

# **Cincinnati Public Radio, Inc. and Subsidiary**

**Consolidated Financial Statements  
June 30, 2020, with  
Summarized Comparative Totals for June 30, 2019, and  
Independent Auditors' Report**

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

**June 30, 2020 with Summarized Comparative Totals for June 30, 2019**

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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, 2020, 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, 2020, 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 Summarized Comparative Information**

We have previously audited Cincinnati Public Radio, Inc. and Subsidiary's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Barnes, Dennig & Co., Ltd.*

September 22, 2020  
Cincinnati, Ohio

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

**Consolidated Statement of Financial Position  
June 30, 2020 with Summarized Comparative Totals for June 30, 2019**

	2020	2019
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 647,439	\$ 253,572
Accounts receivable (net of allowance for doubtful accounts of \$43,000 and \$46,235 at June 30, 2020 and 2019, respectively)	344,125	318,817
Pledges and grants receivable, net	6,446,352	90,707
Prepaid expenses and deposits	63,960	66,162
Total current assets	7,501,876	729,258
Property and equipment, net	2,456,502	1,350,415
Other:		
Investments	10,888,142	10,977,588
Broadcast licenses	22,988,377	22,988,377
Total other assets	33,876,519	33,965,965
Total assets	\$ 43,834,897	\$ 36,045,638
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current:		
Accounts payable	\$ 117,295	\$ 300,405
Refundable advances and unearned revenue	148,404	129,752
Other accrued liabilities	224,365	213,325
Current portion of bonds payable	523,266	495,219
Total current liabilities	1,013,330	1,138,701
Bonds payable, net	2,635,163	3,013,120
Total liabilities	3,648,493	4,151,821
<b>Net Assets</b>		
Without donor restrictions:		
Operating	28,694,622	27,451,038
Board designated for capital campaign (building project)	1,059,118	562,623
Board designated endowment funds	3,229,059	3,230,059
Total without donor restrictions	32,982,799	31,243,720
With donor restrictions	7,203,605	650,097
Total net assets	40,186,404	31,893,817
Total liabilities and net assets	\$ 43,834,897	\$ 36,045,638

See accompanying notes to consolidated financial statements

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

**Consolidated Statement of Activities  
Year Ended June 30, 2020 with Summarized Comparative Totals for June 30, 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Public support and revenues</b>				
Public support:				
Corporation for Public Broadcasting	\$ 498,360	\$ -	\$ 498,360	\$ 416,689
Contributions	4,083,703	-	4,083,703	4,025,660
Underwriting	1,899,413	-	1,899,413	2,352,271
Capital campaign contributions	-	6,738,641	6,738,641	493,919
Foundations	262,469	50,000	312,469	312,211
Federal and state grants	661,466	-	661,466	71,703
In-kind donations	605,158	-	605,158	702,257
Special events revenue	1,320	-	1,320	52,470
Other	10,897	-	10,897	3,958
Total public support	8,022,786	6,788,641	14,811,427	8,431,138
Revenues:				
Rentals and sales	33,031	-	33,031	41,943
Net assets released from restrictions	235,133	(235,133)	-	-
Total revenues	268,164	(235,133)	33,031	41,943
Total public support and revenues	8,290,950	6,553,508	14,844,458	8,473,081
<b>Operating expenses</b>				
Programming, production and promotion	3,682,894	-	3,682,894	3,549,211
Broadcasting	1,091,839	-	1,091,839	1,069,608
Management and general	400,717	-	400,717	394,210
Underwriting	610,489	-	610,489	888,928
Membership development	912,861	-	912,861	928,951
Total operating expenses	6,698,800	-	6,698,800	6,830,908
<b>Change in net assets before other changes</b>	1,592,150	6,553,508	8,145,658	1,642,173
Loss on disposal of equipment	(54,053)	-	(54,053)	-
Investment return, net	200,982	-	200,982	328,662
Total other changes	146,929	-	146,929	328,662
<b>Change in net assets</b>	1,739,079	6,553,508	8,292,587	1,970,835
<b>Net assets, beginning of year</b>	31,243,720	650,097	31,893,817	29,922,982
<b>Net assets, end of year</b>	\$ 32,982,799	\$ 7,203,605	\$ 40,186,404	\$ 31,893,817

See accompanying notes to consolidated financial statements

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

**Consolidated Statement of Cash Flows**  
**Year Ended June 30, 2020 with Summarized Comparative Totals for June 30, 2019**

