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

June 30, 2017 with Summarized Comparative Totals for June 30, 2016

Contents

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Accounting • Tax • Business Insight

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Independent Auditors' Report

Board of Directors
Cincinnati Public Radio, Inc. and Subsidiary
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cincinnati Public Radio, Inc. (a nonprofit organization) and Subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Public Radio, Inc. and Subsidiary as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
(Continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated statement of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Cincinnati Public Radio, Inc. and Subsidiary's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

September 25, 2017
Cincinnati, Ohio

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2017 with Summarized Comparative Totals for June 30, 2016

	2017	2016
Assets		
Current:		
Cash and cash equivalents	$ 1,133,631	$ 901,627
Accounts receivable (net of allowance for doubtful accounts of $20,000 and $26,000 at June 30, 2017 and 2016, respectively)	278,389	285,565
Pledges and grants receivable, net	3,533	25,320
Prepaid expenses and deposits	82,565	74,897
Total current assets	1,498,118	1,287,409
Property and equipment, net	546,949	668,452
Other:		
Investments	8,304,080	7,109,051
Broadcast licenses	22,988,377	22,988,377
Total other assets	31,292,457	30,097,428
Total assets	$ 33,337,524	$ 32,053,289
Liabilities and Net Assets		
Liabilities		
Current:		
Accounts payable	$ 96,439	$ 98,278
Unearned revenue	136,922	134,723
Other accrued liabilities	191,444	177,908
Current portion of lease liability	-	9,632
Current portion of bonds payable	439,077	410,911
Total current liabilities	863,882	831,452
Bonds payable, net	3,924,743	4,339,601
Total liabilities	4,788,625	5,171,053
Net Assets		
Unrestricted:		
Operating	24,513,211	22,864,042
Board designated endowment	3,602,543	3,602,543
Total unrestricted	28,115,754	26,466,585
Temporarily restricted	97,196	79,702
Permanently restricted	335,949	335,949
Total net assets	28,548,899	26,882,236
Total liabilities and net assets	$ 33,337,524	$ 32,053,289

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2017 with Summarized Comparative Totals for June 30, 2016

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenues					
Public support:					
Corporation for Public Broadcasting	$ 484,616	$ -	$ -	$ 484,616	$ 509,222
Contributions	3,545,925	-	-	3,545,925	3,690,430
Underwriting	2,220,395	-	-	2,220,395	2,109,876
Foundations	310,027	83,494	-	393,521	350,556
State grants	73,921	-	-	73,921	73,921
In-kind donations	624,354	-	-	624,354	689,633
Special events revenue	45,000	-	-	45,000	50,285
Other	4,184	-	-	4,184	7,349
Total public support	7,308,422	83,494	-	7,391,916	7,481,272
Revenues:					
Rentals and sales	56,038	-	-	56,038	56,541
Net assets released from restrictions	66,000	(66,000)	-	-	-
Total revenues	122,038	(66,000)	-	56,038	56,541
Total public support and revenues	7,430,460	17,494	-	7,447,954	7,537,813
Operating expenses					
Programming, production and promotion	3,321,753	-	-	3,321,753	3,364,763
Broadcasting	1,043,179	-	-	1,043,179	1,011,547
Management and general	421,234	-	-	421,234	412,285
Underwriting	841,789	-	-	841,789	825,169
Membership development	754,435	-	-	754,435	710,343
Total operating expenses	6,382,390	-	-	6,382,390	6,324,107
Change in net assets before other changes	1,048,070	17,494	-	1,065,564	1,213,706
Investment return	601,099	-	-	601,099	158,705
Change in net assets	1,649,169	17,494	-	1,666,663	1,372,411
Net assets, beginning of year	26,466,585	79,702	335,949	26,882,236	25,509,825
Net assets, end of year	$ 28,115,754	$ 97,196	$ 335,949	$ 28,548,899	$ 26,882,236

