Consolidated Financial Statements
June 30, 2016 and 2015

Spokane Public Radio, Inc.

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Spokane Public Radio, Inc.
Spokane, Washington

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Spokane Public Radio, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our 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 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 Spokane 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.

Eide Bailly LLP

Spokane, Washington
December 21, 2016

	2016	2015
Assets		
Cash and cash equivalents	$ 681,999	$ 330,262
Certificate of deposit	10,093	10,078
Promises to give, net		
Subscription and membership	69,857	69,780
Capital campaign restricted for long-term purposes	136,454	270,439
Underwriting receivable	50,374	47,124
Prepaid expenses	877	797
Property and equipment, net	4,908,193	4,498,765
Beneficial interest in charitable trust held by others	-	330,011
Cash surrender value of life insurance policy	21,372	-
Total assets	$ 5,879,219	$ 5,557,256
Liabilities and Net Assets		
Accounts payable	$ 10,344	$ 8,779
Accrued expenses	69,876	48,810
Advance from related party	140,000	140,000
Line of credit	-	239,874
Notes payable	845,577	913,327
Total liabilities	1,065,797	1,350,790
Net Assets		
Unrestricted		
Undesignated	3,986,818	3,397,642
Noncontrolling interest	497,912	-
Temporarily restricted	323,492	803,624
Permanently restricted	5,200	5,200
Total net assets	4,813,422	4,206,466
Total liabilities and net assets	$ 5,879,219	$ 5,557,256

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Corporation for Public Broadcasting				
Community Service Grant (CSG)	$ 251,940	$ -	$ -	$ 251,940
Foundation grants	18,000	-	-	18,000
Total grants	269,940	-	-	269,940
Subscriptions and memberships	871,630	60,793	-	932,423
Underwriting and services	369,061		-	369,061
Capital campaign	142,246	-	-	142,246
Gross special events revenue	145,765	-	-	145,765
Less cost of direct benefits to donors	(39,416)	-	-	(39,416)
Net special events revenue	106,349	-	-	106,349
In-kind professional services and contributions	154,708	-	-	154,708
Interest and royalty income	4,586	-	-	4,586
Rent	6,325	-	-	6,325
Distribution from and change in value of				
beneficial interest in trust held by others	16,287	(33,067)	-	(16,780)
Gains on sale of equipment	200	-	-	200
Net assets released from restrictions	507,858	(507,858)	-	-
Total revenue, support, and gains	2,449,190	(480,132)	-	1,969,058
Expenses and Losses				
Program services expense				
Programming, public relations, and				
program guide	1,066,986	-	-	1,066,986
Engineering and equipment	348,830	-	-	348,830
Total program expenses	1,415,816	-	-	1,415,816
Supporting services expense				
Management and general	231,097	-	-	231,097
Fundraising and membership development	248,615	-	-	248,615
Total supporting services expenses	479,712	-	-	479,712
Total expenses and losses	1,895,528	-	-	1,895,528
Change in Net Assets	553,662	(480,132)	-	73,530
Noncontrolling interest				
Capital contributions	533,426	-	-	533,426
Net Assets, Beginning of Year	3,397,642	803,624	5,200	4,206,466
Net Assets, End of Year	$ 4,484,730	$ 323,492	$ 5,200	$ 4,813,422