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 8,292,587	\$ 1,970,835
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss on disposal of equipment	54,053	-
Depreciation	140,415	145,596
Amortization of bond issuance costs included in interest	145,308	24,218
Bad debt expense	2,798	11,176
Net realized and unrealized gain on investments	(59,100)	(153,673)
Contributions restricted for capital campaign	(6,738,641)	(493,919)
Changes in:		
Accounts receivable	(28,106)	(33,819)
Pledges and grants receivable	747	56,071
Prepaid expenses and deposits	2,202	9,340
Accounts payable	1,191	(26,527)
Refundable advances and unearned revenue	18,652	(4,854)
Other accrued liabilities	11,040	22,873
Net cash provided by operating activities	1,843,146	1,527,317
<b>Cash flows from investing activities</b>		
Purchase of property, equipment, and construction in progress	(1,537,619)	(749,457)
Proceeds from disposal of equipment	52,763	-
Purchase of investments	(397,954)	(1,161,268)
Proceeds from sale of investments	546,500	201,777
Net cash used in investing activities	(1,336,310)	(1,708,948)
<b>Cash flows from financing activities</b>		
Payments on bonds payable	(495,218)	(464,839)
Proceeds from contributions restricted for capital campaign	382,249	425,106
Net cash used in financing activities	(112,969)	(39,733)
<b>Net change in cash and cash equivalents</b>	393,867	(221,364)
<b>Cash and cash equivalents, beginning of year</b>	253,572	474,936
<b>Cash and cash equivalents, end of year</b>	\$ 647,439	\$ 253,572
<b>Supplemental cash flows information</b>		
Noncash investing transactions:		
Construction in progress purchases included in accounts payable	\$ 28,136	\$ 212,437
Interest paid	\$ 149,646	\$ 184,609

See accompanying notes to consolidated financial statements

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020 with Summarized Comparative Totals for June 30, 2019**

	2020							2019
	Programming, Production and Promotion	Broadcasting	Total Program Services	Management and General	Underwriting	Membership Development	Total	Total
Salaries and wages	\$ 1,314,104	\$ 424,672	\$ 1,738,776	\$ 250,223	\$ 403,846	\$ 282,493	\$ 2,675,338	\$ 2,196,881
Program license fees	1,080,516	-	1,080,516	-	-	-	1,080,516	1,050,187
Contract services	235,424	276,277	511,701	75,504	85,971	368,073	1,041,249	1,705,131
Employee benefits and payroll taxes	216,920	72,472	289,392	33,761	71,352	43,663	438,168	379,883
Advertising and premiums	267,289	-	267,289	-	1,748	45,770	314,807	378,598
Interest	292,168	-	292,168	-	-	-	292,168	206,370
Building rent	109,522	60,845	170,367	12,169	24,338	36,507	243,381	238,597
Depreciation	27,474	95,124	122,598	3,053	6,106	8,658	140,415	145,596
Bank fees	352	702	1,054	7,554	11,492	77,337	97,437	96,845
Research	79,075	-	79,075	-	-	-	79,075	74,210
Tower rent	-	64,284	64,284	-	-	-	64,284	63,000
Utilities	-	44,155	44,155	-	-	-	44,155	41,898
Postage	123	486	609	2,041	56	32,921	35,627	30,335
Travel and training	13,095	1,558	14,653	11,937	1,620	2,784	30,994	37,212
Telephone	7,787	15,823	23,610	368	2,642	911	27,531	23,161
Supplies	5,429	17,275	22,704	458	972	2,204	26,338	37,475
Dues and memberships	17,104	30	17,134	2,519	-	1,250	20,903	37,953
Insurance	8,560	4,756	13,316	952	1,902	2,853	19,023	17,291
Repairs and maintenance	463	13,380	13,843	178	-	-	14,021	11,079
Special events	7,489	-	7,489	-	-	3,083	10,572	48,030
Bad debt expense	-	-	-	-	(1,556)	4,354	2,798	11,176
<b>Total expenses</b>	<b>\$ 3,682,894</b>	<b>\$ 1,091,839</b>	<b>\$ 4,774,733</b>	<b>\$ 400,717</b>	<b>\$ 610,489</b>	<b>\$ 912,861</b>	<b>\$ 6,698,800</b>	<b>\$ 6,830,908</b>
Percentages - 2020	55%	16%	71%	6%	9%	14%	100%	
Percentages - 2019	52%	15%	67%	6%	13%	14%		100%

See accompanying notes to consolidated financial statements



# CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

### NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies for Cincinnati Public Radio, Inc. and Subsidiary is presented to assist in the understanding of the Organization's financial statements.