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2017 with Summarized Comparative Totals for June 30, 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 1,666,663	$ 1,372,411
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	193,182	196,552
Amortization of bond issuance costs included in interest	24,218	24,218
Bad debt expense	12,374	11,899
Net realized and unrealized loss (gain) on investments	(413,998)	30,226
Changes in:		
Accounts receivable	(5,198)	(31,943)
Pledges and grants receivable	21,787	(20,009)
Prepaid expenses and deposits	(7,668)	(6,407)
Accounts payable	(1,839)	(22,198)
Unearned revenue	2,199	(33,867)
Other accrued liabilities	13,536	14,279
Net cash provided by operating activities	1,505,256	1,535,161
Cash flows from investing activities		
Purchase of property and equipment	(71,679)	(117,586)
Purchase of investments	(819,308)	(808,521)
Proceeds from sale of investments	38,277	126,456
Net cash used in investing activities	(852,710)	(799,651)
Cash flows from financing activities		
Payments on bonds payable	(410,910)	(412,297)
Payment on lease liability	(9,632)	(9,098)
Net cash used in financing activities	(420,542)	(421,395)
Net change in cash and cash equivalents	232,004	314,115
Cash and cash equivalents, beginning of year	901,627	587,512
Cash and cash equivalents, end of year	$ 1,133,631	$ 901,627
Supplemental cash flows information		
Interest paid	$ 214,327	$ 219,419

See accompanying notes to consolidated financial statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies for Cincinnati Public Radio, Inc. and Subsidiary is presented to assist in the understanding of the Organization's financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Cincinnati Public Radio, Inc. and Cincinnati Public Radio Properties, LLC, a limited liability company whose sole member is Cincinnati Public Radio, Inc. The two entities are collectively referred to in this report as "CPR" or the "Organization". All material inter-organizational transactions have been eliminated.

Nature and Purpose of the Organization

Cincinnati Public Radio, Inc. is an Ohio not-for-profit organization providing the finest classical music programming on WGUC and news and public radio programming on WVXU and WMUB, pursuant to a local management agreement with Miami University who hold the license, heard throughout Cincinnati and the Tri-state area.

Cincinnati Public Radio Properties, LLC was established under the laws of the State of Ohio in 2005 in order to hold properties that were purchased in 2005. These properties were sold during fiscal years 2006 and 2007 and operations have been inactive subsequent to the sale.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. The Organization is considered a public charity under section 509(a)(1) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions that are material to the financial statements.

Financial Statement Presentation

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP for not-for-profit organizations requires, among other things, the net assets to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Board of Directors to support the Organization's purposes and operations in accordance with its code of regulations. Unrestricted net assets include board designated assets totaling $3,602,543 at both June 30, 2017 and 2016. During 2016, the Board of Directors designated $3,161,790 to be held in the board designated endowment for the potential early payoff of the bonds as allowed by the bond agreement.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization satisfying the purpose or the passage of time. 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 and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets for which the donor has stipulated that the principal be maintained in perpetuity and that only the income from the investment thereof be expended either for the general purpose of the Organization or for purposes specified by the donor.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information, included with the consolidated statement of activities, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Effect of Adopting New Accounting Standard

During 2017, the Organization adopted Financial Accounting Services Board ("FASB") Accounting Standards Update ("ASU") 2015-03: *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation and disclosure of debt issuance costs in the financial statements by requiring these amounts to be presented as a direct deduction from the carrying amount of the related debt. Previous U.S. GAAP required debt issuance costs to be reported as an asset. The new guidance does not change the subsequent accounting for debt issuance costs and these amounts will continue to be amortized over the term of the related debt. However, amortization of debt issuance costs will now be required to be reported as a component of interest expense. The Organization reclassified the unamortized debt issuance costs of $197,106 and $221,324 at June 30, 2017 and 2016, respectively, as a contra-account to the bonds payable. In addition, the Organization reclassified amortization expense of $24,218 for both years ended June 30, 2017 and 2016 to interest expense.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The Organization's cash in bank deposit accounts may at times exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Accounts receivable consists primarily of balances due from underwriters. The Organization provides an allowance for doubtful accounts, which is based upon management's review of historical collection information.