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Corporation for Public Broadcasting				
Community Service Grant (CSG)	$ 217,877	$ -	$ -	$ 217,877
Foundation grants	9,500	-	-	9,500
Total grants	227,377	-	-	227,377
Subscriptions and memberships	773,986	59,460	-	833,446
Underwriting and services	396,932	-	-	396,932
Capital campaign	1,949,085	128,721	-	2,077,806
Gross special events revenue	81,058	-	-	81,058
Less cost of direct benefits to donors	(15,045)	-	-	(15,045)
Net special events revenue	66,013	-	-	66,013
In-kind professional services and contributions	129,583	-	-	129,583
Interest and royalty income	8,440	-	-	8,440
Rent	4,600	-	-	4,600
Distribution from and change in value of				
beneficial interest in trust held by others	15,916	(16,453)	-	(537)
Other income	4,528	-	-	4,528
Gains on sale of land and option	23,410	-	-	23,410
Net assets released from restrictions	397,908	(397,908)	-	-
Total revenue, support, and gains	3,997,778	(226,180)	-	3,771,598
Expenses and Losses				
Program services expense				
Programming, public relations, and				
program guide	1,067,505	-	-	1,067,505
Engineering and equipment	304,899	-	-	304,899
New facility	40,387	-	-	40,387
Total program expenses	1,412,791	-	-	1,412,791
Supporting services expense				
Management and general	261,469	-	-	261,469
Fundraising and membership development	246,904	-	-	246,904
Total supporting services expenses	508,373	-	-	508,373
Total expenses and losses	1,921,164	-	-	1,921,164
Change in Net Assets	2,076,614	(226,180)	-	1,850,434
Net Assets, Beginning of Year	1,321,028	1,029,804	5,200	2,356,032
Net Assets, End of Year	$ 3,397,642	$ 803,624	$ 5,200	$ 4,206,466

	Program Services					
	Programming Public Relations and Program Guide	Engineering and Equipment	Total	Management and General	Fundraising and Membership Development	Total
Payroll and employee benefits	$ 284,229	$ 59,589	$ 343,818	$ 81,000	$ 181,755	$ 606,573
Professional services	66,308	28,410	94,718	103,040	12,837	210,595
Supplies and postage	5,561	1,198	6,759	5,556	7,721	20,036
Utilities and telephone	31,344	59,946	91,290	4,229	5,378	100,897
Rental space	19,933	44,057	63,990	3,421	2,400	69,811
Repairs and maintenance	10,769	11,897	22,666	25	10	22,701
Network programming fees	488,505	-	488,505	-	-	488,505
Marketing and development	38,577	2,975	41,552	5,508	890	47,950
Insurance	23,252	2,598	25,850	5,849	615	32,314
Bank fees	-	-	-	-	12,669	12,669
Printing	-	-	-	-	5,445	5,445
Direct fundraising costs	-	-	-	-	39,416	39,416
Depreciation	72,428	125,108	197,536	12,272	12,281	222,089
Interest	19,390	9,695	29,085	4,847	4,848	38,780
Other	6,690	3,357	10,047	5,350	1,766	17,163
Total expenses by function	1,066,986	348,830	1,415,816	231,097	288,031	1,934,944
Less expenses included with revenue on the statement of activities						
Cost of direct benefits to donors	-	-	-	-	(39,416)	(39,416)
Total expenses	$ 1,066,986	$ 348,830	$ 1,415,816	$ 231,097	$ 248,615	$ 1,895,528

	Program Services						
	Programming Public Relations and Program Guide	Engineering and Equipment	New Facility	Total	Management and General	Fundraising and Membership Development	Total
Payroll and employee benefits	$ 404,444	$ 72,285	$ -	$ 476,729	$ 191,029	$ 183,514	$ 851,272
Professional services	64,594	52,260	800	117,654	40,405	13,573	171,632
Supplies and postage	4,654	1,177	191	6,022	4,601	12,177	22,800
Utilities and telephone	28,003	40,197	12,965	81,165	5,200	4,716	91,081
Rental space	30,592	37,679	6,979	75,250	5,760	5,652	86,662
Repairs and maintenance	1,805	10,410	354	12,569	1,294	28	13,891
Network programming fees	449,418	-	-	449,418	-	-	449,418
Marketing and development	38,861	4,061	612	43,534	5,232	3,487	52,253
Insurance	20,363	-	6,288	26,651	4,709	-	31,360
Bank fees	-	-	-	-	-	14,977	14,977
Printing	-	-	-	-	-	8,440	8,440
Direct fundraising costs	-	-	-	-	-	15,045	15,045
Depreciation	24,747	86,803	-	111,550	297	340	112,187
Other	24	27	12,198	12,249	2,942	-	15,191
Total expenses by function	1,067,505	304,899	40,387	1,412,791	261,469	261,949	1,936,209
Less expenses included with revenue on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(15,045)	(15,045)
Total expenses	$ 1,067,505	$ 304,899	$ 40,387	$ 1,412,791	$ 261,469	$ 246,904	$ 1,921,164

