Cincinnati Public Radio, Inc.
and Subsidiary

Consolidated Financial Statements with Supplementary Information
June 30, 2016, with
Summarized Comparative Totals for June 30, 2015, and
Independent Auditors' Report

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY
June 30, 2016 with Summarized Comparative Totals for June 30, 2015

Contents

BARNES DENNIG
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, 2016, 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, 2016, 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 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 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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

September 19, 2016
Cincinnati, Ohio

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2016 with Summarized Comparative Totals for June 30, 2015

	2016	2015
Assets		
Current:		
Cash and cash equivalents	$ 901,627	$ 587,512
Accounts receivable (net of allowance for doubtful accounts of $26,000 and $45,000 at June 30, 2016 and 2015, respectively)	285,565	265,521
Pledges and grants receivable, net	25,320	5,311
Prepaid expenses and deposits	74,897	68,490
Total current assets	1,287,409	926,834
Property and equipment, net	668,452	747,418
Other:		
Investments	7,109,051	6,457,212
Broadcast licenses	22,988,377	22,988,377
Bond issuance costs, net of amortization	221,324	245,542
Total other assets	30,318,752	29,691,131
Total assets	$ 32,274,613	$ 31,365,383
Liabilities and Net Assets		
Liabilities		
Current:		
Accounts payable	$ 98,278	$ 120,476
Unearned revenue	134,723	168,590
Other accrued liabilities	177,908	163,629
Current portion of lease liability	9,632	9,098
Current portion of bonds payable	410,911	412,296
Total current liabilities	831,452	874,089
Lease liability, net of current portion	-	9,632
Bonds payable, net of current portion	4,560,925	4,971,837
Total liabilities	5,392,377	5,855,558
Net Assets		
Unrestricted:		
Operating	22,864,042	24,650,854
Board designated endowment	3,602,543	440,753
Total unrestricted	26,466,585	25,091,607
Temporarily restricted	79,702	82,269
Permanently restricted	335,949	335,949
Total net assets	26,882,236	25,509,825
Total liabilities and net assets	$ 32,274,613	$ 31,365,383

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2016 with Summarized Comparative Totals for June 30, 2015

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenues					
Public support:					
Corporation for Public Broadcasting	$ 509,222	$ -	$ -	$ 509,222	$ 582,958
Contributions	3,690,430	-	-	3,690,430	4,601,284
Underwriting	2,109,876	-	-	2,109,876	2,027,921
Foundations	285,556	65,000	-	350,556	303,855
State grants	73,921	-	-	73,921	48,720
In-kind donations	689,633	-	-	689,633	666,963
Special events revenue	50,285	-	-	50,285	46,822
Other	7,349	-	-	7,349	4,574
Total public support	7,416,272	65,000	-	7,481,272	8,283,097
Revenues:					
Rentals and sales	56,541	-	-	56,541	69,236
Net assets released from restrictions	67,567	(67,567)	-	-	-
Total revenues	124,108	(67,567)	-	56,541	69,236
Total public support and revenues	7,540,380	(2,567)	-	7,537,813	8,352,333
Operating expenses					
Programming, production and promotion	3,364,763	-	-	3,364,763	3,271,001
Broadcasting	1,011,547	-	-	1,011,547	986,003
Management and general	412,285	-	-	412,285	392,590
Underwriting	825,169	-	-	825,169	812,160
Membership development	710,343	-	-	710,343	719,691
Total operating expenses	6,324,107	-	-	6,324,107	6,181,445
Change in net assets before other changes	1,216,273	(2,567)	-	1,213,706	2,170,888
Investment return	158,705	-	-	158,705	121,924
Change in net assets	1,374,978	(2,567)	-	1,372,411	2,292,812
Net assets, beginning of year	25,091,607	82,269	335,949	25,509,825	23,217,013
Net assets, end of year	$ 26,466,585	$ 79,702	$ 335,949	$ 26,882,236	$ 25,509,825