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Cincinnati Public Radio, Inc. and Cincinnati Public Radio Properties, LLC, a limited liability company whose sole member is Cincinnati Public Radio, Inc. The two entities are collectively referred to in this report as "CPR" or the "Organization". All material inter-organizational transactions have been eliminated.

#### ***Nature and Purpose of the Organization***

Cincinnati Public Radio, Inc. is an Ohio not-for-profit organization providing the finest classical music programming on WGUC and news and public radio programming on WVXU and WMUB, pursuant to a local management agreement with Miami University who hold the license, heard throughout Cincinnati and the Tri-state area.

Cincinnati Public Radio Properties, LLC was established under the laws of the State of Ohio in 2005 in order to hold properties that were purchased in 2005. These properties were sold during fiscal years 2006 and 2007 and operations have been inactive subsequent to the sale.

#### ***Income Taxes***

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. The Organization is considered a public charity under section 509(a)(1) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions that are material to the financial statements.

#### ***Financial Statement Presentation***

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP for not-for-profit organizations requires, among other things, the net assets to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows: 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.

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

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

##### *Financial Statement Presentation (Continued)*

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class and by natural and functional expense classification but not in one location. Such information, included with the consolidated statement of activities and consolidated statement of functional expenses, 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, 2019, 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, 2020 and 2019, cash equivalents consisted primarily of money market deposit accounts. 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.

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 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.

# CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements (Continued)

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

#### *Revenue Recognition (Continued)*

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.

	2020	2019
Program	\$ 4,774,733	\$ 4,618,819
Management and general	1,011,206	1,283,138
Fundraising (membership development)	912,861	928,951
	<u>\$ 6,698,800</u>	<u>\$ 6,830,908</u>

Management and general expenses include \$610,489 and \$888,928 of underwriting expense at June 30, 2020 and 2019, respectively.

#### *Reclassifications*

Certain 2019 figures have been reclassified to conform to the 2020 presentation.

#### *Effect of Adopting New Accounting Standard*

During 2020, the Organization adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarified 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 required 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. The ASU has been applied using the modified prospective basis for all grants and contracts that were not completed as of July 1, 2019.

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

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

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

***Subsequent Events***

The Organization has evaluated subsequent events through September 22, 2020, 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 647,439	\$ 253,572
Accounts receivable, net	344,125	318,817
Pledges and grants receivable, net	6,446,352	90,707
Investments	<u>10,888,142</u>	<u>10,977,588</u>
Total financial assets	18,326,058	11,640,684
Less those unavailable for general expenditure within one year:		
Board designated for capital campaign	(1,059,118)	(562,623)
Board designated endowment funds	(3,229,059)	(3,230,059)
Donor restricted for capital campaign	(6,803,954)	(252,446)
Charitable gift annuity	(13,702)	(13,702)
Donor restricted endowment funds	<u>(335,949)</u>	<u>(335,949)</u>
Financial assets available for general expenditures within one year	<u>\$ 6,884,276</u>	<u>\$ 7,245,905</u>

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 2019, the Organization began a long-term project to build new facilities and has kept a higher balance than average in cash, cash equivalents and investments 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.

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

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

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization's board designated endowment funds at June 30, 2020 and 2019 consist of \$3,161,790 designated for full payment of bonds in August 2020 and \$67,269 and \$68,269, respectively, designated for UC College Conservatory of Music scholarships. Income from these endowment funds is reinvested in the Organization's investments.

**NOTE 3 PLEDGES AND GRANTS RECEIVABLE**

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

	2020	2019
Due within one year	\$ 1,548,375	\$ 53,484
Due in one to five years	4,979,061	46,434
	6,527,436	99,918
Less allowance for uncollectible contributions	(26,600)	(7,000)
Less unamortized discount	(54,484)	(2,211)
	<b>\$ 6,446,352</b>	<b>\$ 90,707</b>

The discount ranged from 0.16% to 5% for 2020 and 2019.