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ 73,530	$ 1,850,434
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	222,089	112,187
Imputed interest expense	16,213	-
Gain on sale of equipment	(200)	-
Gain on sale of land and option	-	(23,410)
Change in beneficial interest in charitable trust held by others	33,067	16,453
Donated professional services included in construction in progress	-	(14,528)
Contributions restricted to building project	(142,246)	(2,077,806)
Cash surrender value of donated life insurance policy	(21,372)	-
Changes in operating assets and liabilities		
Promises to give, net	(77)	(4,118)
Underwriting receivable	(3,250)	3,690
Other receivable	-	13,688
Prepaid expenses	(95)	214
Accounts payable	1,565	(27,373)
Accrued expenses	21,066	(5,324)
Net Cash from (used for) Operating Activities	200,290	(155,893)
Cash Flows from Investing Activities		
Proceeds from sale of property and option	-	221,128
Proceeds from sale of equipment	200	-
Purchase of option to acquire property	-	(90,000)
Maturity of certificate of deposit	10,093	10,078
Purchase of certificate of deposit	(10,093)	(10,078)
Purchase of property and equipment	(631,517)	(142,261)
Final distribution of beneficial interest in charitable trust held by others	296,944	-
Purchase of Monroe firehouse property and construction in progress	-	(3,010,378)
Net Cash used for Investing Activities	(334,373)	(3,021,511)

	2016	2015
Cash Flows from Financing Activities		
Collections of contributions restricted to building project	276,231	2,277,486
Contributions from noncontrolling interest	533,426	-
Advance from related party	-	140,000
Net change in line of credit	(239,874)	239,874
Proceeds from issuance of note	-	500,000
Principal payments on long-term debt	(83,963)	(28,279)
Net Cash from Financing Activities	485,820	3,129,081
Net Change in Cash and Cash Equivalents	351,737	(48,323)
Cash and Cash Equivalents, Beginning of Year	330,262	378,585
Cash and Cash Equivalents, End of Year	$ 681,999	$ 330,262
Supplemental Disclosure of Cash Flow Information		
Total cash payments for interest	$ 30,966	$ 10,560
Less amounts capitalized	(8,399)	(10,560)
Net cash payments for interest	$ 22,567	$ -
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Capitalized interest	$ -	$ 14,165
Capitalized professional services	$ -	$ 14,528

Note 1 - Principal Business Activity and Significant Accounting Policies

Organization

Spokane Public Radio, Inc. is a Washington nonprofit organization operating three noncommercial public radio stations in Spokane, Washington (KPBZ-FM 90.3, KPBX-FM 91.1, and KSFC-FM 91.9). The stations serve parts of Eastern Washington, Northern Idaho, Western Montana, Eastern Oregon, and British Columbia, Canada, through ten full power radio repeater stations and three translator stations. Management estimates that the stations reach between sixty and seventy thousand listeners, based upon published radio listener surveys.

Spokane Public Radio, Inc. offers a variety of classical music, jazz, and blues, as well as current news and public affairs programming. Spokane Public Radio, Inc. is supported primarily by listener contributions, local business underwriting, foundation grants, and grants from the Corporation of Public Broadcasting for program activities.

Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of Spokane Public Radio, Inc. and its wholly owned subsidiary, SPR Manager, LLC, which owns an interest in SPR Landlord, LLC, and SPR Master Tenant, LLC. The consolidated entities are collectively referred to as "the Organization". All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. SPR Manager, LLC, SPR Landlord, LLC, and SPR Master Tenant, LLC are for profit supporting organizations organized during October 2015 in connection with the financing, rehabilitation, and ownership of the Monroe firehouse property, which was completed and placed in service in October 2015. (Note 2)

The accompanying consolidated financial statements of the Organization have been prepared using the accrual method of accounting.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

The Organization's policy is to invest cash in excess of operating requirements, in income producing money market investments with high credit quality financial institutions. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds held at financial institutions. Management does not believe excess cash investments are exposed to any significant credit risk.