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2016 with Summarized Comparative Totals for June 30, 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 1,372,411	$ 2,292,812
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	220,770	198,459
Bad debt expense	11,899	39,635
Net realized and unrealized loss on investments	30,226	40,467
Changes in:		
Accounts receivable	(31,943)	(35,496)
Pledges and grants receivable	(20,009)	(53,738)
Bequest receivable	-	830,856
Prepaid expenses and deposits	(6,407)	(31,862)
Accounts payable	(22,198)	(16,482)
Unearned revenue	(33,867)	56,304
Other accrued liabilities	14,279	(7,001)
Net cash provided by operating activities	1,535,161	3,313,954
Cash flows from investing activities		
Purchase of property and equipment	(117,586)	(169,408)
Purchase of investments	(808,521)	(1,345,359)
Proceeds from sale of investments	126,456	916,292
Net cash used in investing activities	(799,651)	(598,475)
Cash flows from financing activities		
Payments on bonds payable	(412,297)	(3,728,122)
Payment on lease liability	(9,098)	(8,595)
Net cash used in financing activities	(421,395)	(3,736,717)
Net change in cash and cash equivalents	314,115	(1,021,238)
Cash and cash equivalents, beginning of year	587,512	1,608,750
Cash and cash equivalents, end of year	$ 901,627	$ 587,512
Supplemental cash flows information		
Interest paid	$ 219,419	$ 245,223

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 and \$440,753 at June 30, 2016 and 2015, respectively. 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.

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 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, 2015, 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 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.

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.

	2016	2015
Program	$ 4,376,310	$ 4,257,004
Management and general	1,237,454	1,204,750
Fundraising (membership development)	710,343	719,691
	$ 6,324,107	$ 6,181,445

Management and general expenses include $825,169 and $812,160 of underwriting expenses at June 30, 2016 and 2015, respectively.

Subsequent Events

The Organization has evaluated subsequent events through September 19, 2016, 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:

	2016	2015
Due within one year	$ 30,820	$ 10,811
Less allowance for uncollectible contributions	(5,500)	(5,500)
	$ 25,320	$ 5,311

NOTE 3 INVESTMENTS

Investments as of June 30 consisted of the following:

	2016	2015
Money market funds	$ 567,522	$ 445,223
Equity securities and mutual funds	2,341,450	2,806,127
Bond mutual funds	4,807	149,056
Corporate bonds	3,104,612	2,429,958
Other traded securities	1,090,660	626,848
	$ 7,109,051	$ 6,457,212

NOTE 3 INVESTMENTS (Continued)

Investment return is comprised of the following:

	2016	2015
Interest and dividends	$ 188,931	$ 162,391
Realized gain (loss) on investments	(1,305)	17,138
Unrealized loss on investments	(28,921)	(57,605)
	$ 158,705	$ 121,924

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.

NOTE 3 INVESTMENTS (Continued)

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:

	2016	2015
Board designated endowment funds	$ 3,602,543	$ 440,753
Permanently restricted	335,949	335,949
	$ 3,938,492	$ 776,702

The changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	Board Designated	Permanently Restricted	Total
Balance at June 30, 2014	$ 440,753	$ 235,949	$ 676,702
Contributions	-	100,000	100,000
Total investment return	12,893	8,399	21,292
Transfer of funds	(12,893)	(8,399)	(21,292)
Total change in endowment net assets	-	100,000	100,000
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

NOTE 4 PROPERTY AND EQUIPMENT

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

	2016	2015
Leasehold improvements	$ 893,638	$ 898,409
Transmitter	677,304	696,099
Studio and broadcast equipment	595,498	601,462
Furniture, fixtures and office equipment	210,424	220,153
Computer hardware and software	134,741	128,205
	2,511,605	2,544,328
Less accumulated depreciation	(1,851,775)	(1,814,154)
	659,830	730,174
Capital lease	8,622	17,244
	$ 668,452	$ 747,418

Depreciation expense was $196,552 and $174,241 for the years ended June 30, 2016 and 2015, respectively.

NOTE 5 CAPITAL LEASE

At June 30, 2016 and 2015, 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 $828. 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 obligation for fiscal year 2017 is $9,933 with $301 representing interest. The present value of net minimum lease payments of $9,632.

NOTE 6 BROADCAST LICENSES

The broadcast licenses consisted of the following at June 30:

	2016	2015
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, 2016 and 2015 was $24,218. As of June 30, 2016 and 2015, the accumulated amortization on the bond issuance costs was $263,012 and $238,794, 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 November that are fixed by the bond agreement. The maximum interest rate is 4.99%. The interest rate as of June 30, 2016 was 4.30%. The bonds are secured by substantially all assets of the Organization.

