Cincinnati Public Radio, Inc. and Subsidiary

Consolidated Financial Statements with Accompanying Information
June 30, 2013, with
Summarized Comparative Totals for June 30, 2012, and
Independent Auditors' Report

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY
June 30, 2013 with Summarized Comparative Totals for June 30, 2012

Contents

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. and Subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated 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 consolidated 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 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 Organization'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 consolidated financial position of Cincinnati Public Radio, Inc. and Subsidiary as of June 30, 2013, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses on page 17 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 2012 consolidated financial statements, and our report dated September 14, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

September 16, 2013
Cincinnati, OH

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2013 with Summarized Comparative Totals for June 30, 2012

	2013	2012
Assets		
Current:		
Cash and cash equivalents	$ 324,910	$ 324,186
Accounts receivable (net of allowance for doubtful accounts of $30,000 and $46,000 at June 30, 2013 and 2012, respectively)	212,285	216,140
Pledges receivable (net of allowance for uncollectible pledges of $23,000 and $15,000 at June 30, 2013 and 2012, respectively)	126,763	142,476
Bequest receivable	2,424,000	-
Prepaid expenses and deposits	37,328	35,684
Total current assets	3,125,286	718,486
Property and equipment, net	837,288	1,010,649
Other:		
Investments	3,789,074	2,605,722
Broadcast licenses	22,988,377	22,988,377
Bond issuance costs, net of amortization	293,978	318,196
Total other assets	27,071,429	25,912,295
Total assets	$ 31,034,003	$ 27,641,430
Liabilities and Net Assets		
Liabilities		
Current:		
Accounts payable	$ 96,744	$ 199,366
Unearned revenue	137,443	121,995
Other accrued liabilities	151,837	140,523
Current portion of lease liability	8,118	7,800
Current portion of bonds payable	565,542	675,987
Total current liabilities	959,684	1,145,671
Lease liability, net of current portion	27,325	35,311
Bonds payable, net of current portion	9,112,255	9,677,798
Total liabilities	10,099,264	10,858,780
Net Assets		
Unrestricted:		
Operating	17,741,120	16,008,144
Board designated	440,753	440,753
Total unrestricted	18,181,873	16,448,897
Temporarily restricted	2,516,917	97,804
Permanently restricted	235,949	235,949
Total net assets	20,934,739	16,782,650
Total liabilities and net assets	$ 31,034,003	$ 27,641,430

See accompanying notes to financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2013 with Summarized Comparative Totals for June 30, 2012

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenues					
Public support:					
Corporation for Public Broadcasting	$ 456,260	$ -	$ -	$ 456,260	$ 498,970
Contributions	4,126,383	2,474,000	-	6,600,383	3,230,848
Underwriting	1,901,383	-	-	1,901,383	1,860,714
Foundations	249,950	25,000	-	274,950	236,477
Grants	37,634	-	-	37,634	43,527
In-kind donations	592,857	-	-	592,857	630,632
Special events revenue	57,495	-	-	57,495	91,220
Total public support	7,421,962	2,499,000	-	9,920,962	6,592,388
Revenues:					
Rentals and sales	66,562	-	-	66,562	59,188
Gain (loss) on sale of property and equipment	(88,685)	-	-	(88,685)	5,000
Net assets released from restrictions	79,887	(79,887)	-	-	-
Total revenues	57,764	(79,887)	-	(22,123)	64,188
Total public support and revenues	7,479,726	2,419,113	-	9,898,839	6,656,576
Operating expenses:					
Programming and production	2,308,993	-	-	2,308,993	2,223,206
Broadcasting	788,991	-	-	788,991	773,706
Program information and promotion	837,271	-	-	837,271	858,141
Management and general	442,128	-	-	442,128	495,517
Underwriting	792,814	-	-	792,814	772,196
Membership development	762,805	-	-	762,805	809,527
Total operating expenses	5,933,002	-	-	5,933,002	5,932,293
Change in net assets before other changes	1,546,724	2,419,113	-	3,965,837	724,283
Investment return	186,252	-	-	186,252	97,221
Change in net assets	1,732,976	2,419,113	-	4,152,089	821,504
Net assets, beginning of year	16,448,897	97,804	235,949	16,782,650	15,961,146
Net assets, end of year	$18,181,873	$ 2,516,917	$ 235,949	$20,934,739	$16,782,650