Certificates of deposit are recorded at cost, which approximates fair market value. The interest rate on the certificate is 0.15% and will mature during 2017.

Promises to Give

The Organization records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Underwriting Receivable

Underwriting receivable consists of amounts due under various underwriting contracts. Management determines the allowance for uncollectable accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for doubtful accounts was considered necessary at June 30, 2016 and 2015.

Property and Equipment

Property and equipment additions over $250 are recorded at cost, or if donated, at the fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over their estimated useful lives ranging from two to twenty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2016 and 2015.

Beneficial Interests in Charitable Trusts Held by Others

On February 13, 1997, the Organization was named as an irrevocable beneficiary of a charitable trust created independently and anonymously and held and administered by Washington Trust Bank. Under the terms of the trust document which was effective on May 2, 1996, the Organization received the trust's annual net income for a period of twenty years and then received their share of the remaining trust assets of $296,944 on June 3, 2016. The Organization's interest in the trust was recorded at fair value and was included in temporarily restricted net assets. Trust distributions of annual income are recorded in unrestricted revenue and net changes in the beneficial interest were recorded as an increase or decrease in temporarily restricted revenue.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time.

The Organization reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The restrictions stipulate that resources be maintained permanently but permit the unrestricted expenditure of the income.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Program underwriting revenue is recorded on a pro-rata basis over the period of the related underwriting agreement.

Donated Services and In-Kind Contributions

The value of contributed services meeting the requirements for recognition in the financial statements are recorded as revenue and expense when received. Contributed professional services and advertising are valued according to estimates provide by the donor (Note 11). In addition, other volunteers contribute significant amounts of time to the Organizations’ program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs

Advertising costs are expensed as incurred and were $35,310 and $36,435 during the years ended June 30, 2016 and 2015, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Spokane Public Radio, Inc. is organized as a Washington nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and qualifying for the charitable contribution deduction under Section 170(b)(1)(A)(vi). Spokane Public Radio, Inc. has been determined not to be a private foundation under Section 509(a)(1) and is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Spokane Public Radio, Inc. is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Spokane Public Radio, Inc. has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

SPR Landlord, LLC and SPR Master Tenant, LLC are organized as for profit Washington limited liability companies. As a limited liability company, each entity's taxable income or loss is allocated to members in accordance with their formation documents. 90% of the income or loss attributable to SPR Landlord, LLC and 1% of the income or loss attributable to SPR Master Tenant, LLC is allocated to SPR Manager, LLC. The remaining income or loss is allocated to the noncontrolling interest. SPR Manager, LLC is organized as a for profit Washington limited liability company, but, for income tax purposes, has elected to be treated as a corporation. No current or deferred tax provision has been recorded in the consolidated financial statements as the corporation incurred losses during the fiscal year ended June 30, 2016 and the timing of any tax benefit to be realized from the losses is uncertain.

The Organization evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of June 30, 2016 and 2015, the unrecognized tax benefit accrual was zero. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Noncontrolling Interest

Included in unrestricted net assets is the noncontrolling interest in SPR Master Tenant, LLC. The SPR Master Tenant, LLC noncontrolling interest represents its ownership of the firehouse property included in the consolidated financial statements. There are no liabilities included in the consolidated financial statements associated with SPR Master Tenant, LLC. A reconciliation of the net assets of SPR Master Tenant, LLC attributable to SPR Manger, LLC and the noncontrolling interest is as follows:

	SPR Manager, LLC	Noncontrolling Interest	Total
Net assets at June 30, 2015	$ -	$ -	$ -
Capital contributions	5,338	533,426	538,764
SPR Master Tenant, LLC net loss	(358)	(35,514)	(35,872)
Net assets at June 30, 2016	$ 4,980	$ 497,912	$ 502,892

Subsequent Events

The Company has evaluated subsequent events through December 21, 2016, the date which the consolidated financial statements were available to be issued.