**NOTE 4 INVESTMENTS AND ENDOWMENTS**

Investments as of June 30 consisted of the following:

	2020	2019
Money market funds	\$ 4,994,727	\$ 2,611,480
Equity securities	2,498,171	2,468,320
Equity mutual funds	870	1,836
Bond mutual funds	4,931	4,734
U.S. Treasuries	803,344	1,995,404
Corporate bonds	1,760,355	3,165,763
Other traded securities	825,744	730,051
	<b>\$ 10,888,142</b>	<b>\$ 10,977,588</b>

***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.

# CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements (Continued)

### NOTE 4 INVESTMENTS AND ENDOWMENTS (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:

	<u>2020</u>	<u>2019</u>
Board designated endowment funds:		
Bond Payment Fund for bond payoff in August 2020	\$ 3,161,790	\$ 3,161,790
Charles Harper Fund for CCM scholarships	<u>67,269</u>	<u>68,269</u>
	3,229,059	3,230,059
Donor restricted endowment funds	<u>335,949</u>	<u>335,949</u>
	<u><u>\$ 3,565,008</u></u>	<u><u>\$ 3,566,008</u></u>

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

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

**NOTE 4 INVESTMENTS AND ENDOWMENTS (CONTINUED)**

The changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2018	<u>\$ 3,602,543</u>	<u>\$ 335,949</u>	<u>\$ 3,938,492</u>
Board designation of endowment funds	(372,484)	-	(372,484)
Investment return	152,242	15,352	167,594
Appropriated for expenditure	<u>(152,242)</u>	<u>(15,352)</u>	<u>(167,594)</u>
Total change in endowment net assets	<u>(372,484)</u>	<u>-</u>	<u>(372,484)</u>
Balance at June 30, 2019	<u>3,230,059</u>	<u>335,949</u>	<u>3,566,008</u>
Investment return	113,055	4,956	118,011
Appropriated for expenditure	<u>(114,055)</u>	<u>(4,956)</u>	<u>(119,011)</u>
Total change in endowment net assets	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
Balance at June 30, 2020	<u><u>\$ 3,229,059</u></u>	<u><u>\$ 335,949</u></u>	<u><u>\$ 3,565,008</u></u>

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 891,123	\$ 898,732
Transmitter	783,705	804,017
Studio and broadcast equipment	453,755	511,513
Furniture, fixtures and office equipment	207,630	209,577
Computer hardware and software	<u>138,638</u>	<u>134,987</u>
	2,474,851	2,558,826
Less accumulated depreciation	<u>(2,085,296)</u>	<u>(1,969,982)</u>
	389,555	588,844
Construction in progress	<u>2,066,947</u>	<u>761,571</u>
	<u><u>\$ 2,456,502</u></u>	<u><u>\$ 1,350,415</u></u>

Depreciation expense was \$140,415 and \$145,596 for the years ended June 30, 2020 and 2019, respectively.



**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

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

**NOTE 6 BROADCAST LICENSES**

The broadcast licenses consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
WGUC	\$ 9,900,000	\$ 9,900,000
WVXU	13,088,377	13,088,377
	<u>\$ 22,988,377</u>	<u>\$ 22,988,377</u>

**NOTE 7 BONDS PAYABLE**

Bonds payable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Bonds payable (A)	\$ 3,161,791	\$ 3,657,009
Less unamortized debt issuance costs (B)	<u>(3,362)</u>	<u>(148,670)</u>
	3,158,429	3,508,339
Less current maturities	<u>(523,266)</u>	<u>(495,219)</u>
	<u>\$ 2,635,163</u>	<u>\$ 3,013,120</u>

(A) The Organization has outstanding tax-exempt revenue bonds, which are due on August 10, 2025. Payments of principal and interest are made on a quarterly basis. On May 23, 2013, the Organization reissued the tax-exempt revenue bonds. The interest is variable with annual resets each November that are fixed by the bond agreement. The maximum interest rate is 4.99%. The interest rate as of June 30, 2020 was 4.80%. 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, 2020 and 2019, the unamortized debt issuance costs include bond issuance costs of \$484,336 less accumulated amortization of \$480,974 and \$335,666, respectively. These costs are being amortized over the life of the bonds. Amortization expense incurred and reported as interest expense for the years ended June 30, 2020 and 2019 was \$145,308 and \$24,218, respectively.