Pledges and grants receivable are from individuals, foundations and corporations that have made a pledge or grant that has not been fulfilled or is payable in periodic payments. Management provides for an allowance for unpaid pledges and grants based on historical collection information.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. Bequests are considered unconditional when a will is probated and declared valid by the courts.

Investments

Investments in equity and debt securities are carried at fair value. The Organization has elected to record the endowment gifts at fair value at the date of the gift in accordance with the Ohio Uniform Management of Institutional Funds Act and the Ohio Prudent Management of Institutional Funds Act effective June 1, 2009, unless otherwise requested by the donor. Therefore, any appreciation or depreciation is recorded as a change in the unrestricted investments.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is calculated on a straight-line basis over the estimated useful life of the respective assets. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

In accordance with applicable GAAP, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions.

Broadcast Licenses

The Organization has broadcast licenses from the Federal Communication Commission (FCC) for WGUC and WVXU. These licenses are renewable and considered to have an indefinite useful life. These broadcast licenses are not subject to amortization, but are tested for impairment at least annually.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Broadcast Licenses (Continued)

In determining that the Organization's broadcast licenses qualified as indefinite lived intangibles, management considered a variety of factors including the FCC's historical track record of renewing public radio broadcast licenses and the stability of the public radio industry. Should the Organization determine that the carrying value of the broadcast licenses exceed the fair value, then the broadcast licenses will be written down to fair value and expensed to current operations in accordance with applicable GAAP Accounting for Intangibles. Consistent with applicable GAAP, the Organization has combined its broadcast licenses within a single market cluster into a single unit of accounting for impairment testing purposes.

In-Kind Donations

The Organization receives in-kind donations during the year, which are recorded at fair value as contribution revenue and in the appropriate expense category. See Note 14.

Revenue Recognition

The Organization is primarily supported through individual pledges and program underwriting. Individual support, contributions, grants and unconditional pledges are recorded as unrestricted revenue in the year made unless a restriction is explicitly stipulated by the donor. Donor restricted contributions and grants whose restrictions are met in the same reporting periods as received are reported as unrestricted support. Donor restricted revenue and grant revenue whose restrictions are not currently met in the year received, are reflected as an increase in temporarily restricted net assets.

Underwriting revenue is recognized when the underwriting announcements are broadcast. An underwriting announcement is a broadcast acknowledgement of financial or in-kind support by a business.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

Expenses have been classified based upon the actual direct expenditures and allocations based upon estimates by the Organization. The costs of supporting the various programs and other activities have been summarized on a functional basis below.

	2017	2016
Program	$ 4,364,932	$ 4,376,310
Management and general	1,263,023	1,237,454
Fundraising (membership development)	754,435	710,343
	$ 6,382,390	$ 6,324,107

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Management and general expenses include $841,789 and $825,169 of underwriting expenses at June 30, 2017 and 2016, respectively.

Subsequent Events

The Organization has evaluated subsequent events through September 25, 2017, which is the date the consolidated financial statements were available to be issued.

NOTE 2 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable as of June 30 consisted of the following:

	2017	2016
Due within one year	$ 8,133	$ 30,820
Less allowance for uncollectible contributions	(4,600)	(5,500)
	$ 3,533	$ 25,320

NOTE 3 INVESTMENTS

Investments as of June 30 consisted of the following:

	2017	2016
Money market funds	$ 848,938	$ 567,522
Equity securities	2,486,542	2,337,744
Equity mutual funds	3,640	3,706
Bond mutual funds	5,002	4,807
Corporate bonds	3,494,389	3,104,612
Other traded securities	1,465,569	1,090,660
	$ 8,304,080	$ 7,109,051

Investment return is comprised of the following:

	2017	2016
Interest and dividends	$ 187,101	$ 188,931
Realized gain (loss) on investments	102,759	(1,305)
Unrealized gain (loss) on investments	311,239	(28,921)
	$ 601,099	$ 158,705

NOTE 3 INVESTMENTS (CONTINUED)

Endowment

The Organization's endowment consists of various donor-restricted endowment funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which is the applicable law in the state of Ohio effective June 1, 2009. UPMIFA provides guidance on matters concerning the governance and management of donor restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as permanently restricted net assets. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors.