Note 2 - Federal Historic Tax Credit Program

In connection with the construction of the Monroe firehouse property, the Organization obtained additional funding by utilizing the Federal Historic Tax Credit Program (FHTC). In September, 2015, as part of the process to monetize these credits, certain for-profit limited liability companies (LLCs) were formed to hold and lease or lease and sublease the property. The LLC holding the property, SPR Landlord, LLC, is owned 90% by SPR Manager, LLC, an entity owned 100% by Spokane Public Radio, Inc., and 10% by SPR Master Tenant, LLC, an entity owned 99% by outside investors (Investors) and 1% by SPR Manager, LLC. SPR Manager, LLC, SPR Landlord, LLC, and SPR Master Tenant, LLC are collectively known as the “HTC Entities”. The various lease agreements between the entities ultimately result in Spokane Public Radio, Inc. leasing substantially all of the property from SPR Master Tenant, LLC under a sublease agreement.

The FHTC permits taxpayers to receive a credit against federal income taxes for making qualified rehabilitation expenditures (QRE) that were incurred in rehabilitating the Monroe firehouse. The HTC Entities were integrated into the FHTC transaction to generate qualified QREs that could then be sold to the Investors. By interposing the HTC Entities, the QREs and resulting tax credits are deemed for tax purposes to have been generated by a “for profit” entity and not by the nonprofit Spokane Public Radio, Inc., thus making them economically valuable to the Investors. In addition, the Investors have the right to require SPR Manager, LLC to purchase their entire interest in the property for the lesser of $4,000 or the appraised value of such interest after five years.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs 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. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization’s assessment of the quality, risk or liquidity profile of the asset or liability.

During 2016, the Organization received the remaining share of a charitable trust held by others when the trust term expired. For the year ended June 30, 2015, the beneficial interest in the charitable trust held by others is valued on a recurring basis and is considered to be within Level 2 measurements. The fair value of the trust is based on the value of the underlying trust assets consisting primarily of common stocks or open-end mutual funds with readily determinable fair values.

The following table presents assets and liabilities measured at fair value for the year ended June 30, 2015:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Beneficial interests in charitable trust held by others				
Cash and money markets	$ 10,906	$ -	$ 10,906	$ -
Common stocks	82,166	-	82,166	-
Mutual funds	236,939	-	236,939	-
	$ 330,011	$ -	$ 330,011	$ -

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2016 and 2015:

	2016	2015
Receivable due in less than one year	$ 197,806	$ 292,568
Receivable due in one to five years	54,385	99,038
Total unconditional promises to give	252,191	391,606
Less discount to net present value at 4%	(5,602)	(6,815)
Less allowance for uncollectable promises to give	(40,278)	(44,572)
Net unconditional promises to give	$ 206,311	$ 340,219

Promises to give at June 30, 2016 and 2015 included $29,331 and $46,884, respectively, from members of the Board of Directors.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2016 and 2015:

	2016	2015
Broadcast and production equipment	1,783,954	1,635,272
Furniture and fixtures	98,846	192,505
Transmitter buildings and other	32,939	32,939
Leasehold improvements	12,153	16,662
Vehicles	6,614	6,614
Monroe firehouse	4,157,218	-
	6,091,724	1,883,992
Less accumulated depreciation	(1,441,508)	(1,406,407)
	4,650,216	477,585
Monroe firehouse land and construction in progress	116,653	3,879,856
Property adjacent to Monroe firehouse	141,324	141,324
	$ 4,908,193	$ 4,498,765

The Monroe firehouse property and construction in progress relates to the construction of a new operations and administration building for the Organization. Occupancy of the Monroe firehouse property began on October 1, 2015.

