Financial Statements

Northeast Indiana Public Radio, Inc.

September 30, 2017 and 2016

NORTHEAST INDIANA PUBLIC RADIO, INC.

Financial Statements
September 30, 2017 and 2016

INDEX

Baden
Gage & Schroeder LLC
Certified Public Accountants • Business Consultants

Independent Auditors' Report

Board of Trustees
Northeast Indiana Public Radio, Inc.
Fort Wayne, Indiana

We have audited the accompanying financial statements of Northeast Indiana Public Radio, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain 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 Organization'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 Organization'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 basis for our qualified audit opinion.

Basis for Qualified Opinion

Generally accepted accounting principles require that the radio station license be tested at least annually for impairment, and if the carrying value of the license exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess. During the years ended September 30, 2017 and 2016, management has not tested the radio station license for impairment.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Indiana Public Radio, Inc., as of September 30, 2017 and 2016, 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.

Baden, Gage & Schroeder, LLC

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
January 31, 2018

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statements of Financial Position
September 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 111,503	$ 195,700
Receivables:		
Membership - net of allowance for uncollectible accounts of $19,395 (2017) and $17,955 (2016)	101,970	60,522
Underwriting - net of allowance for uncollectible accounts of $1,098 (2017) and $2,395 (2016)	35,032	30,867
Contributions - net of allowance for uncollectible accounts of $0 (2017 and 2016)	126,203	48,245
Total Current Assets	374,708	335,334
PROPERTY AND EQUIPMENT		
Land	129,000	129,000
Building and improvements	453,522	453,522
Office equipment	55,861	45,231
Technical equipment	323,425	323,425
Construction in process	398,500	85,000
	1,360,308	1,036,178
Less: Accumulated depreciation	623,662	594,869
Net Property and Equipment	736,646	441,309
OTHER ASSETS		
Contributions receivable - noncurrent	102,074	12,005
Beneficial interest in trust	52,031	50,042
Property under capital lease - less accumulated amortization of $9,521 (2017) and $7,141 (2016)	-	2,380
Broadcasting licenses	625,000	625,000
Total Other Assets	779,105	689,427
TOTAL ASSETS	$ 1,890,459	$ 1,466,070

See Notes to Financial Statements.

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ 47,000	$ 48,500
Accounts payable	138,355	101,747
Accrued payroll and related taxes	10,551	15,679
Current maturities of collateralized loans payable	35,390	33,600
Current maturities of capital lease payable	-	2,115
Total Current Liabilities	231,296	201,641
NONCURRENT LIABILITIES		
Collateralized loans payable, net of current maturities	392,740	428,297
Total Liabilities	624,036	629,938
NET ASSETS		
Unrestricted	498,433	377,093
Board designated	20,000	20,000
Total Unrestricted Net Assets	518,433	397,093
Temporarily restricted	695,959	388,997
Permanently restricted	52,031	50,042
Total Net Assets	1,266,423	836,132
TOTAL LIABILITIES AND NET ASSETS	$ 1,890,459	$ 1,466,070

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Activities
Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Memberships and subscriptions	$ 667,205	$ -	$ -	$ 667,205
Underwriting revenue	252,616	-	-	252,616
Contributions	-	355,452	-	355,452
Grants:				
Corporation for Public Broadcasting	127,575	-	-	127,575
Corporations and foundations	126,850	25,000	-	151,850
Matching grants	2,645	-	-	2,645
In-kind services and materials	86,127	-	-	86,127
Special events:				
Proceeds	61,639	-	-	61,639
Less cost of direct benefits to donors	(7,700)	-	-	(7,700)
Nonprofit announcements	9,750	-	-	9,750
Investment income	3,481	-	1,989	5,470
Other revenue	438	-	-	438
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time and purpose restrictions	73,490	(73,490)	-	-
TOTAL SUPPORT AND REVENUE	1,404,116	306,962	1,989	1,713,067
EXPENSES				
Program services				
Production and programming	648,485	-	-	648,485
Broadcasting	63,999	-	-	63,999
Program information and promotion	68,460	-	-	68,460
Total program services	780,944	-	-	780,944
Supporting activities				
Management and general	265,828	-	-	265,828
Fundraising	236,004	-	-	236,004
Total supporting activities	501,832	-	-	501,832
TOTAL EXPENSES	1,282,776	-	-	1,282,776
CHANGE IN NET ASSETS	121,340	306,962	1,989	430,291
NET ASSETS, BEGINNING OF YEAR	397,093	388,997	50,042	836,132
NET ASSETS, END OF YEAR	$ 518,433	$ 695,959	$ 52,031	$ 1,266,423

