

Dayton Public Radio, Inc.

Financial Report
June 30, 2015

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Independent Auditor's Report

Board of Trustees
Dayton Public Radio, Inc.
Dayton, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Dayton Public Radio, Inc., which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dayton Public Radio, Inc. as of June 30, 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Other Matter

The financial statements of Dayton Public Radio, Inc. as of and for the year ended June 30, 2014, were audited by other auditors whose report dated October 8, 2014 expressed an unmodified opinion on those statements.

McGladrey LLP

Dayton, Ohio
October 14, 2015

Dayton Public Radio, Inc.

**Statements of Financial Position
June 30, 2015 and 2014**

Assets	2015	2014
Cash	\$ 186,484	\$ 119,911
Accounts receivable	19,665	90,250
Pledges receivable, net of allowance for uncollectible pledges of \$2,030 in 2015 and 2014	43,991	44,558
Grants receivable	-	35,506
Investments	237,044	230,042
Property and equipment, net	132,562	103,199
Collection of recordings	55,594	55,594
Prepaid tower rent	-	2,500
Other assets	6,223	8,483
Total assets	\$ 681,563	\$ 690,043
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,147	\$ 19,624
Net assets:		
Unrestricted	659,915	605,085
Temporarily restricted	4,501	65,334
Total net assets	664,416	670,419
Total liabilities and net assets	\$ 681,563	\$ 690,043

See notes to financial statements.

Dayton Public Radio, Inc.

**Statements of Activities
Years Ended June 30, 2015 and 2014**

	2015	2014
Changes in unrestricted net assets:		
Support and revenue:		
Contributions	\$ 477,009	\$ 414,494
Special events	44,976	28,122
Program and production revenue	88,486	110,224
Grant from Corporation for Public Broadcasting	106,253	105,489
Grant from eTech Ohio	27,991	27,991
Grant from Montgomery County Arts and Cultural District	9,806	9,806
Donated goods	50,983	70,230
Donated services	112,900	105,479
Interest and dividend income	2,580	2,102
Unrealized gain on investments	781	32,843
Net assets released from restrictions	60,833	14,333
Total support and revenue	982,598	921,113
Operating expenses:		
Compensation and payroll taxes	330,743	288,642
Donated goods	50,983	55,971
Donated services	112,900	105,479
Rent, utilities, insurance	152,174	148,952
Programming and fees	26,814	27,560
Advertising, promotion, postage	19,691	27,018
Special events	23,715	22,608
Other fundraising	10,226	10,174
Equipment and engineering	85,801	94,814
Professional and consulting fees	37,592	31,162
Depreciation and amortization	34,010	32,973
Audience research	7,170	6,770
Other	23,449	28,978
Total operating expenses	915,268	881,101
Other changes:		
Acquisition-related costs	12,500	9,813
Change in unrestricted net assets	54,830	30,199
Changes in temporarily restricted net assets:		
Contributions	-	40,000
Net assets released from restrictions	(60,833)	(14,333)
Change in net assets	(6,003)	55,866
Net assets:		
Beginning	670,419	614,553
Ending	\$ 664,416	\$ 670,419

See notes to financial statements.

Dayton Public Radio, Inc.

Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (6,003)	\$ 55,866
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,010	32,973
Donated property and equipment	-	(14,258)
Donated marketable securities	(3,644)	-
Amortization of prepaid rent	2,500	10,000
Unrealized gain on investments	(781)	(32,843)
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	70,585	(44,760)
Pledges receivable, net	567	44,739
Grant receivable	35,506	(30,506)
Other assets	(633)	(6,838)
Accounts payable and accrued expenses	(2,477)	(5,636)
Net cash provided by operating activities	129,630	8,737
Cash flows from investing activities:		
Purchase of assets restricted to investment in property and equipment	-	(40,000)
Purchase of investments	(2,577)	(2,144)
Purchase of property and equipment and intangible assets	(60,480)	(7,108)
Net cash used in investing activities	(63,057)	(49,252)
Cash flows from financing activities:		
Contributions restricted for special purposes	-	40,000
Net increase (decrease) in cash and cash equivalents	66,573	(515)
Cash and cash equivalents:		
Beginning	119,911	120,426
Ending	\$ 186,484	\$ 119,911

See notes to financial statements.

Dayton Public Radio, Inc.

Notes to Financial Statements

Note 1. Nature of the Organization

Dayton Public Radio, Inc. (the Corporation) is a non-profit organization incorporated in the State of Ohio. The Corporation is organized for the purpose of owning, maintaining and operating non-commercial radio broadcasting facilities for broadcasting classical music and educational programs to the general public. The Corporation receives support primarily from the listening public and private and government grants. The Corporation is economically dependent on grant support from the Corporation for Public Broadcasting (CPB) and other governmental entities.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

The Corporation also conforms in all material respects to the reporting principles required by the CPB as promulgated in its publication, *Financial Reporting Guidelines*.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts receivable: Accounts receivable are amounts due principally for corporate underwriting under normal trade terms. Management individually reviews each balance due and estimates the portion, if any, of the balance that will not be collected. Accounts receivable are written off when the Corporation determines they are uncollectible. Recoveries of accounts receivable previously written off are recorded when collected. At June 30, 2015 and 2014 no provision for uncollectible accounts was deemed necessary by management.