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

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

**NOTE 7 BONDS PAYABLE (CONTINUED)**

Aggregate annual maturities of the bonds payable at June 30, 2020 are as follows:

2021	\$ 523,266
2022	559,582
2023	594,300
2024	629,476
2025	681,278
Thereafter	<u>173,889</u>
	<u>\$ 3,161,791</u>

The schedule above lists the aggregate annual maturities of the bonds payable as required by the bond agreement. Subsequent to year end, on August 10, 2020, the Organization paid off the full principal and accrued interest balance of \$3,199,732.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Restricted as to purpose:		
Capital campaign (building project)	\$ 379,083	\$ 183,633
Programming	50,000	40,000
Educational outreach	<u>-</u>	<u>8,000</u>
	<u>429,083</u>	<u>231,633</u>
Restricted as to time:		
Capital campaign (building project) pledges receivable	6,424,871	68,813
Charitable gift annuity	<u>13,702</u>	<u>13,702</u>
	<u>6,438,573</u>	<u>82,515</u>
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	<u>204,379</u>	<u>204,379</u>
	<u>335,949</u>	<u>335,949</u>
	<u>\$ 7,203,605</u>	<u>\$ 650,097</u>

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 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:

	<u>2020</u>	<u>2019</u>
Purpose restriction accomplished:		
Capital campaign (building project)	\$ 187,133	\$ -
Programming	40,000	45,000
Educational outreach	8,000	-
Capital improvements	-	5,000
	<u>\$ 235,133</u>	<u>\$ 50,000</u>

#### NOTE 10 CONDITIONAL CONTRIBUTIONS

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 operating revenues without donor restrictions 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 2020 and 2019 fiscal years, \$498,360 and \$416,689, respectively, were earned. Amounts received in excess of amounts earned are recorded as refundable advances on the consolidated statement of financial position.

On May 1, 2020, the Organization entered into a loan agreement pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Paycheck Protection Program (the Program) for \$437,400. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal monthly installments of principal.

The Organization has elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the liability. In accordance with this guidance, the derecognition threshold for the liability is when the conditions of the program are "substantially met" and occur on or before the statement of financial position date. As of June 30, 2020, the Organization estimated that all significant conditions under the Program had been substantially met and recognized the entire \$437,400 of funding as grant revenue during 2020.

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 11 OPERATING LEASE

The Organization leases its office facilities under a non-cancelable operating lease from the Greater Cincinnati Television Educational Foundation. The original lease was for a fifteen-year term, which expired on October 31, 2019. This lease was renewed for an additional three-year term, which expires on October 31, 2022, but with the right to cancellation 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, 2020 and 2019 was \$243,381 and \$238,597, 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 \$8,187 and \$8,149 for the years ended June 30, 2020 and 2019, respectively.

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

2021	\$ 257,480
2022	264,973
2023	<u>93,671</u>
	<u>\$ 616,124</u>

#### NOTE 12 RETIREMENT PLAN

The Organization has a defined contribution retirement plan for all eligible employees. The plan is funded through the purchase of deferred tax-sheltered annuity contracts. Employee contributions are voluntary and are made on a pretax basis. On January 1, 2009, the Organization amended the plan to change the contribution to a voluntary basis rather than a specific contribution amount. In November 2015, the Organization resumed payments to the plan. During the 2020 and 2019 fiscal years, the Organization contributed 2% for the first 4% of contributions made by eligible employees. Employer contributions for the years ended June 30, 2020 and 2019 were \$37,931 and \$39,968, 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:

	2020	2019
Advertising and premiums	\$ 220,082	\$ 298,973
Operational expenses	329,602	345,342
Programming	53,820	54,335
Special events	<u>1,654</u>	<u>3,607</u>
	<u>\$ 605,158</u>	<u>\$ 702,257</u>

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### 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.

#### **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, 2020	Total	Level 1	Level 2
Investments			
Money market funds	\$ 4,994,727	\$ -	\$ 4,994,727
Equity securities	2,498,171	2,498,171	-
Equity mutual funds	870	870	-
Bond mutual funds	4,931	4,931	-
U.S. Treasuries	803,344	-	803,344
Corporate bonds	1,760,355	-	1,760,355
Other traded securities	825,744	825,744	-
Total investments	<u>\$10,888,142</u>	<u>\$ 3,329,716</u>	<u>\$ 7,558,426</u>
June 30, 2019	Total	Level 1	Level 2
Investments			
Money market funds	\$ 2,611,480	\$ -	\$ 2,611,480
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	<u>\$10,977,588</u>	<u>\$ 3,204,941</u>	<u>\$ 7,772,647</u>

## CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 14 FAIR VALUE (CONTINUED)

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.

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 SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

One donor made up approximately 78% of pledges and grants receivable as of June 30, 2020 and 74% of capital campaign contributions in 2020.

#### NOTE 17 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which we operate and the related impact on consumer confidence and spending, all of which are highly uncertain.

**CINCINNATI PUBLIC RADIO, INC. AND SUBSIDIARY**

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

**NOTE 18 RECENTLY ISSUED ACCOUNTING STANDARDS 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, 2021.

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, 2023.

The Organization is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.