Cincinnati Public Radio, Inc. and Subsidiary

Consolidated Financial Statements
June 30, 2019, with
Summarized Comparative Totals for June 30, 2018, and
Independent Auditors' Report

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

June 30, 2019 with Summarized Comparative Totals for June 30, 2018

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, 2019, and the related consolidated statements of activities, functional expenses 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, 2019, 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)

Effect of Adopting New Accounting Standard

As discussed in Note 1, Cincinnati Public Radio, Inc. and Subsidiary have adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Cincinnati Public Radio, Inc. and Subsidiary's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Barnes, Dennig & Co., Ltd.

September 23, 2019
Cincinnati, Ohio

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2019 with Summarized Comparative Totals for June 30, 2018

	2019	2018
Assets		
Current:		
Cash and cash equivalents	$ 2,483,718	$ 1,742,892
Accounts receivable (net of allowance for doubtful accounts of $46,235 and $22,000 at June 30, 2019 and 2018, respectively)	318,817	296,174
Pledges and grants receivable, net	90,707	77,965
Prepaid expenses and deposits	66,162	75,502
Total current assets	2,959,404	2,192,533
Property and equipment, net	1,350,415	534,117
Other:		
Investments	8,747,442	8,596,468
Broadcast licenses	22,988,377	22,988,377
Total other assets	31,735,819	31,584,845
Total assets	$ 36,045,638	$ 34,311,495
Liabilities and Net Assets		
Liabilities		
Current:		
Accounts payable	$ 300,405	$ 114,495
Refundable advances and unearned revenue	129,752	134,606
Other accrued liabilities	213,325	190,452
Current portion of bonds payable	495,219	464,839
Total current liabilities	1,138,701	904,392
Bonds payable, net	3,013,120	3,484,121
Total liabilities	4,151,821	4,388,513
Net Assets		
Without donor restrictions:		
Operating	27,451,038	25,920,788
Board designated for capital campaign (building project)	562,623	-
Board designated endowment funds	3,230,059	3,602,543
Total without donor restrictions	31,243,720	29,523,331
With donor restrictions	650,097	399,651
Total net assets	31,893,817	29,922,982
Total liabilities and net assets	$ 36,045,638	$ 34,311,495

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2019 with Summarized Comparative Totals for June 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public support and revenues				
Public support:				
Corporation for Public Broadcasting	$ 416,689	$ -	$ 416,689	$ 440,660
Contributions	4,025,660	-	4,025,660	3,604,183
Underwriting	2,352,271	-	2,352,271	2,456,294
Capital campaign contributions	241,473	252,446	493,919	-
Foundations	264,211	48,000	312,211	305,261
State grants	71,703	-	71,703	71,703
In-kind donations	702,257	-	702,257	898,983
Special events revenue	52,470	-	52,470	56,457
Other	3,958	-	3,958	7,627
Total public support	8,130,692	300,446	8,431,138	7,841,168
Revenues:				
Rentals and sales	41,943	-	41,943	42,695
Net assets released from restrictions	50,000	(50,000)	-	-
Total revenues	91,943	(50,000)	41,943	42,695
Total public support and revenues	8,222,635	250,446	8,473,081	7,883,863
Operating expenses				
Programming, production and promotion	3,549,211	-	3,549,211	3,674,879
Broadcasting	1,069,608	-	1,069,608	977,024
Management and general	394,210	-	394,210	392,133
Underwriting	888,928	-	888,928	945,374
Membership development	928,951	-	928,951	817,216
Total operating expenses	6,830,908	-	6,830,908	6,806,626
Change in net assets before other changes	1,391,727	250,446	1,642,173	1,077,237
Investment return, net	328,662	-	328,662	296,846
Change in net assets	1,720,389	250,446	1,970,835	1,374,083
Net assets, beginning of year	29,523,331	399,651	29,922,982	28,548,899
Net assets, end of year	$ 31,243,720	$ 650,097	$ 31,893,817	$ 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, 2019 with Summarized Comparative Totals for June 30, 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 1,970,835	$ 1,374,083
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	145,596	139,785
Amortization of bond issuance costs included in interest	24,218	24,218
Bad debt expense	11,176	11,063
Net realized and unrealized gain on investments	(153,673)	(137,543)
Contributions restricted for capital campaign	(493,919)	-
Changes in:		
Accounts receivable	(33,819)	(28,848)
Pledges and grants receivable	56,071	(74,432)
Prepaid expenses and deposits	9,340	7,063
Accounts payable	(26,527)	18,056
Refundable advances and unearned revenue	(4,854)	(2,316)
Other accrued liabilities	22,873	(992)
Net cash provided by operating activities	1,527,317	1,330,137
Cash flows from investing activities		
Purchase of property, equipment, and construction in progress	(749,457)	(126,953)
Purchase of investments	(199,078)	(341,618)
Proceeds from sale of investments	201,777	186,773
Net cash used in investing activities	(746,758)	(281,798)
Cash flows from financing activities		
Payments on bonds payable	(464,839)	(439,078)
Proceeds from contributions restricted for capital campaign	425,106	-
Net cash used in financing activities	(39,733)	(439,078)
Net change in cash and cash equivalents	740,826	609,261
Cash and cash equivalents, beginning of year	1,742,892	1,133,631
Cash and cash equivalents, end of year	$ 2,483,718	$ 1,742,892
Supplemental cash flows information		
Noncash investing transactions:		
Construction in progress purchases included in accounts payable	$ 212,437	$ -
Interest paid	$ 184,609	$ 201,112