Investment Policy

Investment assets, including endowment assets, which are assets of donor-restricted funds that the Organization must hold in perpetuity, are managed in a pooled income fund. The investment policy states that the primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk. Endowment assets are expected to meet spending needs plus the level of U.S. inflation over the life span of the organization, which is expected to be in perpetuity.

These objectives shall be accomplished using a balanced strategy of equity and fixed income securities and cash equivalents relying on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization's current spending policy is to transfer all investment return into unrestricted net assets or temporarily restricted net assets if directed by the donor. The Board of Directors approved the use of up to 4% of the average quarterly fair market value of unrestricted undesignated (non-endowment) funds for the prior 12 quarters to be spent to meet operating needs.

NOTE 3 INVESTMENTS (CONTINUED)

Spending Policy (Continued)

The composition of net assets by type of endowment fund at June 30 was:

	2017	2016
Board designated endowment funds	$ 3,602,543	$ 3,602,543
Permanently restricted	335,949	335,949
	$ 3,938,492	$ 3,938,492

The changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Board Designated	Permanently Restricted	Total
Balance at June 30, 2015	$ 440,753	$ 335,949	$ 776,702
Contributions	3,161,790	-	3,161,790
Total investment return	45,010	9,359	54,369
Transfer of funds	(45,010)	(9,359)	(54,369)
Total change in endowment net assets	3,161,790	-	3,161,790
Balance at June 30, 2016	3,602,543	335,949	3,938,492
Contributions	-	-	-
Total investment return	93,931	17,071	111,002
Transfer of funds	(93,931)	(17,071)	(111,002)
Total change in endowment net assets	-	-	-
Balance at June 30, 2017	$ 3,602,543	$ 335,949	$ 3,938,492

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consisted of the following:

	2017	2016
Leasehold improvements	$ 893,638	$ 893,638
Transmitter	677,304	677,304
Studio and broadcast equipment	565,185	595,498
Furniture, fixtures and office equipment	203,662	210,424
Computer hardware and software	132,004	134,741
	2,471,793	2,511,605
Less accumulated depreciation	(1,924,844)	(1,851,775)
	546,949	659,830
Capital lease	-	8,622
	$ 546,949	$ 668,452

Depreciation expense was $193,182 and $196,552 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5 CAPITAL LEASE

At June 30, 2016, the Organization was obligated under a capital lease for telephone equipment that expired during 2017. The monthly payments under this lease were $828. The equipment amount of $43,111 was capitalized with lease payments commencing in August 2012. The Organization began depreciating the equipment July 1, 2012.

NOTE 6 BROADCAST LICENSES

The broadcast licenses consisted of the following at June 30:

	2017	2016
WGUC	$ 9,900,000	$ 9,900,000
WVXU	13,088,377	13,088,377
	$ 22,988,377	$ 22,988,377

NOTE 7 BONDS PAYABLE

Bonds payable consisted of the following at June 30:

	2017	2016
Bonds payable (A)	$ 4,560,926	$ 4,971,836
Less unamortized debt issuance costs (B)	(197,106)	(221,324)
	4,363,820	4,750,512
Less current maturities	(439,077)	(410,911)
	$ 3,924,743	$ 4,339,601

(A) The Organization has outstanding tax exempt revenue bonds, which are due on August 10, 2025. Payments of principal and interest are made on a quarterly basis. The interest rate was fixed through May 22, 2013 at 2.31%. On May 23, 2013, the Organization reissued the tax exempt revenue bonds. The interest is variable with annual resets each November that are fixed by the bond agreement. The maximum interest rate is 4.99%. The interest rate as of June 30, 2017 was 4.49%. The bonds are secured by substantially all assets of the Organization. The loan agreement contains financial covenants for cash flow available for debt service, maximum amount of debt and unrestricted investments that must be met.

(B) The Organization incurred legal, broker, appraisal, survey and other fees in connection with the bond issuance. As of June 30, 2017 and 2016, the unamortized debt issuance costs include bond issuance costs of $484,336 less accumulated amortization of $287,230 and $263,012, respectively. These costs are being amortized over the life of the bonds. Amortization expense incurred and reported as interest expense for both of the years ended June 30, 2017 and 2016 was $24,218.

