

Cincinnati Public Radio, Inc. and Subsidiary

**Consolidated Financial Statements with Supplementary Information
June 30, 2018, with
Summarized Comparative Totals for June 30, 2017, and
Independent Auditors' Report**

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

June 30, 2018 with Summarized Comparative Totals for June 30, 2017

Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 – 18
Supplementary Information:	
Consolidated Statement of Functional Expenses	19

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, 2018, 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, 2018, 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 19 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

September 21, 2018
Cincinnati, Ohio

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Consolidated Statement of Financial Position
June 30, 2018 with Summarized Comparative Totals for June 30, 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Current:		
Cash and cash equivalents	\$ 1,742,892	\$ 1,133,631
Accounts receivable (net of allowance for doubtful accounts of \$22,000 and \$20,000 at June 30, 2018 and 2017, respectively)	296,174	278,389
Pledges and grants receivable, net	77,965	3,533
Prepaid expenses and deposits	<u>75,502</u>	<u>82,565</u>
Total current assets	<u>2,192,533</u>	<u>1,498,118</u>
Property and equipment, net	<u>534,117</u>	<u>546,949</u>
Other:		
Investments	8,596,468	8,304,080
Broadcast licenses	<u>22,988,377</u>	<u>22,988,377</u>
Total other assets	<u>31,584,845</u>	<u>31,292,457</u>
Total assets	<u><u>\$ 34,311,495</u></u>	<u><u>\$ 33,337,524</u></u>
Liabilities and Net Assets		
Liabilities		
Current:		
Accounts payable	\$ 114,495	\$ 96,439
Refundable advances and unearned revenue	134,606	136,922
Other accrued liabilities	190,452	191,444
Current portion of bonds payable	<u>464,839</u>	<u>439,077</u>
Total current liabilities	904,392	863,882
Bonds payable, net	<u>3,484,121</u>	<u>3,924,743</u>
Total liabilities	<u>4,388,513</u>	<u>4,788,625</u>
Net Assets		
Unrestricted:		
Operating	25,920,788	24,513,211
Board designated endowment	<u>3,602,543</u>	<u>3,602,543</u>
Total unrestricted	29,523,331	28,115,754
Temporarily restricted	63,702	97,196
Permanently restricted	<u>335,949</u>	<u>335,949</u>
Total net assets	<u>29,922,982</u>	<u>28,548,899</u>
Total liabilities and net assets	<u><u>\$ 34,311,495</u></u>	<u><u>\$ 33,337,524</u></u>

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Consolidated Statement of Activities
Year Ended June 30, 2018 with Summarized Comparative Totals for June 30, 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues				
Public support:				
Corporation for Public Broadcasting	\$ 440,660	\$ -	\$ -	\$ 440,660
Contributions	3,604,183	-	-	3,604,183
Underwriting	2,456,294	-	-	2,456,294
Foundations	255,261	50,000	-	305,261
State grants	71,703	-	-	71,703
In-kind donations	898,983	-	-	898,983
Special events revenue	56,457	-	-	56,457
Other	7,627	-	-	7,627
Total public support	7,791,168	50,000	-	7,841,168
Revenues:				
Rentals and sales	42,695	-	-	42,695
Net assets released from restrictions	83,494	(83,494)	-	-
Total revenues	126,189	(83,494)	-	42,695
Total public support and revenues	7,917,357	(33,494)	-	7,883,863
Operating expenses				
Programming, production and promotion	3,674,879	-	-	3,674,879
Broadcasting	977,024	-	-	977,024
Management and general	430,425	-	-	430,425
Underwriting	945,374	-	-	945,374
Membership development	817,216	-	-	817,216
Total operating expenses	6,844,918	-	-	6,844,918
Change in net assets before other changes	1,072,439	(33,494)	-	1,038,945
Investment return	335,138	-	-	335,138
Change in net assets	1,407,577	(33,494)	-	1,374,083
Net assets, beginning of year	28,115,754	97,196	335,949	28,548,899
Net assets, end of year	\$ 29,523,331	\$ 63,702	\$ 335,949	\$ 29,922,982