At June 30, 2016, the Monroe firehouse property includes capitalized interest of $42,544. At June 30, 2015, the Monroe firehouse property and construction in progress included capitalized interest of $34,145.

Liens are held by the U.S. Government on generators and broadcasting and studio equipment purchased with certain grant funds in the amount of $246,156, which includes a lien applied for in August 2012. The liens cover a ten-year period following purchase of the equipment and expire between 2018 and 2021.

Note 6 - Advance from Related Party

In November 2014, an individual related to a member of the board of directors advanced $140,000 to the Organization to fund the acquisition of the property adjacent to the Monroe firehouse. There are no defined repayment terms for this advance. For the years ended June 30, 2016 and 2015, no payments were made on the advance.

Note 7 - Line of Credit

In May 2015, the Organization refinanced their $100,000 unsecured line of credit with Washington Trust Bank (the Bank) with a $900,000 unsecured construction line of credit agreement maturing September 15, 2015. Under the agreement, interest only payments were due monthly at 1% over the Bank's prime rate subject to a floor of 4.25% (4.25% at June 30, 2015). This line was guaranteed by an individual related to a member of the Board of Directors.

As a result of a September 16, 2015 refinancing agreement with the Bank to term-out a portion of the construction line of credit, $500,000 of the $739,894 advanced under the construction line of credit as of June 30, 2015 has been included in notes payable (Note 8). In addition, amounts not termed-out at September 16, 2015 were refinanced with an unsecured $400,000 line of credit expiring December 31, 2015. Under this agreement, interest only payments were due monthly at 1% over the Bank's prime rate subject to a floor of 4.25%. The line was guaranteed by an individual related to a member of the Board of Directors. The line was paid in full during the year ended June 30, 2016 and was not renewed.

Note 8 - Notes Payable

Notes payable consist of the following at June 30, 2016 and 2015:

	2016	2015
Note payable to Washington Trust Bank, due in monthly installments of $6,965, including interest at 4.5% to September 15, 2022, secured by equipment and guaranteed by an individual related to a member of the Board of Directors	$ 453,742	$ 500,000
Noninterest bearing note payable, $509,016 and $546,721 principal amount at June 30, 2016 and 2015, respectively, less unamortized discount based on imputed interest rate of 4.0%, due in quarterly installments of $9,426 to October 2029 to an individual related to a member of the Board of Directors, secured by real property[A]	391,835	413,327
	$ 845,577	$ 913,327

[A]For the year ended June 30, 2016, imputed interest related to the note of $16,213 was expensed. For the year ended June 30, 2015, imputed interest related to the note of $14,165 has been capitalized and is included construction in progress. Unamortized discount on the note of $117,181 and $133,394 is included in temporarily restricted net assets at June 30, 2016 and 2015, respectively.

Interest capitalized on the line of credit and the note payable to Washington Trust Bank totaled $8,399 and $10,560 for the years ended June 30, 2016 and 2015, respectively.

Subsequent to year end, the Organization paid $200,000 on the note payable to Washington Trust Bank and refinanced the loan. The new note payable is due in monthly installments of $3,822 with a balloon payment of $91,348 due on September 15, 2020. The note payable includes interest at 4.5% fixed for 4 years to September 15, 2020, secured by equipment and guaranteed by an individual related to a member of the Board of Directors.

Future maturities of notes payable, reflecting the refinance of the Washington Trust Bank loan subsequent to year end, are as follows:

Years Ending June 30,	Amount
2017	$ 262,211
2018	60,274
2019	62,919
2020	65,681
2021	123,935
Thereafter	270,557
	$ 845,577

Note 9 - Leases

The Organization leases translator and antenna systems under various operating leases expiring at various dates through 2018. Prior to January 2016, the Organization also leased office space.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2017	$ 16,200
2018	10,800
	$ 27,000

Rent expense for the years ended June 30, 2016 and 2015 totaled $69,811 and $86,662, respectively.