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Activities
Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Memberships and subscriptions	$ 506,585	$ -	$ -	$ 506,585
Underwriting revenue	252,457	-	-	252,457
Contributions	-	155,019	-	155,019
Grants:				
Corporation for Public Broadcasting	132,518	-	-	132,518
Corporations and foundations	94,418	35,000	-	129,418
Matching grants	4,797	-	-	4,797
In-kind services and materials	74,673	-	-	74,673
Special events:				
Proceeds	49,275	-	-	49,275
Less cost of direct benefits to donors	(9,900)	-	-	(9,900)
Nonprofit announcements	6,500	-	-	6,500
Investment income (loss)	3,710	-	(350)	3,360
Other revenue	275	-	-	275
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time and purpose restrictions	105,665	(105,665)	-	-
TOTAL SUPPORT AND REVENUE	1,220,973	84,354	(350)	1,304,977
EXPENSES				
Program services				
Production and programming	602,382	-	-	602,382
Broadcasting	74,147	-	-	74,147
Program information and promotion	64,511	-	-	64,511
Total program services	741,040	-	-	741,040
Supporting activities				
Management and general	363,233	-	-	363,233
Fundraising	203,623	-	-	203,623
Total supporting activities	566,856	-	-	566,856
TOTAL EXPENSES	1,307,896	-	-	1,307,896
CHANGE IN NET ASSETS	(86,923)	84,354	(350)	(2,919)
NET ASSETS, BEGINNING OF YEAR	484,016	304,643	50,392	839,051
NET ASSETS, END OF YEAR	$ 397,093	$ 388,997	$ 50,042	$ 836,132

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 430,291	$ (2,919)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and amortization	31,173	36,448
Amortization of loan fees	3,003	3,003
Change in beneficial interest in trust	(1,989)	350
Contributions received for long term assets	(355,452)	4,895
Bad debt expense	38,626	34,014
(Increase) Decrease in Assets:		
Membership receivables	(78,976)	(10,230)
Underwriting receivables	(5,263)	(9,259)
Contributions receivable	10,000	(3,190)
Increase (Decrease) in Liabilities:		
Accounts payable	(39,044)	50,086
Accrued payroll and related taxes	(5,128)	2,949
Net Cash Provided By Operating Activities	27,241	106,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(248,478)	(145,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	47,000	46,500
Repayments of line of credit	(48,500)	(25,500)
Payments on capital lease payable	(2,115)	(3,174)
Payments on collateralized loans payable	(36,770)	(34,850)
Collection of contributions restricted to long-term purposes	177,425	-
Net Cash Provided By (Used In) Financing Activities	137,040	(17,024)
NET DECREASE	(84,197)	(55,877)
CASH, BEGINNING OF YEAR	195,700	251,577
CASH, END OF YEAR	$ 111,503	$ 195,700
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 4,768	$ 4,639
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Increase in accounts payable through purchase of property and equipment	$ 75,650	$ -

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Functional Expenses
Year Ended September 30, 2017