See accompanying notes to financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2013 with Summarized Comparative Totals for June 30, 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 4,152,089	$ 821,504
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	185,699	172,116
Bad debt expense	21,236	67,135
Stock donations	(880,898)	(42,070)
(Gain) Loss on sale of property and equipment	88,685	(5,000)
Net realized and unrealized gain on investments	(90,568)	(51,633)
Changes in:		
Accounts receivable	45,644	2,578
Pledges receivable	(47,312)	14,671
Bequest receivable	(2,424,000)	-
Prepaid expenses and deposits	(1,644)	90,652
Accounts payable	(102,622)	14,402
Accrued liabilities	11,314	(5,364)
Unearned revenue	15,448	(10,138)
Net cash provided by operating activities	973,071	1,068,853
Cash flows from investing activities		
Sale (purchase) of property and equipment	(76,805)	(115,756)
Proceeds from sale of property and equipment	-	5,000
Purchase of investments	(543,770)	(682,026)
Proceeds from sale of investments	331,884	621,002
Net cash used in investing activities	(288,691)	(171,780)
Cash flows from financing activities		
Payments on bonds payable	(675,988)	(660,593)
Payment on lease liability	(7,668)	-
Net cash used in financing activities	(683,656)	(660,593)
Net change in cash and cash equivalents	724	236,480
Cash and cash equivalents, beginning of year	324,186	87,706
Cash and cash equivalents, end of year	$ 324,910	$ 324,186
Supplemental cash flows information		
Capital lease obligation	$ -	$ (43,111)
Capital lease asset	$ -	$ 43,111
Interest paid	$ 235,610	$ 248,737

See accompanying notes to 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 federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar provisions of state 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 is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes that would jeopardize its tax-exempt status. No liability was incurred at June 30, 2013.

Financial Statement Presentation

The accompanying 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 $440,753 at June 30, 2013 and 2012.

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.

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

Financial Statement Presentation (continued)

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 financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information, included with the 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, 2012, from which the summarized information was derived.

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.

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

Bequest receivable represents amounts due from estates that are expected to be collected within one year. These receivables are unrestricted and have been recorded at estimated net realizable value.

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.

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

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.

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 15.

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.

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

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.

	2013	2012
Program	$ 3,935,255	$ 3,855,053
Management and general	1,234,942	1,267,713
Fundraising	762,805	809,527
	$ 5,933,002	$ 5,932,293

Management and general expenses include $792,814 and $772,196 of underwriting expenses at June 30, 2013 and 2012, respectively.

Subsequent Events

The Association has evaluated subsequent events through September 16, 2013, which is the date the financial statements were available to be issued.

NOTE 2 PLEDGES AND BEQUEST RECEIVABLE

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

	2013	2012
Due within one year	$ 2,573,763	$ 157,476
Less: Allowance for uncollectible contributions	23,000	15,000
	$ 2,550,763	$ 142,476

NOTE 3 INVESTMENTS

Investments as of June 30 consisted of the following:

	2013	2012
Cash management and money market	$ 344,300	$ 443,003
Equities	1,636,034	1,073,649
Bond mutual funds	1,642,205	1,039,918
Other traded securities	166,535	49,152
	$ 3,789,074	$ 2,605,722

NOTE 3 INVESTMENTS (Continued)

Investment return is comprised of the following:

	2013	2012
Interest and dividends	$ 95,684	$ 45,589
Realized gain on investments	1,762	1,694
Unrealized gain on investments	88,806	49,938
	$ 186,252	$ 97,221

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. The Organization expects its investment funds to provide an average rate of return of 3% plus the Consumer Price Index over a five year period.

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 unrestricted undesignated investment assets to meet operating needs.

