

*Financial Statements*

**Northeast Indiana Public  
Radio, Inc.**

September 30, 2016 and 2015

# **NORTHEAST INDIANA PUBLIC RADIO, INC.**

**Financial Statements**  
**September 30, 2016 and 2015**



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Certified Public Accountants • Business Consultants

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northeast Indiana Public Radio, Inc., which comprise the statements of financial position as of September 30, 2016 and 2015, 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.

### **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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 2016 and 2015, management has not tested the radio station license for impairment.

## Qualified Opinion

In our opinion, except for the effects on the 2016 and 2015 financial statements of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Northeast Indiana Public Radio, Inc., as of September 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.



**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
December 15, 2016

# ***NORTHEAST INDIANA PUBLIC RADIO, INC.***

## ***Statements of Financial Position*** **September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 195,700	\$ 251,577
Receivables:		
Membership - net of allowance for uncollectible accounts of \$17,955 (2016) and \$18,958 (2015)	60,522	82,614
Underwriting - net of allowance for uncollectible accounts of \$2,395 (2016) and \$1,053 (2015)	30,867	23,300
Contributions - net of allowance for uncollectible accounts of \$0 (2016 and 2015)	<u>48,245</u>	<u>45,055</u>
Total Current Assets	335,334	402,546
<b>PROPERTY AND EQUIPMENT</b>		
Land	129,000	69,000
Building	538,522	453,522
Office equipment	45,231	45,231
Technical equipment	<u>323,425</u>	<u>323,425</u>
	1,036,178	891,178
<b>Less:</b> Accumulated depreciation	<u>594,869</u>	<u>561,594</u>
Net Property and Equipment	441,309	329,584
<b>OTHER ASSETS</b>		
Contributions receivable - noncurrent	12,005	16,900
Beneficial interest in trust	50,042	50,392
Property under capital lease - less accumulated amortization of \$7,141 (2016) and \$3,967 (2015)	2,380	5,554
Licenses	<u>625,000</u>	<u>625,000</u>
Total Other Assets	<u>689,427</u>	<u>697,846</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,466,070</u>	<u>\$ 1,429,976</u>

**See Notes to Financial Statements.**

<b>LIABILITIES AND NET ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 48,500	\$ 27,500
Accounts payable	101,747	51,662
Accrued payroll and related taxes	15,679	12,730
Current maturities of collateralized loans payable	33,600	37,559
Current maturities of capital lease payable	<u>2,115</u>	<u>3,174</u>
Total Current Liabilities	201,641	132,625
<b>NONCURRENT LIABILITIES</b>		
Collateralized loans payable, net of current maturities	428,297	456,185
Capital lease payable, net of current maturities	<u>-</u>	<u>2,115</u>
Total Noncurrent Liabilities	<u>428,297</u>	<u>458,300</u>
Total Liabilities	629,938	590,925
<b>NET ASSETS</b>		
Unrestricted	377,093	464,016
Board designated	<u>20,000</u>	<u>20,000</u>
Total Unrestricted Net Assets	397,093	484,016
Temporarily restricted	388,997	304,643
Permanently restricted	<u>50,042</u>	<u>50,392</u>
Total Net Assets	<u>836,132</u>	<u>839,051</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,466,070</u>	<u>\$ 1,429,976</u>

# NORTHEAST INDIANA PUBLIC RADIO, INC.



## Statement of Activities Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Memberships and subscriptions	\$ 506,585	\$ -	\$ -	\$ 506,585
Underwriting revenue	254,149	-	-	254,149
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
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of time and purpose restrictions	<u>105,665</u>	<u>(105,665)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	1,222,665	84,354	(350)	1,306,669
<b>EXPENSES</b>				
Program services				
Production and programming	575,861	-	-	575,861
Broadcasting	74,147	-	-	74,147
Program information and promotion	<u>66,203</u>	<u>-</u>	<u>-</u>	<u>66,203</u>
Total program services	716,211	-	-	716,211
Supporting activities				
Management and general	389,754	-	-	389,754
Fundraising	<u>203,623</u>	<u>-</u>	<u>-</u>	<u>203,623</u>
Total supporting activities	<u>593,377</u>	<u>-</u>	<u>-</u>	<u>593,377</u>
<b>TOTAL EXPENSES</b>	<u>1,309,588</u>	<u>-</u>	<u>-</u>	<u>1,309,588</u>
<b>CHANGE IN NET ASSETS</b>	(86,923)	84,354	(350)	(2,919)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>484,016</u>	<u>304,643</u>	<u>50,392</u>	<u>839,051</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 397,093</u>	<u>\$ 388,997</u>	<u>\$ 50,042</u>	<u>\$ 836,132</u>

See Notes to Financial Statements.