	Production and Programming	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expense	$ 193,118	$ -	$ 60,065	$ 253,183	$ 162,683	$ 79,301	$ 495,167
Programming expense	290,684	-	-	290,684	-	-	290,684
Interest	27,763	-	-	27,763	4,768	-	32,531
Professional services	1,648	-	5,500	7,148	23,075	44,456	74,679
Donated volunteer services	-	39,372	-	39,372	-	-	39,372
Advertising and promotion	7,874	-	1,579	9,453	5,940	-	15,393
Utilities	31,011	-	-	31,011	10,395	-	41,406
Special events	-	-	-	-	-	47,767	47,767
Dues and subscriptions	11,097	-	75	11,172	1,696	8,648	21,516
Insurance	24,186	-	-	24,186	8,062	-	32,248
Rent - equipment	35,380	-	-	35,380	6,197	-	41,577
Repairs and maintenance	-	-	-	-	20,480	-	20,480
Postage and shipping	310	-	179	489	927	6,365	7,781
Service agreement	4,364	-	-	4,364	5,685	1,284	11,333
Miscellaneous	91	-	34	125	1,033	2,315	3,473
Telephone	6,850	-	323	7,173	3,125	8,914	19,212
Fundraising expense	-	-	-	-	-	15,771	15,771
Supplies	4,017	-	536	4,553	7,653	4,442	16,648
Licenses and fees	-	-	-	-	-	16,420	16,420
Travel	2,011	-	169	2,180	369	321	2,870
Audience research	5,055	-	-	5,055	-	-	5,055
Meetings and conferences	220	-	-	220	-	-	220
Expenses before depreciation and amortization	645,679	39,372	68,460	753,511	262,088	236,004	1,251,603
Depreciation and amortization	2,806	24,627	-	27,433	3,740	-	31,173
TOTAL EXPENSES	$ 648,485	$ 63,999	$ 68,460	$ 780,944	$ 265,828	$ 236,004	$ 1,282,776

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Functional Expenses
Year Ended September 30, 2016

	Production and Programming	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expense	$ 189,901	$ -	$ 60,580	$ 250,481	$ 167,093	$ 75,764	$ 493,338
Programming expense	274,178	-	-	274,178	-	-	274,178
Interest	26,521	-	-	26,521	7,642	-	34,163
Professional services	4,050	-	2,000	6,050	24,702	37,825	68,577
Donated volunteer services	-	40,452	-	40,452	-	-	40,452
Advertising and promotion	-	-	817	817	9,640	-	10,457
Utilities	33,014	-	-	33,014	9,893	-	42,907
Special events	-	-	-	-	-	36,253	36,253
Dues and subscriptions	9,442	-	-	9,442	2,208	1,442	13,092
Insurance	-	-	-	-	18,232	-	18,232
Rent - equipment	34,800	-	-	34,800	5,948	-	40,748
Repairs and maintenance	1,772	4,537	-	6,309	15,683	-	21,992
Postage and shipping	453	-	191	644	1,811	4,846	7,301
Service agreement	6,835	-	-	6,835	4,871	-	11,706
Miscellaneous	279	-	-	279	48,885	2,994	52,158
Telephone	6,907	-	422	7,329	3,930	6,857	18,116
Fundraising expense	-	-	-	-	-	13,691	13,691
Bad debt expense	-	-	-	-	32,322	-	32,322
Supplies	1,915	-	501	2,416	3,570	8,703	14,689
Licenses and fees	-	-	-	-	-	14,553	14,553
Travel	3,844	-	-	3,844	2,794	-	6,638
Audience research	4,537	-	-	4,537	-	-	4,537
Meetings and conferences	653	-	-	653	-	695	1,348
Expenses before depreciation and amortization	599,101	44,989	64,511	708,601	359,224	203,623	1,271,448
Depreciation and amortization	3,281	29,158	-	32,439	4,009	-	36,448
TOTAL EXPENSES	$ 602,382	$ 74,147	$ 64,511	$ 741,040	$ 363,233	$ 203,623	$ 1,307,896

See Notes to Financial Statements.

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Activities:

Northeast Indiana Public Radio, Inc. (the Organization) is a not-for-profit corporation, which operates two noncommercial public radio stations whose primary listening area is Northeast Indiana. The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

To continue and expand the high quality programming the growing community needs, the Organization has launched the ***Building a Sound Future*** campaign to secure $5,500,000 for significant upgrades to its service.