Pledges and grants receivable: Pledges and grants receivable represent unconditional promises from donors to contribute cash or other assets to the Corporation. All pledges and grants are expected to be collected within one year and are recorded at their net realizable value. The carrying amount of these receivables are reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all pledge balances and estimates the portion that, if any, will not be collected.

Investment valuation and income recognition: The Corporation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gain or loss includes the Corporation's gains and losses on investments bought and sold as well as held during the year. Capital gain distributions are included in dividend and interest income. The Corporation's investments are subject to the normal risks associated with financial markets.

Unrestricted net assets: Unrestricted net assets represent resources that are available to support the Corporation's operations.

Temporarily restricted net assets: Temporarily restricted net assets are contributions and grants for which donor-imposed restrictions have not been met. When donor restrictions expire, 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.

Dayton Public Radio, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Permanently restricted net assets: Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Generally, the donors of these assets stipulate at the time the gift is made that all or part of the income earned on related investments can be utilized to support the Corporation's operations. Presently, the Corporation has no permanently restricted net assets.

Property and equipment: The Corporation capitalizes assets that are determined to have a useful life greater than one year. Such property and equipment is recorded at cost, or in the case of donated assets, at estimated fair value at date of receipt. Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets, principally seven years for production equipment. Depreciation expense was \$31,117 and \$31,125 for fiscal 2015 and 2014, respectively. Impairment of property and equipment is recognized when circumstances indicate that carrying values may not be recoverable.

Intangible assets: In fiscal 2014, the Corporation incurred additional website development costs, which are stated at cost, net of accumulated amortization and classified as other assets. The cost of the intangible assets is \$31,517 as of June 30, 2015 and 2014. Accumulated amortization of these costs is \$27,579 and \$24,687 as of June 30, 2015 and 2014, respectively. These costs are being amortized over a three-year useful life. Amortization expense totaled \$2,893 and \$1,848 in fiscal 2015 and 2014, respectively. Impairment of asset value is recognized whenever events or changes in circumstances indicate that carrying amounts are not recoverable.

Revenue recognition: Unrestricted contributions and pledges are recognized as revenue in the statement of activities upon receipt. Grant support is reported as unrestricted revenue in the period specified in the grant document which generally corresponds to the Corporation's fiscal year. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability. Program and production revenue consist primarily of corporate underwriting and is recorded as revenue when the program is aired.

The CPB grant is reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grant to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting and licensee status with the Federal Communications Commission.

Collection of recordings: Donated and purchased recordings are recognized at fair value (if determinable) at the date of donation or at cost if purchased. These assets are not subject to depreciation expense because they are deemed to be inexhaustible assets. Gains or losses on deaccession of collection items are recognized on the statement of activities.

Income taxes: The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Corporation is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. However, the Corporation is subject to federal income tax on any unrelated business taxable income. The Corporation did not have any material unrelated business income tax liability for the years ended June 30, 2015 and 2014. Therefore, no tax liability has been provided in the accompanying financial statements.

The Corporation's management evaluated the Corporation's tax positions and concluded that there are no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Corporation's federal information returns are no longer subject to examination by the Internal Revenue Service for years before fiscal 2012.

Dayton Public Radio, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising: Advertising costs are expensed when incurred. Those costs totaled \$705 and \$1,635 for fiscal 2015 and 2014, respectively.

Donated goods and services: Donated goods and professional services are reported in the financial statements as revenue and expense. The value of these donations has been determined from invoices rendered by the various donors. The donated professional services are for services received from eTech Ohio. A substantial number of volunteers have made significant contributions of time to the Corporation's policy making, program and support functions. The value of this contributed time does not meet the criteria for recognition of donated services existing in accounting standards and, accordingly, is not reflected in the accompanying financial statements.

Acquisition-related costs: In fiscal 2015 and 2014, the Corporation incurred costs in connection with an acquisition which was under consideration. Those costs totaled \$12,500 and \$9,813 for the years ended June 30, 2015 and 2014, respectively. The costs represent transaction costs such as banking, legal fees, as well as external consulting services.

Concentration of credit and market risk: Financial instruments, which potentially subject the Corporation to a concentration of credit risk, consist principally of deposits in banks and investments. At times, deposits in banks may exceed federally insured limits. The Corporation's investments are subject to the normal risks associated with financial markets.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

Subsequent events: Subsequent events have been evaluated through October 14, 2015, the date on which the financial statements were available to be issued.

Note 3. Investments

The Corporation established an investment fund that is being held by The Dayton Foundation. The Dayton Foundation administers this investment fund in accordance with the terms of the investment fund agreement. The agreement calls for the investment to be held in a pooled fund, with the exclusive purpose of providing annual, unrestricted operating revenue for the Corporation. Income earned net of expenses was \$2,580 in fiscal 2015 (\$2,102 in fiscal 2014).