Aggregate annual maturities of the bonds payable at June 30, 2017 are as follows:

2018	$ 439,077
2019	464,839
2020	495,219
2021	523,266
2022	559,582
Thereafter	2,078,943
	$ 4,560,926

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are available for the following purposes or periods:

	2017	2016
Restricted as to purpose:		
Capital improvements	$ 53,494	$ 45,000
Programming	30,000	21,000
Charitable gift annuity	13,702	13,702
	$ 97,196	$ 79,702

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors and consisted of the following for the years ended June 30:

	2017	2016
Purpose restriction accomplished:		
Programming	$ 21,000	$ 67,567
Capital improvements	45,000	-
	$ 66,000	$ 67,567

NOTE 10 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at both June 30, 2017 and 2016 was $335,949. They are included in investments with the principal treated as an endowment fund, and with investment income and related gains included as investment return in the unrestricted section of the statement of activities. Investment earnings on these funds are to be used for support of programming.

NOTE 11 COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, not-for-profit grant-making organization that provides funding to public radio and television stations. Grants may be used at the discretion of the recipients, although a portion is restricted for acquisition and production of programs to be distributed nationwide. Public broadcasters use these funds for purposes relating primarily to production and acquisition of programming.

NOTE 11 COMMUNITY SERVICE GRANTS (CONTINUED)

The grants are reported on the accompanying consolidated financial statements as unrestricted operating revenues when earned; however, certain general 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. During the 2017 and 2016 fiscal years, $484,616 and $509,222, respectively, were earned. Amounts received in excess of amounts earned are recorded as unearned revenue on the consolidated statement of financial position.

NOTE 12 OPERATING LEASE

The Organization leases its office facilities under a non-cancelable operating lease from the Greater Cincinnati Television Educational Foundation. The lease is for a fifteen-year term, which expires on October 31, 2019, with the option to renew for an additional fifteen years. Base rent is adjusted annually for inflation. Rent expense for this lease included in the consolidated statements of activities for the years ended June 30, 2017 and 2016 was $228,701 and $226,370, respectively.

In addition, the Organization leases office equipment under a non-cancelable lease that expires in March 2019. Rent expense for office equipment leases included in the consolidated statements of activities was $7,289 and $6,877 for the years ended June 30, 2017 and 2016, respectively.

The future minimum payments on the Organization's operating leases are as follows:

2018	$ 241,285
2019	245,222
2020	80,490
	$ 566,997

NOTE 13 RETIREMENT PLAN

The Organization has a defined contribution pension plan for all eligible employees. The plan is funded through the purchase of deferred tax-sheltered annuity contracts. Employee contributions are voluntary and are made on a pretax basis. On January 1, 2009, the Organization amended the plan to change the contribution to a voluntary basis rather than a specific contribution amount. In February 2009, the Organization ceased payments to the plan. In November 2015, the Organization resumed payments to the plan. During the 2017 and 2016 fiscal years, the Organization contributed 2% for the first 4% and 1% for the first 2%, respectively, of contributions made by eligible employees. Employer contributions for the years ended June 30, 2017 and 2016 were $34,981 and $12,456, respectively.

NOTE 14 IN-KIND DONATIONS

In-kind donations are reflected as contributions in the accompanying consolidated statements. Detailed below is a listing of all in-kind donations at their estimated fair values at date of receipt for the years ended June 30:

	2017	2016
Advertising and premiums	$ 286,497	$ 351,892
Operational expenses	290,977	296,236
Programming	46,880	38,465
Special events	-	3,040
	$ 624,354	$ 689,633

NOTE 15 FAIR VALUE

The Organization measures investments at fair value in accordance with GAAP, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. GAAP also establishes a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets.
Level 2 – Inputs are observable quoted prices for similar assets in active markets.
Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of the investments pursuant to the valuation hierarchy.