The goals of the campaign include: renovation of the Organization's new building in a central location in downtown Fort Wayne; upgrading outdated analog equipment to increase quality and reliability in the digital and mobile communications age; develop resources to offer comprehensive coverage of the important news, issues, events, and people of Northeast Indiana on all media platforms; provide a greater voice to the community through innovations such as its *Podcast Lab,* and new programs which include audience participation and increased partnerships with other community organizations.

Broadcasting License:

The Organization is licensed to broadcast by the Federal Communications Commission (FCC). This license is subject to periodic review and renewal by the Commission.

Basis of Preparation:

The financial statements are prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets.

Unrestricted Net Assets: Includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily Restricted Net Assets: Includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give, that are due in future periods, and that are not permanently restricted, are classified as temporarily restricted net assets.

Permanently Restricted Net Assets: Includes assets that the donor stipulates must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions limiting the Organization's use of an asset or its economic benefits. Permanent restrictions neither expire with the passage of time nor can they be removed by meeting certain requirements.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Receivables, Support and Revenue:

Membership and subscription revenue is recorded when pledged or at the time of receipt. Underwriting revenue is recognized after the spot airs or the event has taken place. Contribution revenue is recognized when assets or commitments of unconditional promises to give are received. Grants that are considered to be contributions are recognized when awarded. Grants that are considered to be exchange transactions are recorded when earned.

Receivables, Support and Revenue (continued):

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All 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, (that is, when a stipulated time restriction ends or purpose of the 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.

All grants, contributions and other support, which are expected to be received beyond one year, are discounted to their net present value. Receivables from both contributions and exchange transactions are reduced for any estimated uncollectible amounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, contract terms, and other circumstances which may affect the ability of donors or customers to meet their obligations. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Property and Equipment:

Property and equipment is recorded at cost or, if received by donation, at fair value at the date of the gift. Items with a cost or value of $1,000 or more and a useful life of one year or more are capitalized. Additions and improvements that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method for financial reporting purposes based on estimated useful lives of the related assets. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Estimated useful lives are as follows:

Building and improvements	3 - 39 years
Office equipment	3 - 7 years
Technical equipment	5 - 15 years

Depreciation expense was $28,793 and $34,068 for the years ended September 30, 2017 and 2016, respectively.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Loan Fees:

Loan fees are amortized using the effective interest method, over the term of the related debt, and are netted from collateralized loans payable. Loan fee amortization is reflected as a component of interest expense.

Functional Allocation of Expenses:

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following programs and supporting activities are included in the accompanying financial statements:

Production and Programming - Includes program acquisition costs and the expenses related to the production of non-commercial, educational radio programming.

Broadcasting - Includes radio tower rental, broadcasting equipment costs and other expenses related to the dissemination of non-commercial, educational radio programming.

Program Information and Promotion - Includes expenses related to the dissemination of information about non-commercial, educational radio programming.

Management and General - Includes accounting and production of financial reports, development of the annual budget, supervision of all departments and maintenance of personnel records.

Fundraising - Includes the cultivation of new donor-members, fundraising events, mailings, and the costs associated with grant writing and solicitation of underwriters.

In-Kind Services and Materials:

In-kind contributions are donations of materials, supplies, equipment, and services, and are recognized as support and expenses in the statements of activities. In-kind contributions are recorded at their estimated fair market value at the date of receipt. Contributions of services are recognized in the financial statements only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In-kind trade results from an exchange of underwriting for services, advertising and promotion, materials, etc. In-kind trade revenue is recorded when the spot airs. In-kind trade expense is recorded when the traded item is received or the traded service is performed.

Advertising and Promotion:

Advertising and promotion costs are charged to operations when incurred, and totaled $15,393 and $10,457 for the years ended September 30, 2017 and 2016, respectively.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards:

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. The standard will replace the existing three classes of net assets with two classes; net assets with donor restrictions (combination of temporarily and permanently restricted net assets) and net assets without donor restrictions. The standard will also give the Organization the option of presenting the statement of cash flows using the direct method, without presenting the indirect method reconciliation, and require all not-for-profits to present operating expenses by both nature and function. Additional requirements will include improved disclosures related to board-designated net assets, under-water endowments, cost allocation methods, management and general activities and quantitative and qualitative disclosures related to liquidity. This standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The objective of issuing this standard was to provide one common method for recognizing revenue among all industries and transaction types. 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 company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements related to the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for the fiscal year ending September 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its consolidated financial statements.

