# Cincinnati Public Radio, Inc.
# and Subsidiary

**Consolidated Financial Statements with Supplementary Information**
**June 30, 2015, with**
**Summarized Comparative Totals for June 30, 2014, and**
**Independent Auditors' Report**

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**
**June 30, 2015 with Summarized Comparative Totals for June 30, 2014**

**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. (a nonprofit organization) and Subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2015, 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.

### 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. 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, 2015, 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.

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## Independent Auditors' Report
## (Continued)

### 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 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

September 21, 2015
Cincinnati, Ohio

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Consolidated Statement of Financial Position
### June 30, 2015 with Summarized Comparative Totals for June 30, 2014

| | 2015 | 2014 |
|---|---|---|
| **Assets** | | |
| Current: | | |
| Cash and cash equivalents | $ 587,512 | $ 1,608,750 |
| Accounts receivable (net of allowance for doubtful accounts of $45,000 and $21,000 at June 30, 2015 and 2014, respectively) | 265,521 | 206,635 |
| Pledges receivable (net of allowance for uncollectible pledges of $5,500 and $16,000 at June 30, 2015 and 2014, respectively) | 5,311 | 14,598 |
| Bequest receivable | - | 830,856 |
| Prepaid expenses and deposits | 68,490 | 36,628 |
| Total current assets | 926,834 | 2,697,467 |
| Property and equipment, net | 747,418 | 752,251 |
| Other: | | |
| Investments | 6,457,212 | 6,068,612 |
| Broadcast licenses | 22,988,377 | 22,988,377 |
| Bond issuance costs, net of amortization | 245,542 | 269,760 |
| Total other assets | 29,691,131 | 29,326,749 |
| Total assets | $ 31,365,383 | $ 32,776,467 |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Current: | | |
| Accounts payable | $ 120,476 | $ 136,958 |
| Unearned revenue | 168,590 | 112,286 |
| Other accrued liabilities | 163,629 | 170,630 |
| Current portion of lease liability | 9,098 | 8,594 |
| Current portion of bonds payable | 412,296 | 3,728,123 |
| Total current liabilities | 874,089 | 4,156,591 |
| Lease liability, net of current portion | 9,632 | 18,731 |
| Bonds payable, net of current portion | 4,971,837 | 5,384,132 |
| Total liabilities | 5,855,558 | 9,559,454 |
| **Net Assets** | | |
| Unrestricted: | | |
| Operating | 24,650,854 | 21,545,105 |
| Board designated endowment | 440,753 | 440,753 |
| Total unrestricted | 25,091,607 | 21,985,858 |
| Temporarily restricted | 82,269 | 995,206 |
| Permanently restricted | 335,949 | 235,949 |
| Total net assets | 25,509,825 | 23,217,013 |
| Total liabilities and net assets | $ 31,365,383 | $ 32,776,467 |

See accompanying notes to financial statements

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Consolidated Statement of Activities
### Year Ended June 30, 2015 with Summarized Comparative Totals for June 30, 2014

| | 2015 | | | | 2014 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| **Public support and revenues** | | | | | |
| Public support: | | | | | |
| Corporation for Public Broadcasting | $ 582,958 | $ - | $ - | $ 582,958 | $ 436,743 |
| Contributions | 4,485,582 | 15,702 | 100,000 | 4,601,284 | 4,319,884 |
| Underwriting | 2,027,921 | - | - | 2,027,921 | 1,797,315 |
| Foundations | 238,855 | 65,000 | - | 303,855 | 439,000 |
| Grants | 48,720 | - | - | 48,720 | 48,720 |
| In-kind donations | 666,963 | - | - | 666,963 | 557,651 |
| Special events revenue | 46,822 | - | - | 46,822 | 68,565 |
| Other | 4,574 | - | - | 4,574 | 4,889 |
| Total public support | 8,102,395 | 80,702 | 100,000 | 8,283,097 | 7,672,767 |
| Revenues: | | | | | |
| Rentals and sales | 69,236 | - | - | 69,236 | 58,065 |
| Net assets released from restrictions | 993,639 | (993,639) | - | - | - |
| Total revenues | 1,062,875 | (993,639) | - | 69,236 | 58,065 |
| Total public support and revenues | 9,165,270 | (912,937) | 100,000 | 8,352,333 | 7,730,832 |
| **Operating expenses** | | | | | |
| Programming, production and promotion | 3,271,001 | - | - | 3,271,001 | 3,210,185 |
| Broadcasting | 986,003 | - | - | 986,003 | 760,571 |
| Management and general | 392,590 | - | - | 392,590 | 418,225 |
| Underwriting | 812,160 | - | - | 812,160 | 698,414 |
| Membership development | 719,691 | - | - | 719,691 | 720,839 |
| Total operating expenses | 6,181,445 | - | - | 6,181,445 | 5,808,234 |
| **Change in net assets before other changes** | 2,983,825 | (912,937) | 100,000 | 2,170,888 | 1,922,598 |
| Investment return | 121,924 | - | - | 121,924 | 359,676 |
| **Change in net assets** | 3,105,749 | (912,937) | 100,000 | 2,292,812 | 2,282,274 |
| **Net assets, beginning of year** | 21,985,858 | 995,206 | 235,949 | 23,217,013 | 20,934,739 |
| **Net assets, end of year** | $ 25,091,607 | $ 82,269 | $ 335,949 | $ 25,509,825 | $ 23,217,013 |

