Financial Statements

Northeast Indiana Public Radio, Inc.

September 30, 2014 and 2013

NORTHEAST INDIANA PUBLIC RADIO, INC.

Financial Statements
September 30, 2014 and 2013

INDEX

Baden Gage & Schroeder LLC
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, 2014 and 2013, 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, 2014 and 2013, management has not tested the radio station license for impairment.

Qualified Opinion

In our opinion, except for the effects on the 2014 and 2013 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, 2014 and 2013, 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
December 18, 2014

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statements of Financial Position
September 30, 2014 and 2013

		2014		2013
ASSETS				
CURRENT ASSETS				
Cash	$	148,674	$	41,677
Receivables:				
Membership - net of allowance for uncollectible accounts of $20,430 (2014) and $12,990 (2013)		60,021		50,928
Underwriting - net of allowance for uncollectible accounts of $1,503 (2014) and $1,813 (2013)		32,865		52,844
Contributions - net of allowance for uncollectible accounts of $0 (2014 and 2013)		25,000		20,550
Total Current Assets		266,560		165,999
PROPERTY AND EQUIPMENT				
Land		69,000		69,000
Building		441,320		427,561
Office equipment		47,494		45,855
Technical equipment		273,449		273,449
Construction in process		41,464		-
		872,727		815,865
Less: Accumulated depreciation		527,068		485,025
Net Property and Equipment		345,659		330,840
OTHER ASSETS				
Beneficial interest in trust		57,394		56,806
Property under capital lease - less accumulated amortization of $2,743 (2014) and $4,311 (2013)		14,088		16,758
Equipment held for sale, net		-		37,619
Licenses		625,000		625,000
Total Other Assets		696,482		736,183
TOTAL ASSETS	$	1,308,701	$	1,233,022

See Notes to Financial Statements.

	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of collateralized loan	$ 650,000	$ 710,000
Current maturities of note payable	-	24,563
Current maturities of capital lease payable	5,306	6,041
Accounts payable	22,513	73,551
Accrued interest	373,802	321,255
Accrued payroll and related taxes	11,428	9,492
Deferred underwriting revenue	-	4,000
Total Current Liabilities	1,063,049	1,148,902
NONCURRENT LIABILITIES		
Capital lease payable	5,289	2,132
Note payable	-	43,797
Total Noncurrent Liabilities	5,289	45,929
Total Liabilities	1,068,338	1,194,831
NET ASSETS		
Unrestricted	155,567	(28,706)
Temporarily restricted	27,402	10,091
Permanently restricted	57,394	56,806
Total Net Assets	240,363	38,191
TOTAL LIABILITIES AND NET ASSETS	$ 1,308,701	$ 1,233,022

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Activities
Year Ended September 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Memberships and subscriptions	$ 530,299	$ -	$ -	$ 530,299
Underwriting revenue	247,258	-	-	247,258
Grants and contributions:				
Corporation for Public Broadcasting	121,228	-	-	121,228
Corporations and foundations	212,244	68,625	-	280,869
Matching grants	5,005	-	-	5,005
Bequests and legacies	192,611	-	-	192,611
In-kind services and materials	85,698	-	-	85,698
Special events:				
Proceeds	26,140	-	-	26,140
Less cost of direct benefits to donors	(8,900)	-	-	(8,900)
Nonprofit announcements	8,350	-	-	8,350
Investment income	3,997	-	588	4,585
Gain on sale of FCC FM translator construction permit	96,050	-	-	96,050
Gain on sale of equipment held for sale	7,331	-	-	7,331
Other revenue	1,396	-	-	1,396
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time and purpose restrictions	51,314	(51,314)	-	-
TOTAL SUPPORT AND REVENUE	1,580,021	17,311	588	1,597,920
EXPENSES				
Program services				
Production and programming	534,093	-	-	534,093
Broadcasting	153,610	-	-	153,610
Program information and promotion	120,864	-	-	120,864
Total program services	808,567	-	-	808,567
Supporting activities				
Management and general	392,422	-	-	392,422
Fundraising	194,759	-	-	194,759
Total supporting activities	587,181	-	-	587,181
TOTAL EXPENSES	1,395,748	-	-	1,395,748
CHANGE IN NET ASSETS	184,273	17,311	588	202,172
NET ASSETS, BEGINNING OF YEAR	(28,706)	10,091	56,806	38,191
NET ASSETS, END OF YEAR	$ 155,567	$ 27,402	$ 57,394	$ 240,363