See accompanying notes to consolidated financial statements

CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019 with Summarized Comparative Totals for June 30, 2018

	2019							2018
	Programming, Production and Promotion	Broadcasting	Total Program Services	Management and General	Underwriting	Membership Development	Total	Total
Salaries and wages	1,245,862	409,135	$ 1,654,997	247,011	$ -	294,873	$ 2,196,881	$ 2,168,278
Contract services	212,718	273,359	486,077	73,074	815,755	330,225	1,705,131	1,814,549
Program license fees	1,050,187	-	1,050,187	-	-	-	1,050,187	1,009,366
Employee benefits and payroll taxes	218,953	78,049	297,002	30,974	-	51,908	379,884	359,746
Advertising and premiums	316,503	-	316,503	673	5,971	55,450	378,597	360,805
Building rent	107,369	59,649	167,018	11,930	23,860	35,789	238,597	233,390
Interest	206,370	-	206,370	-	-	-	206,370	223,226
Depreciation	29,034	97,862	126,896	3,227	6,452	9,021	145,596	139,785
Bank fees	60	230	290	9,688	12,815	74,052	96,845	90,439
Research	66,521	-	66,521	-	7,689	-	74,210	71,597
Tower rent	-	63,000	63,000	-	-	-	63,000	62,412
Special events	14,930	-	14,930	-	-	33,100	48,030	20,865
Utilities	-	41,898	41,898	-	-	-	41,898	46,086
Dues and memberships	34,224	30	34,254	2,349	425	925	37,953	30,686
Supplies	13,087	13,947	27,034	686	1,984	7,771	37,475	28,784
Travel and training	18,668	1,659	20,327	12,081	1,250	3,554	37,212	41,044
Postage	338	116	454	1,293	12	28,576	30,335	46,153
Telephone	6,156	15,446	21,602	359	720	480	23,161	21,840
Insurance	7,781	4,322	12,103	865	1,729	2,594	17,291	17,078
Bad debt expense	-	277	277	-	10,266	633	11,176	11,063
Repairs and maintenance	450	10,629	11,079	-	-	-	11,079	9,434
Total expenses	$ 3,549,211	$ 1,069,608	$ 4,618,819	$ 394,210	$ 888,928	$ 928,951	$ 6,830,908	$ 6,806,626
Percentages - 2019	52%	15%	67%	6%	13%	14%	100%	
Percentages - 2018	54%	14%	68%	6%	14%	12%		100%

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: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

Financial Statement Presentation (Continued)

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, 2018, 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, 2019 and 2018, 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.

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 13.

Revenue Recognition

The Organization is primarily supported through individual pledges and program underwriting. Individual support, contributions, grants and unconditional pledges are recorded as revenue without donor restrictions 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 support without donor restrictions. Donor restricted revenue and grant revenue whose restrictions are not currently met in the year received, are reflected as an increase in net assets with donor restrictions.

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.

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

Revenue Recognition (Continued)

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

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based on time and effort, and building rent and depreciation, which were allocated based on space occupied and usage.

	2019	2018
Program	$ 4,618,819	$ 4,651,903
Management and general	1,283,138	1,337,507
Fundraising (membership development)	928,951	817,216
	$ 6,830,908	$ 6,806,626

Management and general expenses include $888,928 and $945,374 of underwriting expense at June 30, 2019 and 2018, respectively.