See accompanying notes to financial statements

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Consolidated Statement of Cash Flows
### Year Ended June 30, 2015 with Summarized Comparative Totals for June 30, 2014

| | 2015 | 2014 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 2,292,812 | $ 2,282,274 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation and amortization | 198,459 | 184,895 |
| Bad debt expense | 39,635 | 30,523 |
| Net realized and unrealized (gain) loss on investments | 40,467 | (222,745) |
| Changes in: | | |
| Accounts receivable | (35,496) | 38,152 |
| Pledges receivable | (53,738) | 49,140 |
| Bequest receivable | 830,856 | 1,593,144 |
| Prepaid expenses and deposits | (31,862) | 700 |
| Accounts payable | (16,482) | 40,214 |
| Accrued liabilities | (7,001) | 18,793 |
| Unearned revenue | 56,304 | (25,157) |
| Net cash provided by operating activities | 3,313,954 | 3,989,933 |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | (169,408) | (75,640) |
| Purchase of investments | (1,345,359) | (2,519,571) |
| Proceeds from sale of investments | 916,292 | 462,778 |
| Net cash used in investing activities | (598,475) | (2,132,433) |
| **Cash flows from financing activities** | | |
| Payments on bonds payable | (3,728,122) | (565,542) |
| Payment on lease liability | (8,595) | (8,118) |
| Net cash used in financing activities | (3,736,717) | (573,660) |
| **Net change in cash and cash equivalents** | (1,021,238) | 1,283,840 |
| **Cash and cash equivalents, beginning of year** | 1,608,750 | 324,910 |
| **Cash and cash equivalents, end of year** | $ 587,512 | $ 1,608,750 |
| **Supplemental cash flows information** | | |
| Interest paid | $ 245,223 | $ 220,075 |

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 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. The Organization is generally no longer subject to examinations by tax authorities for years before 2011.

***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 $440,753 at June 30, 2015 and 2014.

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, 2014, 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.

## 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 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.

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

***Revenue Recognition***

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.

| | 2015 | 2014 |
|---|---|---|
| Program | $ 4,257,004 | $ 3,970,756 |
| Management and general | 1,204,750 | 1,116,639 |
| Fundraising (membership development) | 719,691 | 720,839 |
| | $ 6,181,445 | $ 5,808,234 |

Management and general expenses include $812,160 and $698,414 of underwriting expenses at June 30, 2015 and 2014, respectively.

***Reclassifications***

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

***Subsequent Events***

The Organization has evaluated subsequent events through September 21, 2015, which is the date the consolidated 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:

| | 2015 | 2014 |
|---|---|---|
| Due within one year | $ 10,811 | $ 861,454 |
| Less allowance for uncollectible contributions | 5,500 | 16,000 |
| | $ 5,311 | $ 845,454 |

## NOTE 3 INVESTMENTS

Investments as of June 30 consisted of the following:

| | 2015 | 2014 |
|---|---|---|
| Money market funds | $ 445,223 | $ 550,995 |
| Equity securities and mutual funds | 2,806,127 | 2,458,721 |
| Bond mutual funds | 149,056 | 299,671 |
| Corporate bonds | 2,429,958 | 2,413,853 |
| Other traded securities | 626,848 | 345,372 |
| | $ 6,457,212 | $ 6,068,612 |