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Consolidated Statement of Cash Flows
Year Ended June 30, 2018 with Summarized Comparative Totals for June 30, 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 1,374,083	\$ 1,666,663
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	139,785	193,182
Amortization of bond issuance costs included in interest	24,218	24,218
Bad debt expense	11,063	12,374
Net realized and unrealized gain on investments	(137,543)	(413,998)
Changes in:		
Accounts receivable	(28,848)	(5,198)
Pledges and grants receivable	(74,432)	21,787
Prepaid expenses and deposits	7,063	(7,668)
Accounts payable	18,056	(1,839)
Refundable advances and unearned revenue	(2,316)	2,199
Other accrued liabilities	<u>(992)</u>	<u>13,536</u>
Net cash provided by operating activities	<u>1,330,137</u>	<u>1,505,256</u>
Cash flows from investing activities		
Purchase of property and equipment	(126,953)	(71,679)
Purchase of investments	(341,618)	(819,308)
Proceeds from sale of investments	<u>186,773</u>	<u>38,277</u>
Net cash used in investing activities	<u>(281,798)</u>	<u>(852,710)</u>
Cash flows from financing activities		
Payments on bonds payable	(439,078)	(410,910)
Payment on lease liability	<u>-</u>	<u>(9,632)</u>
Net cash used in financing activities	<u>(439,078)</u>	<u>(420,542)</u>
Net change in cash and cash equivalents	609,261	232,004
Cash and cash equivalents, beginning of year	<u>1,133,631</u>	<u>901,627</u>
Cash and cash equivalents, end of year	<u>\$ 1,742,892</u>	<u>\$ 1,133,631</u>
Supplemental cash flows information		
Interest paid	<u>\$ 201,112</u>	<u>\$ 214,327</u>

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

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, 2018 and 2017. 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.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

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, 2017, 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. At June 30, 2018 and 2017, cash equivalents consisted primarily of money market deposit accounts and certificates of deposit. 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 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.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

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

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.

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 13.

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.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Notes to Consolidated Financial Statements
(Continued)**

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

Revenue Recognition (Continued)

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.

	2018	2017
Program	\$ 4,651,903	\$ 4,364,932
Management and general	1,375,799	1,263,023
Fundraising (membership development)	817,216	754,435
	\$ 6,844,918	\$ 6,382,390

Management and general expenses include \$945,374 and \$841,789 of underwriting expenses at June 30, 2018 and 2017, respectively.

Subsequent Events

The Organization has evaluated subsequent events through September 21, 2018, 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:

	2018	2017
Due within one year	\$ 80,965	\$ 8,133
Less allowance for uncollectible contributions	(3,000)	(4,600)
	\$ 77,965	\$ 3,533

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 3 INVESTMENTS

Investments as of June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 469,797	\$ 848,938
Equity securities	2,471,293	2,486,542
Equity mutual funds	3,380	3,640
Bond mutual funds	5,013	5,002
Corporate bonds	4,077,947	3,494,389
Other traded securities	1,569,038	1,465,569
	<u>\$ 8,596,468</u>	<u>\$ 8,304,080</u>

Investment return is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 197,595	\$ 187,101
Realized gain on investments	84,107	102,759
Unrealized gain on investments	53,436	311,239
	<u>\$ 335,138</u>	<u>\$ 601,099</u>

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.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 3 INVESTMENTS (CONTINUED)

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.

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

	<u>2018</u>	<u>2017</u>
Board designated endowment funds	\$ 3,602,543	\$ 3,602,543
Permanently restricted	<u>335,949</u>	<u>335,949</u>
	<u>\$ 3,938,492</u>	<u>\$ 3,938,492</u>

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 3 INVESTMENTS (CONTINUED)

Spending Policy (Continued)

The changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at June 30, 2016	\$ 3,602,543	\$ 335,949	\$ 3,938,492
Total investment return	93,931	17,071	111,002
Appropriated for expenditure	<u>(93,931)</u>	<u>(17,071)</u>	<u>(111,002)</u>
Total change in endowment net assets	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2017	3,602,543	335,949	3,938,492
Total investment return	95,030	12,620	107,650
Appropriated for expenditure	<u>(95,030)</u>	<u>(12,620)</u>	<u>(107,650)</u>
Total change in endowment net assets	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2018	<u>\$ 3,602,543</u>	<u>\$ 335,949</u>	<u>\$ 3,938,492</u>

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 898,732	\$ 893,638
Transmitter	677,015	677,304
Studio and broadcast equipment	584,203	565,185
Furniture, fixtures and office equipment	210,753	203,662
Computer hardware and software	<u>133,912</u>	<u>132,004</u>
	2,504,615	2,471,793
Less accumulated depreciation	<u>(2,035,112)</u>	<u>(1,924,844)</u>
	469,503	546,949
Construction in progress	<u>64,614</u>	<u>-</u>
	<u>\$ 534,117</u>	<u>\$ 546,949</u>

Depreciation expense was \$139,785 and \$193,182 for the years ended June 30, 2018 and 2017, respectively.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 5 BROADCAST LICENSES

The broadcast licenses consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
WGUC	\$ 9,900,000	\$ 9,900,000
WVXU	<u>13,088,377</u>	<u>13,088,377</u>
	<u>\$ 22,988,377</u>	<u>\$ 22,988,377</u>

NOTE 6 BONDS PAYABLE

Bonds payable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Bonds payable (A)	\$ 4,121,848	\$ 4,560,926
Less unamortized debt issuance costs (B)	<u>(172,888)</u>	<u>(197,106)</u>
	3,948,960	4,363,820
Less current maturities	<u>(464,839)</u>	<u>(439,077)</u>
	<u>\$ 3,484,121</u>	<u>\$ 3,924,743</u>

(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. 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, 2018 was 4.60%. 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, 2018 and 2017, the unamortized debt issuance costs include bond issuance costs of \$484,336 less accumulated amortization of \$311,448 and \$287,230, 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, 2018 and 2017 was \$24,218.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 6 BONDS PAYABLE (CONTINUED)

Aggregate annual maturities of the bonds payable at June 30, 2018 are as follows:

2019	\$ 464,839
2020	495,219
2021	523,266
2022	559,582
2023	594,300
Thereafter	<u>1,484,642</u>
	<u>\$ 4,121,848</u>

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Restricted as to purpose:		
Capital improvements	\$ 5,000	\$ 53,494
Programming	45,000	30,000
Charitable gift annuity	<u>13,702</u>	<u>13,702</u>
	<u>\$ 63,702</u>	<u>\$ 97,196</u>

NOTE 8 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:

	<u>2018</u>	<u>2017</u>
Purpose restriction accomplished:		
Programming	\$ 30,000	\$ 21,000
Capital improvements	<u>53,494</u>	<u>45,000</u>
	<u>\$ 83,494</u>	<u>\$ 66,000</u>

NOTE 9 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at both June 30, 2018 and 2017 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.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 10 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 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 2018 and 2017 fiscal years, \$440,660 and \$484,616, respectively, were earned. Amounts received in excess of amounts earned are recorded as refundable advances on the consolidated statement of financial position.

NOTE 11 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, 2018 and 2017 was \$233,390 and \$228,701, respectively.

In addition, the Organization leases office equipment under a non-cancelable lease that expires on May 30, 2023. Rent expense for office equipment leases included in the consolidated statements of activities was \$7,416 and \$7,289 for the years ended June 30, 2018 and 2017, respectively.