# NORTHEAST INDIANA PUBLIC RADIO, INC.



## Statement of Activities Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Memberships and subscriptions	\$ 497,553	\$ -	\$ -	\$ 497,553
Underwriting revenue	237,016	-	-	237,016
Contributions	-	281,643	-	281,643
Grants:				
Corporation for Public Broadcasting	112,733	-	-	112,733
Corporations and foundations	154,675	23,000	-	177,675
Matching grants	9,401	-	-	9,401
In-kind services and materials	82,145	-	-	82,145
Special events:				
Proceeds	48,286	-	-	48,286
Less cost of direct benefits to donors	(9,400)	-	-	(9,400)
Nonprofit announcements	1,350	-	-	1,350
Investment income (loss)	4,006	-	(7,002)	(2,996)
Debt forgiveness income	508,570	-	-	508,570
Other revenue	2,244	-	-	2,244
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of time and purpose restrictions	<u>27,402</u>	<u>(27,402)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,675,981</b>	<b>277,241</b>	<b>(7,002)</b>	<b>1,946,220</b>
<b>EXPENSES</b>				
Program services				
Production and programming	565,398	-	-	565,398
Broadcasting	129,710	-	-	129,710
Program information and promotion	<u>64,381</u>	<u>-</u>	<u>-</u>	<u>64,381</u>
Total program services	759,489	-	-	759,489
Supporting activities				
Management and general	363,052	-	-	363,052
Fundraising	<u>224,991</u>	<u>-</u>	<u>-</u>	<u>224,991</u>
Total supporting activities	<u>588,043</u>	<u>-</u>	<u>-</u>	<u>588,043</u>
<b>TOTAL EXPENSES</b>	<b><u>1,347,532</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,347,532</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>328,449</b>	<b>277,241</b>	<b>(7,002)</b>	<b>598,688</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>155,567</u></b>	<b><u>27,402</u></b>	<b><u>57,394</u></b>	<b><u>240,363</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 484,016</u></b>	<b><u>\$ 304,643</u></b>	<b><u>\$ 50,392</u></b>	<b><u>\$ 839,051</u></b>

See Notes to Financial Statements.



# NORTHEAST INDIANA PUBLIC RADIO, INC.



## Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,919)	\$ 598,688
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided By Operating Activities:		
Depreciation and amortization	36,448	41,283
Amortization of loan fees	3,003	375
Change in beneficial interest in trust	350	7,002
Contributions received for long term assets	4,895	(16,900)
Bad debt expense	34,014	28,201
Debt forgiveness income	-	(508,570)
Interest expense forgiven	-	39,768
(Increase) Decrease in Assets:		
Membership receivables	(10,230)	(50,794)
Underwriting receivables	(9,259)	9,565
Contributions receivable	(3,190)	(20,055)
Increase (Decrease) in Liabilities:		
Accounts payable	50,086	29,152
Accrued payroll and related taxes	<u>2,949</u>	<u>1,302</u>
Net Cash Provided By Operating Activities	106,147	159,017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(145,000)	(16,677)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on line of credit	46,500	30,000
Repayments of line of credit	(25,500)	(2,500)
Payments on capital lease payable	(3,174)	(5,306)
Payments on collateralized loans	(34,850)	(51,615)
Cash paid for loan fees	<u>-</u>	<u>(10,016)</u>
Net Cash Used In Financing Activities	<u>(17,024)</u>	<u>(39,437)</u>
<b>NET INCREASE (DECREASE)</b>	(55,877)	102,903
<b>CASH, BEGINNING OF YEAR</b>	<u>251,577</u>	<u>148,674</u>
<b>CASH, END OF YEAR</b>	<u>\$ 195,700</u>	<u>\$ 251,577</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 31,160	\$ 6,248
<b>NONCASH FINANCING ACTIVITIES:</b>		
Repayment of Old National Bank loan with proceeds from refinance	\$ -	\$ 510,000
Principal forgiven on Old National Bank loan	-	95,000
Accrued interest forgiven on Old National Bank loan	-	413,570
Payment of First Federal Bank loan fees with proceeds from refinance	-	5,000

See Notes to Financial Statements.

# NORTHEAST INDIANA PUBLIC RADIO, INC.



## Statement of Functional Expenses Year Ended September 30, 2016

	<u>Production and Programming</u>	<u>Broadcasting</u>	<u>Program Information and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
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	-	-	-	-	34,163	-	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	-	-	1,692	1,692	32,322	-	34,014
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	572,580	44,989	66,203	683,772	385,745	203,623	1,273,140
Depreciation and amortization	3,281	29,158	-	32,439	4,009	-	36,448
<b>TOTAL EXPENSES</b>	<u>\$ 575,861</u>	<u>\$ 74,147</u>	<u>\$ 66,203</u>	<u>\$ 716,211</u>	<u>\$ 389,754</u>	<u>\$ 203,623</u>	<u>\$ 1,309,588</u>

See Notes to Financial Statements.

