Dayton Public Radio, Inc.

Financial Report
June 30, 2016

Contents

RSM US LLP

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, 2016 and 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 audits. We conducted our audits 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, 2016 and 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

RSM US LLP

Dayton, Ohio
October 17, 2016

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Dayton Public Radio, Inc.

Statements of Financial Position
June 30, 2016 and 2015

Assets		2016		2015
Cash	**$**	**232,534**	$	186,484
Accounts receivable		**51,907**		19,665
Pledges receivable, net of allowance for uncollectible pledges of $2,030 in 2015 and 2014		**52,648**		43,991
Investments		**227,754**		237,044
Property and equipment, net		**101,119**		132,562
Collection of recordings		**55,594**		55,594
Other assets		**1,169**		6,223
Total assets	**$**	**722,725**	$	681,563
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**23,309**	$	17,147
Net assets:				
Unrestricted		**670,597**		659,915
Temporarily restricted		**28,819**		4,501
Total net assets		**699,416**		664,416
Total liabilities and net assets	**$**	**722,725**	$	681,563

See notes to financial statements.

Dayton Public Radio, Inc.

Statements of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
Changes in unrestricted net assets:		
Support and revenue:		
Contributions	$ 414,775	$ 477,009
Special events	48,468	44,976
Program and production revenue	106,522	88,486
Grant from Corporation for Public Broadcasting	103,011	106,253
Grant from eTech Ohio	42,469	27,991
Grant from Montgomery County Arts and Cultural District	9,818	9,806
Donated goods	40,787	50,983
Donated services	138,491	112,900
Interest and dividend income	2,218	2,580
Unrealized (loss) gain on investments	(7,864)	781
Net assets released from restrictions	3,500	60,833
Total support and revenue	902,195	982,598
Operating expenses:		
Compensation and payroll taxes	320,226	330,743
Donated goods	40,787	50,983
Donated services	138,491	112,900
Rent, utilities, insurance	148,846	152,174
Programming and fees	27,754	26,814
Advertising, promotion, postage	19,592	19,691
Special events	24,875	23,715
Other fundraising	6,714	10,226
Equipment and engineering	70,767	85,801
Professional and consulting fees	35,090	37,592
Depreciation and amortization	34,336	34,010
Audience research	5,535	7,170
Other	18,500	23,449
Total operating expenses	891,513	915,268
Other changes:		
Acquisition-related costs	-	12,500
Change in unrestricted net assets	10,682	54,830
Changes in temporarily restricted net assets:		
Contributions	27,818	-
Net assets released from restrictions	(3,500)	(60,833)
Change in net assets	35,000	(6,003)
Net assets:		
Beginning	664,416	670,419
Ending	$ 699,416	$ 664,416

See notes to financial statements.

Dayton Public Radio, Inc.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 35,000	$ (6,003)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,336	34,010
Donated marketable securities	-	(3,644)
Amortization of prepaid rent	-	2,500
Unrealized loss (gain) on investments	7,864	(781)
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	(32,242)	70,585
Pledges receivable, net	(8,657)	567
Grant receivable	-	35,506
Other assets	2,161	(633)
Accounts payable and accrued expenses	6,162	(2,477)
Net cash provided by operating activities	44,624	129,630
Cash flows from investing activities:		
Net proceeds (purchase) of investments	1,426	(2,577)
Purchase of property and equipment and intangible assets	-	(60,480)
Net cash provided by (used in) investing activities	1,426	(63,057)
Net increase in cash and cash equivalents	46,050	66,573
Cash and cash equivalents:		
Beginning	186,484	119,911
Ending	$ 232,534	$ 186,484

See 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, 2016 and 2015 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.

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 $31,444 and $31,117 for fiscal 2016 and 2015, 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, 2016 and 2015. Accumulated amortization of these costs is $30,472 and $27,579 as of June 30, 2016 and 2015, respectively. These costs are being amortized over a three-year useful life. Amortization expense totaled $2,892 and $2,893 in fiscal 2016 and 2015, 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, 2016 and 2015. 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 2013.

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising: Advertising costs are expensed when incurred. Those costs totaled $525 and $705 for fiscal 2016 and 2015, 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, the Corporation incurred costs in connection with an acquisition which was under consideration. Those costs totaled $12,500 for the year ended June 30, 2015, 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.

Subsequent events: Subsequent events have been evaluated through October 17, 2016, the date on which the financial statements were available to be issued.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Corporation is currently evaluating the impact of our pending adoption of the new standard on the financial statements.

Not-for-Profit Entities: In August 2016, the FASB issued 2016-14, *Not for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This accounting standard makes improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The standard sets forth improvements to net asset classification requirements and the information presented about a not-for profit entity's liquidity, financial performance and cash flows. ASU 2016-14 will be effective for years beginning after December 15, 2017. The organization is currently evaluating the impact of the adoption of this standard on its financial statements.

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 $2,218 in fiscal 2016 ($2,580 in fiscal 2015).

Unrealized loss was $7,864 for the year ended June 30, 2016. Unrealized gain was $781 for the year ended June 30, 2015. The fair value of investments was $227,754 and $237,044 as of June 30, 2016 and 2015, respectively.

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2016	2015
Office furniture and equipment	$ 107,823	$ 108,331
Production equipment	1,407,950	1,407,948
Leasehold improvements	26,997	26,997
Total	1,542,770	1,543,276
Less accumulated depreciation	1,441,651	1,410,714
Property and equipment, net	$ 101,119	$ 132,562

Note 5. Functional Expenses

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.

	Year Ended June 30, 2016			
	Program	Management and General	Fundraising	Totals
Compensation and payroll taxes	$ 217,786	$ 35,153	$ 67,287	$ 320,226
Donated goods	30,590	1,631	8,565	40,786
Donated services	138,491	-	-	138,491
Rent, utilities, and insurance	102,932	22,452	23,462	148,846
Advertising, promotion, and postage	13,179	3,813	2,600	19,592
Special events	-	-	24,875	24,875
Other fundraising	-	-	6,714	6,714
Equipment, engineering, and other	122,764	32,885	1,998	157,647
Depreciation and amortization	34,336	-	-	34,336
Total	$ 660,078	$ 95,934	$ 135,501	$ 891,513

	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, engineering, and other	143,115	34,323	3,388	180,826
Depreciation and amortization	34,010	-	-	34,010
Total	$ 675,746	$ 96,388	$ 143,134	$ 915,268

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
2017	$ 41,413	$ 43,995	$ 85,408
2018	-	29,961	29,961
2019	-	15,225	15,225
2020	-	15,225	15,225
2021	-	2,538	2,538

Rent expense for fiscal 2016 was $85,232 ($80,593 fiscal 2015).

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, 2016 and 2015.

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, 2016 and 2015, 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.

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, 2016 and 2015.

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, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Foundation fund	$ -	$ 227,754	$ -	$ 227,754
Total	$ -	$ 227,754	$ -	$ 227,754

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Corporate stock	$ 3,644	$ -	$ -	$ 3,644
Foundation fund	-	223,400	-	223,400
Total	$ 3,644	$ 223,400	$ -	$ 227,044