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Activities
Year Ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Memberships and subscriptions	$ 485,328	$ -	$ -	$ 485,328
Underwriting revenue	249,863	-	-	249,863
Grants and contributions:				
Corporation for Public Broadcasting	109,345	-	-	109,345
Corporations and foundations	101,551	-	-	101,551
Matching grants	4,673	-	-	4,673
Bequests and legacies	12,531	-	-	12,531
In-kind services and materials	79,558	-	-	79,558
Special events:				
Proceeds	28,072	-	-	28,072
Less cost of direct benefits to donors	(7,600)	-	-	(7,600)
Nonprofit announcements	13,300	-	-	13,300
Tower lease	7,047	-	-	7,047
Investment income	4,472	-	3,223	7,695
Gain on sale of property and equipment, net	561,067	-	-	561,067
Other revenue	2,036	-	-	2,036
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time and purpose restrictions	131,399	(131,399)	-	-
TOTAL SUPPORT AND REVENUE	1,782,642	(131,399)	3,223	1,654,466
EXPENSES				
Program services				
Production and programming	478,171	-	-	478,171
Broadcasting	155,849	-	-	155,849
Program information and promotion	62,575	-	-	62,575
Total program services	696,595	-	-	696,595
Supporting activities				
Management and general	393,485	-	-	393,485
Fundraising	150,106	-	-	150,106
Total supporting activities	543,591	-	-	543,591
TOTAL EXPENSES	1,240,186	-	-	1,240,186
CHANGE IN NET ASSETS	542,456	(131,399)	3,223	414,280
NET ASSETS, BEGINNING OF YEAR	(571,162)	141,490	53,583	(376,089)
NET ASSETS, END OF YEAR	$ (28,706)	$ 10,091	$ 56,806	$ 38,191

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 202,172	$ 414,280
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and amortization	40,425	39,080
Change in beneficial interest in trust	(588)	(3,223)
Gain on sale of property and equipment, net	-	(561,067)
Gain on sale of FCC FM translator construction permit	(96,050)	-
Gain on sale of equipment held for sale	(7,331)	-
Bad debt expense	29,695	29,588
(Increase) Decrease in Assets:		
Membership receivables	(38,788)	(46,325)
Underwriting receivables	19,979	(16,371)
Contributions receivable	(4,450)	106,649
Increase (Decrease) in Liabilities:		
Accounts payable	(51,038)	2,052
Accrued interest	52,547	63,802
Accrued payroll and related taxes	1,936	1,290
Deferred underwriting revenue	(4,000)	4,000
Net Cash Provided By Operating Activities	144,509	33,755
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(43,103)	(19,134)
Proceeds from sale of property and equipment	-	142,615
Proceeds from sale of FCC FM translator construction permit	96,050	-
Proceeds from sale of equipment held for sale	45,000	-
Net Cash Provided By Investing Activities	97,947	123,481
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(88,000)
Payments on capital lease payable	(7,099)	(8,127)
Payments on collateralized loan	(60,000)	-
Payments on note payable	(68,360)	(82,736)
Net Cash Used In Financing Activities	(135,459)	(178,863)
NET INCREASE (DECREASE)	106,997	(21,627)
CASH, BEGINNING OF YEAR	41,677	63,304
CASH, END OF YEAR	$ 148,674	$ 41,677
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 13,735	$ 11,696
NONCASH FINANCING ACTIVITIES:		
Equipment added under capital lease	$ 9,521	$ 7,310
Payments on collateralized loan from sale proceeds	-	510,721

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Functional Expenses
Year Ended September 30, 2014