# NORTHEAST INDIANA PUBLIC RADIO, INC.

## Statement of Functional Expenses Year Ended September 30, 2015



	<u>Production and Programming</u>	<u>Broadcasting</u>	<u>Program Information and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 188,992	\$ 52,798	\$ 56,877	\$ 298,667	\$ 169,415	\$ 70,002	\$ 538,084
Programming expense	268,325	-	-	268,325	-	-	268,325
Interest	-	-	-	-	46,391	-	46,391
Professional services	1,420	-	5,000	6,420	21,114	45,763	73,297
Donated volunteer services	-	43,512	-	43,512	-	-	43,512
Advertising and promotion	429	-	1,618	2,047	10,105	299	12,451
Utilities	34,024	-	-	34,024	10,292	-	44,316
Special events	-	-	-	-	-	43,051	43,051
Dues and subscriptions	7,076	-	-	7,076	1,441	2,492	11,009
Insurance	-	-	-	-	21,634	-	21,634
Rent - equipment	23,432	-	-	23,432	11,061	-	34,493
Repairs and maintenance	18,348	320	-	18,668	18,936	-	37,604
Postage and shipping	446	-	181	627	1,295	5,686	7,608
Service agreement	1,500	-	-	1,500	4,994	8,814	15,308
Miscellaneous	1,077	-	-	1,077	557	1,685	3,319
Telephone	6,000	-	351	6,351	3,490	10,009	19,850
Fundraising expense	-	-	-	-	-	9,889	9,889
Bad debt expense	-	-	-	-	28,201	-	28,201
Supplies	4,604	54	294	4,952	6,937	5,435	17,324
Licenses and fees	-	-	-	-	-	15,917	15,917
Travel	999	-	60	1,059	1,683	4,431	7,173
Audience research	4,835	-	-	4,835	-	-	4,835
Meetings and conferences	175	-	-	175	965	1,518	2,658
Expenses before depreciation and amortization	561,682	96,684	64,381	722,747	358,511	224,991	1,306,249
Depreciation and amortization	3,716	33,026	-	36,742	4,541	-	41,283
<b>TOTAL EXPENSES</b>	<u>\$ 565,398</u>	<u>\$ 129,710</u>	<u>\$ 64,381</u>	<u>\$ 759,489</u>	<u>\$ 363,052</u>	<u>\$ 224,991</u>	<u>\$ 1,347,532</u>

See Notes to Financial Statements.

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements  
September 30, 2016 and 2015



## 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.

### 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.

### 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 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.

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



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

### 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	39 years
Office equipment	3 - 7 years
Technical equipment	3 - 15 years

The building category includes a 2016 acquisition in the amount of \$85,000 that is not yet being depreciated because the building has not yet been placed in service.

Depreciation expense was \$33,274 and \$38,109 for the years ended September 30, 2016 and 2015, respectively.

### 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.

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



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

### 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 \$10,457 and \$12,451 for the years ended September 30, 2016 and 2015, respectively.

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



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

### 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, 2016 and 2015.

The Organization files forms 990 in the U.S. federal jurisdiction and forms NP-20 for the State of Indiana. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

### Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through December 15, 2016, the date the financial statements were available to be issued.

## Note 2. Contributions Receivable

At September 30, 2016 and 2015, the Organization has contributions receivable that are temporarily restricted for time and purpose related to the following:

	<u>2016</u>	<u>2015</u>
Contributions receivable for capital campaign	\$ 28,245	\$ 42,055
Contributions receivable for general operations	<u>35,000</u>	<u>23,000</u>
	63,245	65,055
Less: Discount (at 5.5%) to net present value	<u>2,995</u>	<u>3,100</u>
Net contributions receivable	<u>\$ 60,250</u>	<u>\$ 61,955</u>
Amounts due in:		
Less than one year	\$ 48,245	\$ 45,055
One to five years	<u>12,005</u>	<u>16,900</u>
	<u>\$ 60,250</u>	<u>\$ 61,955</u>

## 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.

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



## Note 3. Beneficial Interest in Trust (Continued)

Additionally, the Foundation holds investment assets, with a value of \$26,363 and \$26,135 as of September 30, 2016 and 2015, 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. Licenses

The licenses consist of Federal Communications Commission licenses for radio stations with a carrying value of \$625,000 as of September 30, 2016 and 2015. 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, 2016 and 2015, 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, 2016 and 2015.

*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.



# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



## Note 5. Fair Value Measurements (Continued)

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, 2016 and 2015.