Effect of Adopting New Accounting Standard

In 2019, the Organization adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. The Organization adopted ASU 2016-14 as of July 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

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

Reclassifications

Certain 2018 figures have been reclassified to conform to the 2019 presentation.

Subsequent Events

The Organization has evaluated subsequent events through September 23, 2019, which is the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 2,483,718
Accounts receivable, net	318,817
Pledges and grants receivable, net	90,707
Investments	8,747,442
Total financial assets	11,640,684
Less those unavailable for general expenditure within one year:	
Board designated for capital campaign (building project)	(562,623)
Board designated endowment funds	(3,230,059)
Donor restricted for capital campaign (building project)	(252,446)
Charitable gift annuity	(13,702)
Donor restricted endowment funds	(335,949)
Financial assets available for general expenditures within one year	$ 7,245,905

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

As part of a liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its investments. During the year, the Organization began a long-term project to build new facilities and has kept a higher balance than average in cash and cash equivalents to meet the needs of the project.

The Organization's endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Donor restricted endowment funds are not available for general expenditure. Income from donor restricted endowments is available for general use.

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization's board designated endowment funds consist of $3,161,790 designated for full payment of bonds in August 2020 and $68,269 designated for UC College Conservatory of Music scholarships. Income from these endowment funds is reinvested in the Organization's investments.

The Organization's investments of $5,156,092 are subject to an annual spending rate of 4% as described in Note 4. Although the Organization does not intend to spend from the investments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts are available if necessary.

NOTE 3 PLEDGES AND GRANTS RECEIVABLE

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

	2019	2018
Due within one year	$ 53,484	$ 80,965
Due in one to five years	46,434	-
	99,918	80,965
Less allowance for uncollectible contributions	(7,000)	(3,000)
Less unamortized discount	(2,211)	-
	$ 90,707	$ 77,965

The discount rate was 5% for 2019.

NOTE 4 INVESTMENTS

Investments as of June 30 consisted of the following:

	2019	2018
Money market funds	$ 381,334	$ 469,797
Equity securities	2,468,320	2,471,293
Equity mutual funds	1,836	3,380
Bond mutual funds	4,734	5,013
U.S. Treasuries	1,995,404	-
Corporate bonds	3,165,763	4,077,947
Other traded securities	730,051	1,569,038
	$ 8,747,442	$ 8,596,468

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.

NOTE 4 INVESTMENTS (CONTINUED)

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 donor restricted endowment, the original value of subsequent gifts to the donor restricted endowment, and accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions. The remaining portion of the donor restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure.

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 net assets without donor restrictions or net assets with donor restrictions if directed by the donor. The Board of Directors approved the use of up to 4% of the average quarterly fair market value of without donor restriction 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:

	2019	2018
Board designated endowment funds:		
Bond Payment Fund for bond payoff in 2020	$ 3,161,790	$ 3,161,790
Charles Harper Fund for CCM scholarships	68,269	74,269
Other programming	-	366,484
	3,230,059	3,602,543
Donor restricted endowment funds	335,949	335,949
	$ 3,566,008	$ 3,938,492

NOTE 4 INVESTMENTS (CONTINUED)

The changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2017	$ 3,602,543	$ 335,949	$ 3,938,492
Investment return	95,030	12,620	107,650
Appropriated for expenditure	(95,030)	(12,620)	(107,650)
Total change in endowment net assets	-	-	-
Balance at June 30, 2018	3,602,543	335,949	3,938,492
Board undesignation of endowment funds	(372,484)	-	(372,484)
Investment return	152,242	15,352	167,594
Appropriated for expenditure	(152,242)	(15,352)	(167,594)
Total change in endowment net assets	(372,484)	-	(372,484)
Balance at June 30, 2019	$ 3,230,059	$ 335,949	$ 3,566,008

NOTE 5 PROPERTY AND EQUIPMENT

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

	2019	2018
Leasehold improvements	$ 898,732	$ 898,732
Transmitter	804,017	677,015
Studio and broadcast equipment	511,513	584,203
Furniture, fixtures and office equipment	209,577	210,753
Computer hardware and software	134,987	133,912
	2,558,826	2,504,615
Less accumulated depreciation	(1,969,982)	(2,035,112)
	588,844	469,503
Construction in progress	761,571	64,614
	$ 1,350,415	$ 534,117