Fair values for investments in marketable securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes assets measured at fair value on a recurring basis at June 30:

Year	Description	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
2017	Investments in marketable securities	$ 8,304,080	$ 3,960,753	$ 4,343,327
2016	Investments in marketable securities	$ 7,109,051	$ 3,436,917	$ 3,672,134

There were no level 3 assets.

NOTE 15 FAIR VALUE (CONTINUED)

Assets Measured at Fair Value on a Nonrecurring Basis

Broadcast licenses are measured at fair value on a nonrecurring basis. That is, the broadcast licenses are subject to fair value in certain circumstances, such as when there is evidence of impairment. The licenses were recorded at the book values at the time of purchase, which approximates fair value and results in a classification within Level 3 of the valuation hierarchy.

Level 3 – Broadcast Licenses $22,988,377

The differences between the estimated fair value and carrying value of the Organization's financial instruments were not significant at June 30, 2017 and 2016. The following summarizes the methods used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated financial statement at amounts other than fair value.

Pledges receivable

Fair value is estimated at the present value of the future payment expected to be received.

Bonds payable

Fair value is estimated based on the borrowing rates currently available to the Organization for bonds with similar terms and maturities.

NOTE 16 COMMITMENTS AND CONTINGENCIES

Pursuant to the agreement with the University of Cincinnati that transferred the WGUC broadcast license and all rights associated with it from the University to the Organization, the University has the right of first refusal upon any future sale of the WGUC license.

NOTE 17 ACCOUNTING STANDARD UPDATES

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers.* The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the Organization's fiscal year ending June 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's fiscal year ending June 30, 2021.

NOTE 17 ACCOUNTING STANDARD UPDATES (CONTINUED)

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Organization’s fiscal year ending June 30, 2019.

The Organization is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

SUPPLEMENTARY INFORMATION

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017 with Summarized Comparative Totals for June 30, 2016

	2017							2016
	Programming, Production and Promotion	Broadcasting	Total Program Services	Management and General	Underwriting	Membership Development	Total	Total
Salaries and wages	$ 1,185,701	$ 403,063	$ 1,588,764	$ 234,904	$ -	$ 303,637	$ 2,127,305	$ 2,117,571
Contract services	158,436	234,346	392,782	76,844	774,203	137,980	1,381,809	1,314,876
Program license fees	973,704	-	973,704	-	-	-	973,704	948,080
Advertising and premiums	302,280	-	302,280	-	5,585	71,871	379,736	463,488
Employee benefits and payroll taxes	194,624	71,321	265,945	27,250	-	53,757	346,952	313,899
Interest	236,998	301	237,299	-	-	-	237,299	243,637
Building rent	102,916	57,175	160,091	11,435	22,870	34,305	228,701	226,370
Depreciation	42,218	122,242	164,460	4,787	9,574	14,361	193,182	196,552
Investment and bank fees	61	95	156	44,912	10,018	67,103	122,189	115,096
Research	63,170	-	63,170	-	7,720	-	70,890	66,920
Tower rent	-	60,600	60,600	-	-	-	60,600	60,600
Travel and training	20,610	2,819	23,429	14,815	1,800	5,800	45,844	53,696
Utilities	-	44,894	44,894	-	-	-	44,894	43,478
Postage	843	275	1,118	2,821	37	37,305	41,281	42,281
Supplies	4,521	12,952	17,473	347	1,040	4,137	22,997	20,665
Telephone	6,538	14,516	21,054	259	776	647	22,736	25,637
Special events	14,289	-	14,289	-	-	5,989	20,278	24,690
Dues and memberships	7,183	-	7,183	1,623	225	8,995	18,026	16,497
Insurance	7,496	4,165	11,661	833	1,666	2,499	16,659	16,548
Repairs and maintenance	165	14,365	14,530	404	-	-	14,934	1,627
Bad debt expense	-	50	50	-	6,275	6,049	12,374	11,899
Total expenses	$ 3,321,753	$ 1,043,179	$ 4,364,932	$ 421,234	$ 841,789	$ 754,435	$ 6,382,390	$ 6,324,107
Percentages - 2017	52%	16%	68%	7%	13%	12%	100%	
Percentages - 2016	53%	16%	69%	7%	13%	11%		100%