NOTE 3 INVESTMENTS (Continued)

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

	2013	2012
Board designated endowment funds	$ 440,753	$ 440,753
Permanently restricted	235,949	235,949
	$ 676,702	$ 676,702

The changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	Board Designated	Permanently Restricted	Total
Balance at June 30, 2011	$ 440,753	$ 235,949	$ 676,702
Total investment return	8,147	4,362	12,509
Transfer of funds	(8,147)	(4,362)	(12,509)
Total change in endowment net assets	-	-	-
Balance at June 30, 2012	440,753	235,949	676,702
Total investment return	13,575	7,267	20,842
Transfer of funds	(13,575)	(7,267)	(20,842)
Total change in endowment net assets	-	-	-
Balance at June 30, 2013	$ 440,753	$ 235,949	$ 676,702

NOTE 4 PROPERTY AND EQUIPMENT

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

	2013	2012
Studio and broadcast equipment	$ 521,191	$ 498,569
Transmitter	596,339	596,339
Leasehold improvements	898,409	898,409
Computer hardware and software	89,413	153,052
Furniture, fixtures and office equipment	206,854	229,878
	2,312,206	2,376,247
Less accumulated depreciation	(1,509,407)	(1,467,709)
	802,799	908,538
Capital lease	34,489	43,111
Construction in Progress	-	59,000
	$ 837,288	$ 1,010,649

Depreciation expense was $161,481 and $147,898 for the year ended June 30, 2013 and 2012, respectively.

NOTE 5 CAPITAL LEASE

At June 30, 2013, the Organization was obligated under a capital lease for telephone equipment that expires on July 8, 2017. The monthly payments under this lease amount to $812. The equipment amount of $43,111 has been capitalized with lease payments commencing in August 2012. The Organization began depreciating the equipment July 1, 2012.

The future capital lease obligations for the following fiscal years are as follows:

2014	$ 9,933
2015	9,933
2016	9,933
2017	9,933
Total minimum lease payments	39,732
Less amount representing interest	4,289
Present value of net minimum lease payments	$ 35,443

NOTE 6 BROADCAST LICENSES

The broadcast licenses consisted of the following at June 30:

	2013	2012
WGUC	$ 9,900,000	$ 9,900,000
WVXU	13,088,377	13,088,377
	$ 22,988,377	$ 22,988,377

NOTE 7 BOND ISSUANCE COSTS

The Organization incurred legal, broker, appraisal, survey and other fees in connection with the bond issuance (see Note 8). These costs, totaling $484,336, were capitalized and are being amortized over the life of the bonds. The amount of amortization expense incurred for both of the years ended June 30, 2013 and 2012 was $24,218. As of June 30, 2013 and 2012, the accumulated amortization on the bond issuance costs was $190,358 and $166,140, respectively.

NOTE 8 BONDS PAYABLE

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 August that are fixed by the bond agreement. Initially, from May 23, 2013 to May 10, 2014, the interest rate is 2.31%, with a maximum rate of 4.99% after August 2024. The bonds are secured by substantially all assets of the Organization.

NOTE 8 BONDS PAYABLE (Continued)

Aggregate annual maturities of the bonds payable at June 30, 2013 are:

2014	$ 565,542
2015	2,556,694
2016	526,583
2017	525,197
2018	553,363
Thereafter	4,950,418
	$ 9,677,797

The loan agreement contains financial covenants for cash flow available for debt service, maximum amount of debt and unrestricted investments that must be met.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Restricted as to purpose:		
Grant funded programming	$ 92,917	$ 87,167
Capital improvements	-	10,637
Restricted as to time:		
Bequest receivable	2,424,000	-
	$ 2,516,917	$ 97,804

NOTE 10 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 year ended June 30:

	2013	2012
Purpose restriction accomplished:		
Programming	$ 69,250	$ 60,686
Captial improvements	-	28,527
Capital Campaign	10,637	8,598
	$ 79,887	$ 97,811

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2013 and 2012 was $235,949. 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 12 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.

The grants are reported on the accompanying 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 2013 and 2012 fiscal years, $456,260 and $498,120, respectively, was earned. Amounts received in excess of amounts earned are recorded as unearned revenue on the consolidated statement of financial position.

NOTE 13 OPERATING LEASE

The Organization leases its office facilities under a noncancelable 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 statement of activities for the years ended June 30, 2013 and 2012 was $205,178 and $200,434, respectively. The Organization received in-kind rent from the Greater Cincinnati Television Educational Foundation for office facilities in the amounts of $25,900 and $26,000 for the years ended June 30, 2013 and 2012, respectively. In June 2009, the Organization commenced leasing office copiers.