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

2019	\$ 246,284
2020	87,588
2021	7,260
2022	7,260
2023	6,655
	<u>6,655</u>
	<u>\$ 355,047</u>

NOTE 12 RETIREMENT PLAN

The Organization has a defined contribution retirement 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 November 2015, the Organization resumed payments to the plan. During the 2018 and 2017 fiscal years, the Organization contributed 2% for the first 4% of contributions made by eligible employees. Employer contributions for the years ended June 30, 2018 and 2017 were \$37,826 and \$34,981, respectively.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 13 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:

	<u>2018</u>	<u>2017</u>
Advertising and premiums	\$ 302,469	\$ 286,497
Operational expenses	537,783	290,977
Programming	54,035	46,880
Special events	4,696	-
	<u>\$ 898,983</u>	<u>\$ 624,354</u>

NOTE 14 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.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 14 FAIR VALUE (CONTINUED)

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, 2018	Total	Level 1	Level 2
Investments			
Money market funds	\$ 469,797	\$ -	\$ 469,797
Equity securities	2,471,293	2,471,293	-
Equity mutual funds	3,380	3,380	-
Bond mutual funds	5,013	5,013	-
Corporate bonds	4,077,947	-	4,077,947
Other traded securities	1,569,038	1,569,038	-
Total investments	<u>\$ 8,596,468</u>	<u>\$ 4,048,724</u>	<u>\$ 4,547,744</u>
June 30, 2017	Total	Level 1	Level 2
Investments			
Money market funds	\$ 848,938	\$ -	\$ 848,938
Equity securities	2,486,542	2,486,542	-
Equity mutual funds	3,640	3,640	-
Bond mutual funds	5,002	5,002	-
Corporate bonds	3,494,389	-	3,494,389
Other traded securities	1,465,569	1,465,569	-
Total investments	<u>\$ 8,304,080</u>	<u>\$ 3,960,753</u>	<u>\$ 4,343,327</u>

There were no 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, 2018 and 2017. 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.

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

NOTE 15 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 16 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.

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.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. This standard will be effective for the Organization’s year ending June 30, 2020.

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, 2018 with Summarized Comparative Totals for June 30, 2017**

	2018						2017	
	Programming, Production and Promotion	Broadcasting	Total Program Services	Management and General	Underwriting	Membership Development	Total	
Salaries and wages	\$ 1,215,176	\$ 397,345	\$ 1,612,521	\$ 243,197	\$ -	\$ 312,560	\$ 2,168,278	\$ 2,127,305
Contract services	449,904	202,195	652,099	82,075	868,363	212,012	1,814,549	1,381,809
Program license fees	1,009,366	-	1,009,366	-	-	-	1,009,366	973,704
Advertising and premiums	304,658	-	304,658	107	9,728	46,312	360,805	379,736
Employee benefits and payroll taxes	200,791	73,761	274,552	29,069	-	56,125	359,746	346,952
Building rent	105,026	58,348	163,374	11,670	23,339	35,007	233,390	228,701
Interest	223,226	-	223,226	-	-	-	223,226	237,299
Depreciation	30,900	87,812	118,712	3,513	7,024	10,536	139,785	193,182
Investment and bank fees	221	72	293	43,482	13,196	71,760	128,731	122,189
Research	63,810	-	63,810	-	7,787	-	71,597	70,890
Tower rent	-	62,412	62,412	-	-	-	62,412	60,600
Postage	485	513	998	1,670	72	43,413	46,153	41,281
Utilities	-	46,086	46,086	-	-	-	46,086	44,894
Travel and training	16,051	3,896	19,947	12,035	1,450	7,612	41,044	45,844
Dues and memberships	25,762	-	25,762	2,146	-	2,778	30,686	18,026
Supplies	5,009	16,406	21,415	388	1,673	5,308	28,784	22,997
Telephone	6,001	14,413	20,414	219	658	549	21,840	22,736
Special events	10,808	61	10,869	-	-	9,996	20,865	20,278
Insurance	7,685	4,270	11,955	854	1,708	2,561	17,078	16,659
Bad debt expense	-	-	-	-	10,376	687	11,063	12,374
Repairs and maintenance	-	9,434	9,434	-	-	-	9,434	14,934
Total expenses	\$ 3,674,879	\$ 977,024	\$ 4,651,903	\$ 430,425	\$ 945,374	\$ 817,216	\$ 6,844,918	\$ 6,382,390
Percentages - 2018	54%	14%	68%	6%	14%	12%	100%	
Percentages - 2017	52%	16%	68%	7%	13%	12%		100%