Investment return is comprised of the following:

| | 2015 | 2014 |
|---|---|---|
| Interest and dividends | $ 162,391 | $ 136,931 |
| Realized gain on investments | 17,138 | 22,380 |
| Unrealized gain (loss) on investments | (57,605) | 200,365 |
| | $ 121,924 | $ 359,676 |

***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.

**NOTE 3 INVESTMENTS (Continued)**

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 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:

| | 2015 | 2014 |
|---|---|---|
| Board designated endowment funds | $ 440,753 | $ 440,753 |
| Permanently restricted | 335,949 | 235,949 |
| | $ 776,702 | $ 676,702 |

The changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

| | Board Designated | Permanently Restricted | Total |
|---|---|---|---|
| Balance at June 30, 2013 | $ 440,753 | $ 235,949 | $ 676,702 |
| Total investment return | 12,549 | 6,718 | 19,267 |
| Transfer of funds | (12,549) | (6,718) | (19,267) |
| Total change in endowment net assets | - | - | - |
| 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 |

## NOTE 4 PROPERTY AND EQUIPMENT

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

| | 2015 | 2014 |
|---|---|---|
| Studio and broadcast equipment | $ 601,462 | $ 562,410 |
| Transmitter | 696,099 | 596,339 |
| Leasehold improvements | 898,409 | 898,409 |
| Computer hardware and software | 128,205 | 123,834 |
| Furniture, fixtures and office equipment | 220,153 | 206,854 |
| | 2,544,328 | 2,387,846 |
| Less accumulated depreciation | (1,814,154) | (1,661,462) |
| | 730,174 | 726,384 |
| Capital lease | 17,244 | 25,867 |
| | $ 747,418 | $ 752,251 |

Depreciation expense was $174,241 and $160,677 for the years ended June 30, 2015 and 2014, respectively.

## NOTE 5 CAPITAL LEASE

At June 30, 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 obligations for the following fiscal years are as follows:

| | |
|---|---|
| 2016 | $ 9,933 |
| 2017 | 9,933 |
| Total minimum lease payments | 19,866 |
| Less amount representing interest | (1,136) |
| Present value of net minimum lease payments | $ 18,730 |

## NOTE 6 BROADCAST LICENSES

The broadcast licenses consisted of the following at June 30:

| | 2015 | 2014 |
|---|---|---|
| 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, 2015 and 2014 was $24,218. As of June 30, 2015 and 2014, the accumulated amortization on the bond issuance costs was $238,794 and $214,576, 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. Initially, from May 23, 2013 to November 10, 2014, the interest rate was 2.31%, with a maximum rate of 4.99% after November 2014. The interest rate as of June 30, 2015 was 3.70%. 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, 2015 are:

| | | |
|---|---|---|
| 2016 | $ | 412,296 |
| 2017 | | 410,911 |
| 2018 | | 439,077 |
| 2019 | | 464,839 |
| 2020 | | 495,219 |
| Thereafter | | 3,161,791 |
| | $ | 5,384,133 |

## NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Restricted as to purpose: | | | | |
| Programming | $ | 68,567 | $ | 63,617 |
| Charitable gift annuity | | 13,702 | | - |
| Capital improvements | | - | | 100,733 |
| Restricted as to time: | | | | |
| Bequest receivable | | - | | 830,856 |
| | $ | 82,269 | $ | 995,206 |

## 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:

| | 2015 | 2014 |
|---|---|---|
| Purpose restriction accomplished: | | |
| Programming | $ 62,050 | $ 79,300 |
| Capital improvements | 100,733 | 34,267 |
| Time restriction accomplished: | | |
| Bequest receivable | 830,856 | 2,424,000 |
| | $ 993,639 | $ 2,537,567 |

## NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2015 and 2014 was $335,949 and $235,949, respectively. 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 2015 and 2014 fiscal years, $582,958 and $436,743, 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, 2015 and 2014 was $225,471and $223,568, 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 for the years ended June 30, 2015 and 2014 was $6,877 and $7,342, respectively.