Unrealized gain was \$781 and \$32,843 for the year ended June 30, 2015 and 2014, respectively. The fair value of investments was \$237,044 as of June 30, 2015 and \$230,042 as of June 30, 2014.

Dayton Public Radio, Inc.

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2015	2014
Office furniture and equipment	\$ 108,331	\$ 108,331
Production equipment	1,407,948	1,347,468
Leasehold improvements	26,997	26,997
Total	1,543,276	1,482,796
Less accumulated depreciation	1,410,714	1,379,597
Property and equipment, net	\$ 132,562	\$ 103,199

Note 5. Functional Expenses

	Year Ended June 30, 2015			
	Program	Management and General	Fundraising	Totals
Compensation and payroll taxes	\$ 228,765	\$ 33,198	\$ 68,780	\$ 330,743
Donated goods	38,237	2,040	10,706	50,983
Donated services	112,900	-	-	112,900
Rent, utilities, and insurance	105,154	23,030	23,990	152,174
Advertising, promotion, and postage	13,565	3,797	2,329	19,691
Special events	-	-	23,715	23,715
Other fundraising	-	-	10,226	10,226
Equipment and engineering	85,801	-	-	85,801
Depreciation and amortization	34,010	-	-	34,010
Other	57,314	34,323	3,388	95,025
Total	\$ 675,746	\$ 96,388	\$ 143,134	\$ 915,268

	Year Ended June 30, 2014			
	Program	Management and General	Fundraising	Totals
Compensation and payroll taxes	\$ 193,200	\$ 32,479	\$ 62,963	\$ 288,642
Donated goods	41,978	2,239	11,754	55,971
Donated services	105,479	-	-	105,479
Rent, utilities, and insurance	102,447	23,040	23,465	148,952
Advertising, promotion, and postage	18,871	5,077	3,070	27,018
Special events	-	-	22,608	22,608
Other fundraising	-	-	10,174	10,174
Equipment and engineering	94,814	-	-	94,814
Depreciation and amortization	32,973	-	-	32,973
Other	59,150	32,980	2,340	94,470
Total	\$ 648,912	\$ 95,815	\$ 136,374	\$ 881,101

The Corporation conducts activities that include requests for contributions, as well as program and management and general components. Those activities include a direct mail solicitation in conjunction with the monthly program schedule and two annual telephone campaigns. These joint costs reported in compensation and payroll taxes; rent, utilities and insurance; and advertising, promotion and postage, are allocated to fundraising activity as shown above.

Dayton Public Radio, Inc.

Notes to Financial Statements

Note 6. Operating Leases

The Corporation leases its studios, office and tower under various operating lease agreements. Future minimum lease payments under these agreements are as follows:

Fiscal Year	Studios and Office	Towers	Total
2016	\$ 41,413	\$ 40,082	\$ 81,495
2017	-	31,315	31,315
2018	-	14,736	14,736
	<u>\$ 41,413</u>	<u>\$ 86,133</u>	<u>\$ 127,546</u>

Rent expense for fiscal 2015 was \$80,593 (\$78,164 fiscal 2014).

On October 1, 2004, the Corporation entered into a ten-year tower lease arrangement. Upon completion of the initial lease period, the Corporation has the option to lease the tower on a year-to-year basis for a five year period at a rate of \$15,225 per year. This lease currently expires in September 2016.

On January 1, 2013, the Corporation entered into an additional tower lease arrangement for its Greenville, Ohio, tower which expires on December 31, 2017. This lease agreement stipulates that rent payments shall increase on each anniversary of the commencement date by five percent. Accordingly, rent expense is recognized on a straight-line basis for this lease and totaled \$26,803 for the periods ended June 30, 2015 and 2014.

The Corporation has a lease agreement for its studios and office space which is renewed on an annual basis with the lessor. The lease renewal for fiscal 2016 calls for an annual rent payment of \$41,413.

Note 7. Bank Line Of Credit

As of June 30, 2015 and 2014, the Corporation has a \$200,000 unused line of credit with its bank to be drawn upon as needed, with interest at the bank's prime rate. This line of credit is collateralized by the Corporation's accounts receivable and equipment.

Note 8. Fair Value Measurements

The Corporation has determined the fair value of certain assets through application of accounting guidance that establishes a framework for measuring fair values.

The accounting standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This standard also requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Dayton Public Radio, Inc.

Notes to Financial Statements

Note 8. Fair Value Measurements (Continued)

In that regard, a fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date.
- Level 2 Significant other observable inputs other than the Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Corporate stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Foundation fund: Valued at the fair value of the underlying funds multiplied by the Corporation's proportionate interest. The underlying funds are primarily assets which can be valued using observable inputs.

Assets measured at fair value on a recurring basis: The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Corporate stock	\$ 3,644	\$ -	\$ -	\$ 3,644
Foundation fund	-	233,400	-	233,400
Total	\$ 3,644	\$ 233,400	\$ -	\$ 237,044
	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investment:				
Foundation fund	\$ -	\$ 230,042	\$ -	\$ 230,042