	Production and Programming	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expense	$ 170,985	$ 65,336	$ 92,037	$ 328,358	$ 154,990	$ 56,550	$ 539,898
Programming expense	255,949	-	-	255,949	-	-	255,949
Interest	-	-	-	-	66,282	-	66,282
Professional services	7,901	400	12,508	20,809	49,393	41,907	112,109
Donated volunteer services	-	45,012	-	45,012	-	-	45,012
Advertising and promotion	-	-	13,519	13,519	-	-	13,519
Utilities	29,935	-	-	29,935	9,292	-	39,227
Special events	-	-	-	-	-	31,047	31,047
Dues and subscriptions	7,064	-	-	7,064	1,220	2,398	10,682
Insurance	-	-	-	-	21,280	-	21,280
Rent - equipment	20,200	-	-	20,200	8,558	-	28,758
Repairs and maintenance	1,144	8,612	-	9,756	18,306	150	28,212
Postage and shipping	357	32	243	632	1,406	5,461	7,499
Service agreement	4,757	-	-	4,757	4,967	-	9,724
Miscellaneous	252	-	125	377	674	2,698	3,749
Telephone	11,881	-	299	12,180	5,351	9,703	27,234
Fundraising expense	-	-	-	-	-	14,835	14,835
Bad debt expense	-	-	-	-	29,695	-	29,695
Supplies	11,602	1,106	1,509	14,217	11,085	15,057	40,359
Licenses and fees	-	-	-	-	-	12,990	12,990
Travel	1,967	-	599	2,566	4,931	1,623	9,120
Audience research	4,565	-	-	4,565	-	-	4,565
Meetings and conferences	1,743	-	25	1,768	1,470	340	3,578
Expenses before depreciation and amortization	530,302	120,498	120,864	771,664	388,900	194,759	1,355,323
Depreciation and amortization	3,791	33,112	-	36,903	3,522	-	40,425
TOTAL EXPENSES	$ 534,093	$ 153,610	$ 120,864	$ 808,567	$ 392,422	$ 194,759	$ 1,395,748

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statement of Functional Expenses
Year Ended September 30, 2013

	Production and Programming	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and related expense	$ 151,449	$ 62,135	$ 54,389	$ 267,973	$ 128,689	$ 52,697	$ 449,359
Programming expense	230,921	-	-	230,921	-	-	230,921
Interest	-	-	-	-	75,498	-	75,498
Professional services	114	6,389	2,160	8,663	47,874	17,247	73,784
Donated volunteer services	-	50,100	-	50,100	-	-	50,100
Advertising and promotion	356	-	4,795	5,151	18,262	1,534	24,947
Utilities	29,852	-	-	29,852	8,704	-	38,556
Special events	-	-	-	-	-	29,006	29,006
Dues and subscriptions	4,438	-	-	4,438	1,667	2,042	8,147
Insurance	-	-	-	-	20,224	-	20,224
Rent - equipment	16,084	-	-	16,084	10,890	-	26,974
Repairs and maintenance	5,682	3,929	-	9,611	28,054	-	37,665
Postage and shipping	902	184	306	1,392	1,839	6,006	9,237
Service agreement	7,115	-	-	7,115	583	1,969	9,667
Miscellaneous	202	-	-	202	1,490	1,083	2,775
Telephone	12,858	-	231	13,089	4,905	8,374	26,368
Fundraising expense	-	-	-	-	-	11,941	11,941
Bad debt expense	-	-	-	-	29,588	-	29,588
Supplies	7,059	-	435	7,494	7,550	6,491	21,535
Licenses and fees	-	-	-	-	-	9,479	9,479
Travel	3,218	-	259	3,477	3,462	1,598	8,537
Audience research	4,330	-	-	4,330	-	-	4,330
Meetings and conferences	1,145	-	-	1,145	684	639	2,468
Expenses before depreciation and amortization	475,725	122,737	62,575	661,037	389,963	150,106	1,201,106
Depreciation and amortization	2,446	33,112	-	35,558	3,522	-	39,080
TOTAL EXPENSES	$ 478,171	$ 155,849	$ 62,575	$ 696,595	$ 393,485	$ 150,106	$ 1,240,186

See Notes to Financial Statements.

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Activities:

Northeast Indiana Public Radio, Inc. 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 an 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.

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

Depreciation expense was $38,170 and $36,587 for the years ended September 30, 2014 and 2013, respectively.

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.