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015, consist of:

	2016	2015
Promises to give, net		
Subscription and membership	$ 69,857	$ 69,780
Capital campaign restricted for long-term purposes	136,454	270,439
Noninterest bearing loan discount	117,181	133,394
Beneficial interests in charitable trust held by others	-	330,011
	$ 323,492	$ 803,624

Amounts are released from temporarily restricted net assets when capital campaign promises to give are collected and related expenditures incurred, subscription and membership promises to give are collected, and interest expense is recognized related to noninterest bearing note discount.

Permanently restricted net assets consist of donor restricted funds. Any income earned from the donor restricted funds is available for the unrestricted use of the Organization.

Note 11 - Donated Professional Services and Materials

The Organization also received donated professional services and materials as follows during the years ended June 30, 2016 and 2015:

June 30, 2016	Program Services	Management and General	Fundraising	Total
Accounting	$ -	$ 21,650	$ -	$ 21,650
Computer services	8,222	-	-	8,222
Other professional	5,079	176	-	5,255
Legal fees	-	39,047	-	39,047
Mailing	1,207	-	-	1,207
Facility rental	11,400	-	-	11,400
Janitorial	6,222	-	-	6,222
Advertising	29,297	642	-	29,939
Food	1,231	798	-	2,029
Production engineering	29,737	-	-	29,737
	$ 92,395	$ 62,313	$ -	$ 154,708

June 30, 2015	Program Services	Management and General	Fundraising	Total
Accounting	$ -	$ 15,000	$ -	$ 15,000
Computer services	12,730	-	-	12,730
Other professional	3,189	687	-	3,876
Professional dues	-	7,830	-	7,830
Mailing	1,878	-	-	1,878
Facility rental	2,400	-	-	2,400
Janitorial	5,566	-	-	5,566
Advertising	30,560	642	-	31,202
Food	798	1,164	-	1,962
Production engineering	32,611	-	-	32,611
	$ 89,732	$ 25,323	$ -	115,055
Capitalized professional services				14,528
				$ 129,583

The Organization received approximately 7,500 and 1,300 hours of non-specified volunteer hours for the years ended June 30, 2016 and 2015, respectively, for which the value has not been recorded.

Note 12 - Employee Benefits

Spokane Public Radio, Inc. sponsors a tax-deferred pension plan qualified under Section 403(b) of the Internal Revenue Code covering substantially all permanent employees. Employees can defer up to 20% of their annual compensation into their plan accounts. In addition, Spokane Public Radio, Inc. sponsors a tax-deferred Simplified Employee Pension Plan (SEP) covering all permanent employees. The plan provides that employees who have attained age 21 may contribute up to 15% of their earnings to the SEP, up to the maximum contribution allowed by the IRS. The Board of Directors approved contributions in the amount of 2% of eligible participants' compensation, with a minimum of $25 per eligible participant for the years ended June 30, 2016 and 2015. Employer contributions were $13,272 and $13,746 for the years ended June 30, 2016 and 2015, respectively.

Note 13 - Fundraising Events

Revenue and direct expenses for the three largest fundraising events and a total for all other events during the years ended June 30, 2016 and 2015 are as follows:

	Year Ended June 30, 2016				
	A Prairie Home Companion	Record and Video Sales	Fall Lecture Series	Other	Total
Revenue	$ 63,240	$ 44,589	$ 28,669	$ 9,267	$ 145,765
Direct fundraising costs	12,629	5,488	14,987	6,312	39,416
Fundraising, net	$ 50,611	$ 39,101	$ 13,682	$ 2,955	$ 106,349

	Year Ended June 30, 2015				
	Record and Video Sales	Spring Lecture Cokie Roberts	Fall Concert Pearl Django	Other	Total
Revenue	$ 44,190	$ 13,095	$ 6,506	$ 17,267	$ 81,058
Direct fundraising costs	5,194	2,317	1,709	5,825	15,045
Fundraising, net	$ 38,996	$ 10,778	$ 4,797	$ 11,442	$ 66,013

Revenue above for the year ended June 30, 2015 does not include special event sponsorships, included in underwriting and services income, of $24,513.