Income Taxes:

The accounting standard related to accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed, or expected to be claimed, on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of income subject to unrelated business income tax (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended September 30, 2017 and 2016.

The Organization files form 990 in the U.S. federal jurisdiction and form NP-20 for the State of Indiana. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2014.

Reclassification:

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through January 31, 2018, the date the financial statements were available to be issued.

Note 2. Contributions Receivable

At September 30, 2017 and 2016, the Organization has contributions receivable that are temporarily restricted for time and purpose related to the following:

	2017	2016
Contributions receivable for capital campaign	$ 224,070	$ 28,245
Contributions receivable for general operations	25,000	35,000
	249,070	63,245
Less: Discount (at 5.25% in 2017 and 5.50% in 2016) to net present value	20,793	2,995
Net contributions receivable	$ 228,277	$ 60,250
Amounts due in:		
Less than one year	$ 126,203	$ 48,245
One to five years	102,074	12,005
	$ 228,277	$ 60,250

Note 3. Beneficial Interest in Trust

The beneficial interest consists of funds held by the Community Foundation of Greater Fort Wayne, Inc. (Foundation), which are the result of an agreement whereby the Organization transferred assets to the Foundation and specified itself as the beneficiary of the assets. The Organization may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of $28,039 and $26,363 as of September 30, 2017 and 2016, respectively, for the benefit of the Organization for which the Foundation has retained variance power. These assets are not recorded as assets of the Organization.

Note 4. Broadcasting Licenses

The broadcasting licenses consist of Federal Communications Commission licenses for radio stations with a carrying value of $625,000 as of September 30, 2017 and 2016. The licenses have an indefinite useful life and, therefore, are not amortized, but rather reviewed each reporting period for impairment.

Management's impairment test consists of a comparison of the fair value of the licenses with their carrying amount. Fair value is an estimate of the price a willing buyer would pay for the licenses and is generally estimated by discounting the expected future cash flows associated with the assets.

During the years ended September 30, 2017 and 2016, management did not test the radio station license WBNI-FM for impairment; therefore, the current value is based on management's estimate, which does not necessarily reflect fair value.

Note 5. Fair Value Measurements

Fair value measurements are based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, and are determined by either the principal market or the most advantageous market.

Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 measurements having the highest priority and Level 3 measurements having the lowest priority.

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the organization has the ability to access at the measurement date.

Level 2: Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's 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 techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017 and 2016.

Beneficial interest in trust: Valued based on the underlying investments held by and reported to the Organization by the Community Foundation of Greater Fort Wayne, Inc.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of September 30, 2017 and 2016.

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total Fair Value
As of September 30, 2017:				
Beneficial interest in trust	$ -	$ -	$ 52,031	$ 52,031
As of September 30, 2016:				
Beneficial interest in trust	$ -	$ -	$ 50,042	$ 50,042

Note 5. Fair Value Measurements (Continued)

A reconciliation of the beginning and ending balance of the beneficial interest in trust, measured at fair value using significant unobservable inputs (Level 3) is as follows:

	2017	2016
Beginning balance	$ 50,042	$ 50,392
Realized and unrealized gains	3,814	1,507
Interest and dividends	1,457	1,519
Grants	(3,009)	(3,087)
Fees	(273)	(289)
Ending balance	$ 52,031	$ 50,042

Realized and unrealized gains, interest and dividends, grants and fees are included in investment income in the statements of activities.

Note 6. Line of Credit

The Organization has a line of credit agreement with First Federal Bank, maturing February 1, 2018. The agreement provides for a maximum borrowing of $50,000, with interest at 5.5% and is secured by all of the Organization's business assets. As of September 30, 2017 and 2016, the outstanding balance on the line of credit was $47,000 and $48,500, respectively.