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

Functional Allocation of Expenses (continued):

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 $13,519 and $24,947 for the years ended September 30, 2014 and 2013, respectively.

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, 2014 and 2013.

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 2011.

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

Reclassification:

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through December 18, 2014, the date the financial statements were available to be issued.

Note 2. Contributions Receivable

Contributions receivable, which are due within one year, include unconditional promises to give as follows:

	2014	2013
Contributions receivable for special event	$ -	$ 550
Contributions receivable for general operations	25,000	20,000
	25,000	20,550
Less: Allowance for doubtful accounts	-	-
Net contributions receivable	$ 25,000	$ 20,550

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 $25,817 and $24,771 as of September 30, 2014 and 2013, 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. Sale of Property and Equipment and FCC FM Translator Construction Permit

On December 6, 2012, the physical transmitter tower located at Clairmont Court, Fort Wayne, Indiana was sold for $658,000 ($700,000 net of $42,000 commission). The net book value of the tower was $93,864 which resulted in a gain of $564,136. Proceeds were used to pay down the collateralized loan to Old National Bank and pay off the line of credit from PNC Bank.

The net gain on sale of property and equipment consisted of the following for the year ended September 30, 2013:

Gain on sale of tower	$ 564,136
Loss on disposal of software	(3,069)
	$ 561,067

Note 4. Sale of Property and Equipment and FCC FM Translator Construction Permit (Continued)

In March of 2014, an unexpired construction permit for a FCC FM translator was sold for $96,050 ($113,000 net of $16,950 commission). This resulted in a net gain of $96,050 for the year ended September 30, 2014, since the FM translator construction permit had no net book value as no consideration was given in exchange for the FCC granting the permit to the Organization.

Note 5. Intangible Assets

The intangible assets are Federal Communications Commission licenses for radio stations with a carrying value of $625,000 as of September 30, 2014 and 2013. 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 intangible asset with its carrying amount. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future cash flows associated with the asset.

During the years ended September 30, 2014 and 2013, management did not test the radio station license WBNI-FM for impairment; therefore, current value is based on management's estimate, which does not necessarily reflect fair value.

Note 6. 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.

Note 6. Fair Value Measurements (Continued)

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, 2014 and 2013.

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, 2014 and 2013.

	Fair Value Measurements Using			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
As of September 30, 2014:				
Beneficial interest in trust	$ -	$ -	$ 57,394	$ 57,394
As of September 30, 2013:				
Beneficial interest in trust	$ -	$ -	$ 56,806	$ 56,806

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:

	2014	**2013**
Beginning balance	$ 56,806	$ 53,583
Realized and unrealized gains	2,222	5,086
Interest and dividends	2,244	1,686
Grants	(3,560)	(3,271)
Fees	(318)	(278)
Ending balance	$ 57,394	$ 56,806

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

Note 7. Capital Lease Payable

The Organization leases heating and cooling equipment under two capital leases. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease payments. The equipment is being amortized over the estimated useful life of the assets. Amortization expense amounted to $2,255 and $2,493 for the years ended September 30, 2014 and 2013, respectively.

The components of equipment under capital leases are as follows:

	2014	2013
Heating and cooling equipment	$ 16,831	$ 21,069
Less: Accumulated amortization	2,743	4,311
	$ 14,088	$ 16,758

Minimum future lease payments under the capital leases at September 30, 2014, are as follows:

2015	$ 5,856
2016	3,453
2017	2,302
	11,611
Less: Amount representing interest	1,016
Present value of net minimum lease payments	$ 10,595

Note 8. Note and Collateralized Loan Payable

Note and collateralized loan payable consisted of the following:

	2014	2013
Collateralized loan payable to Old National Bank, interest only through June 2010, then in monthly installments of $12,275, with a final payment of principal and interest at 7.66% due April 2012, secured by all of the Organization's business assets. The terms of this note had not been renewed as of September 30, 2014. See note 14 for further information.	$ 650,000	$ 710,000
Note payable to National Public Radio (NPR), monthly payments of $2,429 with interest imputed at 8%, repaid in June 2014.	-	68,360
	650,000	778,360
Less: Current maturities	650,000	734,563
	$ -	$ 43,797

Interest expense was $66,282 and $75,498 for the years ended September 30, 2014 and 2013, respectively.