The Organization made additional scheduled principal payments in August 2014 and February 2015 of $1,200,000 and $2,000,000, respectively. The loan agreement contains financial covenants for cash flow available for debt service, maximum amount of debt and unrestricted investments that must be met.

Aggregate annual maturities of the bonds payable at June 30, 2016 are:

2017	$ 410,911
2018	439,077
2019	464,839
2020	495,219
2021	523,266
Thereafter	2,638,524
	$ 4,971,836

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Restricted as to purpose:		
Capital improvements	$ 45,000	$ -
Programming	21,000	68,567
Charitable gift annuity	13,702	13,702
	$ 79,702	$ 82,269

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 years ended June 30:

	2016	2015
Purpose restriction accomplished:		
Programming	$ 67,567	$ 62,050
Capital improvements	-	100,733
Time restriction accomplished:		
Bequest receivable	-	830,856
	$ 67,567	$ 993,639

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at both June 30, 2016 and 2015 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 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 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 2016 and 2015 fiscal years, $509,222 and $582,958, respectively, were 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 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, 2016 and 2015 was $226,370 and $225,471, 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 $6,877 for both years ended June 30, 2016 and 2015.

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

2017	$ 237,835
2018	243,986
2019	248,195
2020	81,677
	$ 811,693

NOTE 14 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. The Organization contributes 1% for the first 2% of contributions made by eligible employees. Employer contributions for the years ended June 30, 2016 and 2015 were $12,456 and $-0-, respectively.

NOTE 15 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:

	2016	2015
Advertising and premiums	$ 351,892	$ 360,442
Operational expenses	296,236	265,563
Programming	38,465	37,940
Special events	3,040	3,018
	$ 689,633	$ 666,963

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 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.

NOTE 16 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:

Year	Description	Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
2016	Investments in marketable securities	$ 7,109,051	$ 3,436,917	$ 3,672,134
2015	Investments in marketable securities	$ 6,457,212	$ 3,582,031	$ 2,875,181

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, 2016 and 2015. 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 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.

SUPPLEMENTARY INFORMATION

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016 with Summarized Comparative Totals for June 30, 2015

	2016							2015
	Programming, Production and Promotion	Broadcasting	Total Program Services	Management and General	Underwriting	Membership Development	Total	Total
Salaries and wages	$ 1,187,647	$ 398,115	$ 1,585,762	$ 231,897	$ -	$ 299,912	$ 2,117,571	$ 2,075,126
Contract services	124,042	233,309	357,351	70,134	756,956	130,435	1,314,876	1,242,605
Program license fees	948,080	-	948,080	-	-	-	948,080	902,622
Advertising and premiums	412,551	-	412,551	-	9,110	41,827	463,488	456,445
Employee benefits and payroll taxes	176,721	63,674	240,395	27,784	-	45,720	313,899	293,642
Building rent	101,866	56,593	158,459	11,318	22,637	33,956	226,370	225,471
Depreciation and amortization	70,361	118,754	189,115	5,276	10,552	15,827	220,770	198,459
Interest	218,585	834	219,419	-	-	-	219,419	245,223
Investment and bank fees	74	235	309	44,536	10,034	60,217	115,096	109,626
Research	59,200	-	59,200	-	7,720	-	66,920	59,765
Tower rent	-	60,600	60,600	-	-	-	60,600	60,600
Travel and training	15,612	4,001	19,613	15,962	1,226	16,895	53,696	44,468
Utilities	-	43,478	43,478	-	-	-	43,478	40,886
Postage	1,093	390	1,483	2,581	17	38,200	42,281	52,963
Telephone	7,102	16,400	23,502	328	985	822	25,637	27,366
Special events	21,650	-	21,650	-	-	3,040	24,690	27,484
Supplies	6,188	9,115	15,303	330	982	4,050	20,665	22,764
Insurance	7,447	4,137	11,584	827	1,655	2,482	16,548	16,553
Dues and memberships	6,544	-	6,544	1,312	-	8,641	16,497	17,348
Bad debt expense	-	285	285	-	3,295	8,319	11,899	39,635
Repairs and maintenance	-	1,627	1,627	-	-	-	1,627	22,394
Total expenses	$ 3,364,763	$ 1,011,547	$ 4,376,310	$ 412,285	$ 825,169	$ 710,343	$ 6,324,107	$ 6,181,445
Percentages - 2016	53%	16%	69%	7%	13%	11%	100%	
Percentages - 2015	53%	16%	69%	6%	13%	12%		100%