Depreciation expense was $145,596 and $139,785 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 BROADCAST LICENSES

The broadcast licenses consisted of the following at June 30:

	2019	2018
WGUC	$ 9,900,000	$ 9,900,000
WVXU	13,088,377	13,088,377
	$ 22,988,377	$ 22,988,377

NOTE 7 BONDS PAYABLE

Bonds payable consisted of the following at June 30:

	2019	2018
Bonds payable (A)	$ 3,657,009	$ 4,121,848
Less unamortized debt issuance costs (B)	(148,670)	(172,888)
	3,508,339	3,948,960
Less current maturities	(495,219)	(464,839)
	$ 3,013,120	$ 3,484,121

(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, 2019 was 4.70%. 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, 2019 and 2018, the unamortized debt issuance costs include bond issuance costs of $484,336 less accumulated amortization of $335,666 and $311,448, 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, 2019 and 2018 was $24,218.

Aggregate annual maturities of the bonds payable at June 30, 2019 are as follows:

2020	$ 495,219
2021	523,266
2022	559,582
2023	594,300
2024	629,476
Thereafter	855,166
	$ 3,657,009

NOTE 8 NET ASSETS WITH DONOR RESTICTIONS

Net assets with donor restrictions as of June 30 are available for the following purposes or periods:

	2019	2018
Restricted as to purpose:		
Capital campaign (building project)	$ 183,633	$ -
Programming	40,000	45,000
Educational outreach	8,000	-
Capital improvements	-	5,000
	231,633	50,000
Restricted as to time:		
Capital campaign (building project) pledges receivable	68,813	-
Charitable gift annuity	13,702	13,702
	82,515	13,702
Restricted for endowments:		
Endowment funds to be maintained in perpetuity, with earnings available for general operations	131,570	131,570
Endowment funds to be maintained in perpetuity, with earnings available for WGUC programming	204,379	204,379
	335,949	335,949
	$ 650,097	$ 399,651

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

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

	2019	2018
Purpose restriction accomplished:		
Programming	$ 45,000	$ 30,000
Capital improvements	5,000	53,494
	$ 50,000	$ 83,494

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 2019 and 2018 fiscal years, $416,689 and $440,660, 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. Subsequent to yearend, this lease was renewed for an additional three-year term, which expires on October 31, 2022, but with the right to cancelation on a month to month basis after October 31, 2021. 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, 2019 and 2018 was $238,597 and $233,390, 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 $8,149 and $7,416 for the years ended June 30, 2019 and 2018, respectively.

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

2020	$ 252,519
2021	259,871
2022	267,442
2023	94,358
	$ 874,190

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 2019 and 2018 fiscal years, the Organization contributed 2% for the first 4% of contributions made by eligible employees. Employer contributions for the years ended June 30, 2019 and 2018 were $39,968 and $37,826, respectively.

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:

	2019	2018
Advertising and premiums	$ 298,973	$ 302,469
Operational expenses	345,342	537,783
Programming	54,335	54,035
Special events	3,607	4,696
	$ 702,257	$ 898,983

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.

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, 2019	Total	Level 1	Level 2
Investments			
Money market funds	$ 381,334	$ -	$ 381,334
Equity securities	2,468,320	2,468,320	-
Equity mutual funds	1,836	1,836	-
Bond mutual funds	4,734	4,734	-
U.S. Treasuries	1,995,404	-	1,995,404
Corporate bonds	3,165,763	-	3,165,763
Other traded securities	730,051	730,051	-
Total investments	$ 8,747,442	$ 3,204,941	$ 5,542,501

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	$ 8,596,468	$ 4,048,724	$ 4,547,744

There were no level 3 assets measured at fair value on a recurring basis.

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

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 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In April 2019, the Organization entered into a Property Sale and Development Agreement with the City of Cincinnati for the redevelopment of the site at 9th and Plum Street in Cincinnati. The site purchase price of $1,526,000 will be due at closing which must occur no later than March 31, 2022. Prior to closing the Organization must meet certain conditions including financing requirements, surveys, and inspections. The Organization must commence construction at the site no later than June 30, 2022 and complete construction within 24 months of starting. As part of this redevelopment project, the Organization has also entered into contractual agreements with an architect and construction manager.

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 June 2018, the FASB issued 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.