Note 9. Net Assets

Temporarily restricted net assets as of September 30, 2014 and 2013, consisted of the following:

	2014	2013
Operations (time restriction)	$ 25,000	$ 550
Professional fees/consultants (purpose restriction)	-	9,541
2014 NIPR Survey (purpose restriction)	241	-
Equipment (purpose restriction)	2,161	-
	$ 27,402	$ 10,091

Permanently restricted net assets consist of contributions made to the Organization that have been designated as endowment 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, 2014 and 2013, were $57,394 and $56,806, respectively.

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

	2014	2013
2014 NIPR Survey	$ 9,300	$ -
Operations	550	125,000
Equipment	41,464	-
Professional fees/consultants	-	4,750
Special events	-	1,649
	$ 51,314	$ 131,399

Note 10. Underwriting Revenue

The components of underwriting revenue are as follows:

	2014	2013
Total sales	$ 285,634	$ 283,072
Less: in-kind trade	38,376	33,209
Cash sales	$ 247,258	$ 249,863

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:

	2014	2013
Production and broadcast volunteer services	$ 45,012	$ 50,100
Broadcast material	670	1,620
Total in-kind contributions	$ 45,682	$ 51,720

The Organization traded underwriting spots for the following:

	2014	2013
Advertising and promotion	$ 18,592	$ 17,822
Special events	15,952	10,425
Professional service	3,301	4,777
Office supplies	531	185
Total in-kind trade	$ 38,376	$ 33,209

Note 12. Operating Leases

The Organization leases office equipment and broadcast tower space under various operating leases which expire July 2017 through September 2019. The Organization also incurred rent expense under various month-to-month operating leases for certain facilities and equipment. Total lease expense was $28,758 and $26,974 for the years ended September 30, 2014 and 2013, respectively.

Minimum future rental payments under existing noncancellable operating leases, having initial or remaining terms in excess of one year as of September 30, 2014, are as follows:

2015	$ 38,748
2016	39,193
2017	38,815
2018	20,182
2019	16,694
	$ 153,632

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, 2014 and 2013, as the Organization did not make discretionary matching contributions.

Note 14. Basis of Presentation

As indicated in its financial statements, the Organization's current liabilities exceed current assets by $796,489 and $982,903 at September 30, 2014 and 2013, respectively. Net assets increased by $202,172 and $414,280 for the years ended September 30, 2014 and 2013, respectively. However, gains from the sale of assets contributed $103,381 and $561,067 to those increases for the years ended September 30, 2014 and 2013, respectively. While support and revenues exceeded expenses in both years, the Organization has a significant amount of debt that continues to use excess cash flow.

Management's plan:

a.) Management is reducing debt through repayment as cash from the sale of assets becomes available. In December 2012, management sold the physical transmitter tower located at Clairmont Court, Fort Wayne, Indiana for $658,000 ($700,000 net of $42,000 commission). The proceeds were used to repay the line of credit at PNC Bank ($87,615 at time of pay off) and pay down $510,721 on the Old National Bank (formerly Tower Bank) collateralized loan. In March 2014, the FCC FM translator construction permit was sold for $96,050 ($113,000 net of $16,950 commission). A portion of the proceeds was used to pay down the Old National Bank collateralized loan.

b.) While expenses continue to be closely monitored, management and the Board of Directors are attempting to increase revenue sources. Program changes have been made with the intention of increasing listenership and membership. Additionally, a new membership manager will be hired in the coming fiscal year to improve the focus on expanding membership and increasing membership revenue. Further, the job duties of the underwriting representative are being restructured to allow more focus on underwriting revenue, both from existing underwriters and in obtaining new underwriting contracts. New presentations and materials are being developed to use in the underwriting sales efforts.

c.) Management is in the process of negotiating a reduction of debt, and refinancing the collateralized loan with terms and a repayment schedule that can be met with the Organization's current cash flow.

The financial statements have been presented on the basis that the Organization is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Organization's ability to continue as a going concern depends on its ability to attract substantial contributions and execute management's plan as described above. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.