Note 7. Capital Lease Payable

The Organization leases heating and cooling equipment under a capital lease arrangement. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments. The equipment is being amortized over the life of the lease. Amortization expense amounted to $2,380 for the years ended September 30, 2017 and 2016. The capital lease was repaid during 2017.

The components of equipment under capital lease are as follows:

	2017	2016
Heating and cooling equipment	$ 9,521	$ 9,521
Less: Accumulated amortization	9,521	7,141
	$ -	$ 2,380

Note 8. Collateralized Loans Payable

Collateralized loans payable consist of the following:

	2017	2016
Collateralized loan payable to First Federal Bank, due in monthly installments of $3,041 with interest payable at a fixed rate of 5% due August 2020, with a balloon payment of $71,995, secured by all of the Organization's business assets.	$ 156,108	$ 183,920
Collateralized loan payable to First Federal Bank, due in monthly installments of $2,073 with interest payable at a fixed rate of 5.5% due August 2020, with a balloon payment of $253,313, secured by a building.	280,657	289,615
	436,765	473,535
Less: Loan fees	8,635	11,638
Less: Current maturities	35,390	33,600
	$ 392,740	$ 428,297

Maturities of the collateralized loans payable for the years ending after September 30, 2017, and in the aggregate, are as follows:

2018	$ 35,390
2019	40,605
2020	360,770
	$ 436,765

Note 9. Net Assets

The Board of Directors has designated $20,000 of current unrestricted funds at September 30, 2017 and 2016, for the Building a Sound Future Campaign.

Temporarily restricted net assets as of September 30, 2017 and 2016, consisted of the following:

	2017	2016
Operations (time restriction)	$ 25,000	$ 35,000
Building a Sound Future (time and purpose restriction)	640,959	328,997
Building a Sound Future - equipment (purpose restriction)	30,000	25,000
	$ 695,959	$ 388,997

Permanently restricted net assets consist of contributions made to the Organization that have been designated by the donor as permanently restricted, and are held by the Community Foundation of Greater Fort Wayne, Inc. Income from permanently restricted net assets is available for unrestricted purposes. Permanently restricted net assets as of September 30, 2017 and 2016, were $52,031 and $50,042, respectively.

Note 9. Net Assets (Continued)

Net assets were released by satisfying donors' restrictions as follows:

	2017	2016
Operations	35,000	23,000
Building a Sound Future	38,490	82,665
	$ 73,490	$ 105,665

Note 10. Underwriting Revenue

The components of underwriting revenue are as follows:

	2017	2016
Total sales	$ 273,657	$ 275,919
Less: in-kind trade	21,041	21,770
Cash sales	$ 252,616	$ 254,149

Note 11. In-Kind Contributions and Donated Services

Contributed revenue for services was measured based on fair value of those items and the amounts recognized were as follows:

	2017	2016
Production and broadcast volunteer services	$ 39,372	$ 40,452
Broadcast material	80	237
Fundraising material	-	375
Goods and services for special events	13,065	10,700
Total in-kind contributions	$ 52,517	$ 51,764

The Organization traded underwriting spots for the following:

	2017	2016
Advertising and promotion	$ 5,940	$ 9,640
Special events	5,864	7,395
Miscellaneous	2,427	-
Professional service	6,300	4,225
Office supplies	510	510
Total in-kind trade	$ 21,041	$ 21,770

Note 12. Operating Leases

The Organization leases office equipment and broadcast tower space under various operating leases which expire through September 2019. These leases are subject to various renewal terms. The Organization also incurred rent expense under various month-to-month operating leases for certain facilities and equipment. Total lease expense was $41,577 and $40,748, respectively, for the years ended September 30, 2017 and 2016.

Minimum future rental payments under existing noncancellable operating leases, having initial or remaining terms in excess of one year as of September 30, 2017, are as follows:

2018	$ 19,756
2019	16,206
	$ 35,962

Note 13. Employee Benefit Plan

The Organization sponsors a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. Under the plan, full-time employees, who are 21 years of age and have six months of service, are eligible to participate in the plan. The Organization incurred no expenses for the years ended September 30, 2017 and 2016, as the Organization did not make discretionary matching contributions.