## NOTE 13 OPERATING LEASE (Continued)

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

| | |
|---|---|
| 2016 | $ 237,661 |
| 2017 | 244,584 |
| 2018 | 251,715 |
| 2019 | 257,341 |
| 2020 | 84,885 |
| | $ 1,076,186 |

## 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, 2015 and 2014.

## 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:

| | 2015 | 2014 |
|---|---|---|
| Advertising and premiums | $ 360,442 | $ 334,580 |
| Operational expenses | 265,563 | 178,257 |
| Programming | 37,940 | 41,885 |
| Special events | 3,018 | 2,929 |
| | $ 666,963 | $ 557,651 |

## 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.

## NOTE 16 FAIR VALUE (Continued)

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

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

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

| Year | Description | Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|---|---|---|---|---|
| 2015 | Investments in marketable securities | $ 6,457,212 | $ 3,582,031 | $ 2,875,181 |
| 2014 | Investments in marketable securities | $ 6,068,612 | $ 3,103,764 | 2,964,848 |

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, 2015 and 2014. 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.

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.

## SUPPLEMENTARY INFORMATION

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Consolidated Statement of Functional Expenses
### Year Ended June 30, 2015 with Summarized Comparative Totals for June 30, 2014

| | 2015 | | | | | | | 2014 |
|---|---|---|---|---|---|---|---|---|
| | Programming, Production and Promotion | Broadcasting | Total Program Services | Management and General | Underwriting | Membership Development | Total | Total |
| Salaries and wages | $ 1,140,982 | $ 415,350 | $ 1,556,332 | $ 227,263 | $ - | $ 291,531 | $ 2,075,126 | $ 2,021,070 |
| Contract services | 108,540 | 201,526 | 310,066 | 62,327 | 729,731 | 140,481 | 1,242,605 | 1,079,727 |
| Program license fees | 902,622 | - | 902,622 | - | - | - | 902,622 | 868,021 |
| Advertising and premiums | 400,762 | - | 400,762 | - | 3,918 | 51,765 | 456,445 | 409,848 |
| Employee benefits and payroll taxes | 164,816 | 60,892 | 225,708 | 20,904 | - | 47,030 | 293,642 | 284,939 |
| Interest | 243,884 | 1,339 | 245,223 | - | - | - | 245,223 | 235,818 |
| Building rent | 101,462 | 56,367 | 157,829 | 11,274 | 22,547 | 33,821 | 225,471 | 223,568 |
| Depreciation and amortization | 69,535 | 97,879 | 167,414 | 5,174 | 10,348 | 15,523 | 198,459 | 184,895 |
| Investment and bank fees | 152 | - | 152 | 45,114 | 7,447 | 56,913 | 109,626 | 103,851 |
| Tower rent | - | 60,600 | 60,600 | - | - | - | 60,600 | 60,600 |
| Research | 52,375 | - | 52,375 | - | 7,390 | - | 59,765 | 73,085 |
| Postage | 832 | 460 | 1,292 | 2,155 | 50 | 49,466 | 52,963 | 48,835 |
| Travel and training | 22,120 | 492 | 22,612 | 15,650 | 150 | 6,056 | 44,468 | 41,734 |
| Utilities | - | 40,886 | 40,886 | - | - | - | 40,886 | 39,097 |
| Bad debt expense | - | - | - | - | 27,859 | 11,776 | 39,635 | 30,523 |
| Special events | 27,484 | - | 27,484 | - | - | - | 27,484 | 9,589 |
| Telephone | 7,842 | 16,968 | 24,810 | 426 | 1,065 | 1,065 | 27,366 | 28,615 |
| Repairs and maintenance | - | 22,394 | 22,394 | - | - | - | 22,394 | 10,342 |
| Dues and memberships | 8,176 | - | 8,176 | 1,123 | - | 8,049 | 17,348 | 15,581 |
| Insurance | 7,449 | 4,138 | 11,587 | 828 | 1,655 | 2,483 | 16,553 | 15,816 |
| Supplies | 4,297 | 6,712 | 11,009 | 352 | - | 3,732 | 15,093 | 10,912 |
| Printing | 7,671 | - | 7,671 | - | - | - | 7,671 | 11,768 |
| Total expenses | $ 3,271,001 | $ 986,003 | $ 4,257,004 | $ 392,590 | $ 812,160 | $ 719,691 | $ 6,181,445 | $ 5,808,234 |
| Percentages - 2015 | 53% | 16% | 69% | 6% | 13% | 12% | 100% | |
| Percentages - 2014 | 55% | 13% | 68% | 7% | 12% | 13% | | 100% |