	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
As of September 30, 2016:				
Beneficial interest in trust	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,042</u>	\$ <u>50,042</u>
As of September 30, 2015:				
Beneficial interest in trust	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,392</u>	\$ <u>50,392</u>

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:

	2016	2015
Beginning balance	\$ 50,392	\$ 57,394
Realized and unrealized gains (losses)	1,507	(4,836)
Interest and dividends	1,519	1,606
Grants	(3,087)	(3,412)
Fees	<u>(289)</u>	<u>(360)</u>
Ending balance	\$ <u>50,042</u>	\$ <u>50,392</u>

Realized and unrealized gains (losses), 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 August 1, 2017. The agreement provides for a maximum borrowing of \$50,000, with interest at 4.75% and is secured by all of the Organization's business assets. As of September 30, 2016 and 2015, the outstanding balance on the line of credit was \$48,500 and \$27,500, 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 \$3,174 for the years ended September 30, 2016 and 2015.

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



**Note 6. Capital Lease Payable (Continued)**

The components of equipment under capital lease are as follows:

	<u>2016</u>	<u>2015</u>
Heating and cooling equipment	\$ 9,521	\$ 9,521
Less: Accumulated amortization	<u>7,141</u>	<u>3,967</u>
	<u>\$ 2,380</u>	<u>\$ 5,554</u>

Minimum future lease payments under the capital lease at September 30, 2016, are as follows:

2017	\$ 2,301
Less: Amount representing interest	<u>186</u>
Present value of net minimum lease payments	<u>\$ 2,115</u>

**Note 8. Collateralized Loans Payable**

Collateralized loans payable consist of the following:

	<u>2016</u>	<u>2015</u>
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, secured by all of the Organization's business assets.	\$ 183,920	\$ 210,339
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, secured by a building.	<u>289,615</u>	<u>298,046</u>
	473,535	508,385
Less: Loan fees	11,638	14,641
Less: Current maturities	<u>33,600</u>	<u>37,559</u>
	<u>\$ 428,297</u>	<u>\$ 456,185</u>

Maturities of the collateralized loans payable for the years ending after September 30, 2016, and in the aggregate, are as follows:

2017	\$ 33,600
2018	38,554
2019	40,605
2020	<u>360,776</u>
	<u>\$ 473,535</u>

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



## Note 9. Net Assets

The Board of Directors has designated \$20,000 of current unrestricted funds at September 30, 2016 and 2015, for the Building a Sound Future Campaign.

Temporarily restricted net assets as of September 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Building a Sound Future (time and purpose restriction)	\$ 110,837	\$ 138,483
Capital (time and purpose restriction)	218,160	118,160
Operations (time restriction)	35,000	23,000
Equipment (purpose restriction)	<u>25,000</u>	<u>25,000</u>
	<u>\$ 388,997</u>	<u>\$ 304,643</u>

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, 2016 and 2015, were \$50,042 and \$50,392, respectively.

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

	<u>2016</u>	<u>2015</u>
2014 NIPR Survey	\$ -	\$ 241
Operations	23,000	25,000
Equipment	-	2,161
Building a Sound Future	<u>82,665</u>	<u>-</u>
	<u>\$ 105,665</u>	<u>\$ 27,402</u>

## Note 10. Underwriting Revenue

The components of underwriting revenue are as follows:

	<u>2016</u>	<u>2015</u>
Total sales	\$ 275,919	\$ 266,760
Less: in-kind trade	<u>21,770</u>	<u>29,744</u>
Cash sales	<u>\$ 254,149</u>	<u>\$ 237,016</u>

# NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)  
September 30, 2016 and 2015



## 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:

	<u>2016</u>	<u>2015</u>
Production and broadcast volunteer services	\$ 40,452	\$ 43,512
Broadcast material	237	330
Fundraising material	375	-
Goods and services for special events	<u>10,700</u>	<u>10,400</u>
Total in-kind contributions	<u>\$ 51,764</u>	<u>\$ 54,242</u>

The Organization traded underwriting spots for the following:

	<u>2016</u>	<u>2015</u>
Advertising and promotion	\$ 9,640	\$ 10,105
Special events	7,395	15,537
Professional service	4,225	3,400
Office supplies	<u>510</u>	<u>702</u>
Total in-kind trade	<u>\$ 21,770</u>	<u>\$ 29,744</u>

## Note 12. Operating Leases

The Organization leases office equipment and broadcast tower space under various operating leases which expire July 2017 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 \$40,748 and \$34,493, respectively, for the years ended September 30, 2016 and 2015.

Minimum future rental payments under existing noncancellable operating leases, having initial or remaining terms in excess of one year as of September 30, 2016, are as follows:

2017	\$ 38,420
2018	19,758
2019	<u>16,207</u>
	<u>\$ 74,385</u>

## 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, 2016 and 2015, as the Organization did not make discretionary matching contributions.