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

2014	$ 218,150
2015	218,825
2016	225,390
2017	232,152
2018	239,116
Thereafter	318,821
	$ 1,452,454

NOTE 14 PENSION 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. There were no employer contributions for the years ended June 30, 2013 and 2012.

NOTE 15 IN-KIND DONATIONS

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

	2013	2012
Advertising and premiums	$ 315,223	$ 321,041
Operational expenses	238,284	259,788
Programming	35,510	42,360
Special events	3,840	7,443
	$ 592,857	$ 630,632

NOTE 16 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 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:

Description	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
2013		
Investments in marketable securities	$ 3,789,074	$ 3,789,074
2012		
Investments in marketable securities	$ 2,605,722	$ 2,605,722

NOTE 16 FAIR VALUE (Continued)

There were no level 2 or level 3 assets.

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, 2013 and 2012. The following summarizes the methods used to estimate the fair value of all other financial instruments recognized in the accompanying 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 17 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.

Pursuant to the Asset Purchase Agreement entered into with Xavier University ("Xavier"), if the Organization sells substantially all of the WVXU assets prior to August 2015, the Organization is required to reimburse Xavier 50% of any excess of the sales price of the assets over the amount paid to Xavier for the assets.

ACCOMPANYING INFORMATION

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2013 with Summarized Comparative Totals for June 30, 2012

	2013								2012
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Underwriting	Membership Development	Total	Total
Salaries and wages	$ 866,985	$ 315,031	$ 238,733	$ 1,420,749	$ 231,626	$ -	$ 300,620	$ 1,952,995	$ 1,933,971
Contract services	92,018	129,447	41,382	262,847	96,631	742,666	161,093	1,263,237	1,210,799
Program license fees	791,537	-	27,828	819,365	-	-	-	819,365	757,243
Advertising and premiums	-	-	320,775	320,775	-	-	62,372	383,147	430,261
Employee benefits and payroll taxes	118,726	46,230	36,469	201,425	34,569	-	42,160	278,154	303,066
Interest	231,181	2,265	-	233,446	-	-	-	233,446	246,622
Building rent	57,769	57,769	34,662	150,200	23,108	23,108	34,662	231,078	226,432
Depreciation and amortization	47,238	93,789	13,128	154,155	9,208	9,208	13,128	185,699	172,118
Investment and bank fees	-	-	-	-	39,030	-	51,832	90,862	78,151
Special events	-	-	68,447	68,447	-	-	-	68,447	60,147
Research	61,345	-	-	61,345	-	6,645	-	67,990	82,245
Travel and training	6,941	3,777	31,338	42,056	8,996	8,185	4,153	63,390	71,433
Tower rent	-	60,600	-	60,600	-	-	-	60,600	58,356
Postage	70	292	4,724	5,086	1,777	273	50,449	57,585	54,691
Utilities	-	39,013	-	39,013	-	-	-	39,013	41,989
Telephone	8,101	15,642	947	24,690	710	1,184	1,234	27,818	31,264
Dues and memberships	17,416	30	1,469	18,915	1,168	-	7,554	27,637	29,876
Bad debt expense (recovery)	-	-	-	-	(7,079)	-	28,315	21,236	67,135
Supplies	5,824	6,450	1,431	13,705	791	9	2,928	17,433	27,812
Insurance	3,842	3,842	2,306	9,990	1,534	1,536	2,305	15,365	15,242
Repairs and maintenance	-	14,814	-	14,814	59	-	-	14,873	18,083
Printing	-	-	13,632	13,632	-	-	-	13,632	15,315
Miscellaneous	-	-	-	-	-	-	-	-	42
Total expenses	$ 2,308,993	$ 788,991	$ 837,271	$ 3,935,255	$ 442,128	$ 792,814	$ 762,805	$ 5,933,002	$ 5,932,293
Percentages - 2013	39%	13%	14%	66%	8%	13%	13%	100%	
Percentages - 2012	37%	13%	15%	65%	8%	13%	14%		100%

See accompanying notes to financial statements