WVTF-FM RADIO STATION

(A Division of Virginia Tech Foundation, Inc.)

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1010
10 S. Jefferson Street
Roanoke, VA 24011-1331

Independent Auditors' Report

The Board of Directors of
WVTF-FM Radio Station
Virginia Tech Foundation, Inc.:

We have audited the accompanying financial statements of WVTF-FM Radio Station, a division of Virginia Tech Foundation, Inc. (the Station), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WVTF-FM Radio Station as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 29, 2017

WVTF-FM RADIO STATION
(A Division of Virginia Tech Foundation, Inc.)

Statements of Financial Position

June 30, 2017 and 2016

Assets		**2017**	**2016**
Cash	$	2,226,086	2,117,796
Restricted cash		225,324	170,415
Underwriting and other receivables		29,580	19,860
Prepaid expenses		142,559	19,801
Contributions receivable		336,770	210,548
Compact discs		133,730	133,527
Investments		3,156,232	2,920,531
Property and equipment, less accumulated depreciation		2,257,142	2,404,228
Intangible asset (net of amortization of $33,961 and $25,777)		101,000	41,273
Total assets	$	8,608,423	8,037,979
Liabilities and Net Assets			
Liabilities:			
Accrued expenses	$	293,610	289,909
Deferred revenue		110,183	67,305
Bonds payable		720,086	875,987
Total liabilities		1,123,879	1,233,201
Net assets:			
Unrestricted		3,931,884	3,623,975
Temporarily restricted		2,492,679	2,121,079
Permanently restricted		1,059,981	1,059,724
Total net assets		7,484,544	6,804,778
Total liabilities and net assets	$	8,608,423	8,037,979

See accompanying notes to financial statements.

WVTF-FM RADIO STATION
(A Division of Virginia Tech Foundation, Inc.)

Statement of Activities and
Changes in Net Assets

Year ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and net gains:				
Contributions	$ 2,438,032	337,981	—	2,776,013
Corporate underwritings	816,178	—	—	816,178
Investment income	10,866	—	—	10,866
Net gain on investments	129,584	227,320	—	356,904
Grants and contracts	165,659	89,008	—	254,667
Contribution from Virginia Tech Foundation, Inc.	85,000	—	—	85,000
Other income	17,980	58	257	18,295
Net assets released from restrictions	282,767	(282,767)	—	—
Total revenues	3,946,066	371,600	257	4,317,923
Expenses:				
Program services:				
Programming and production	1,276,131	—	—	1,276,131
Broadcasting	660,227	—	—	660,227
Supporting services:				
Management and general	1,047,504	—	—	1,047,504
Fundraising	454,323	—	—	454,323
Underwriting and grant solicitation	199,972	—	—	199,972
Total expenses	3,638,157	—	—	3,638,157
Change in net assets	307,909	371,600	257	679,766
Net assets at beginning of year	3,623,975	2,121,079	1,059,724	6,804,778
Net assets at end of year	$ 3,931,884	2,492,679	1,059,981	7,484,544

See accompanying notes to financial statements.

WVTF-FM RADIO STATION
(A Division of Virginia Tech Foundation, Inc.)

Statement of Activities and
Changes in Net Assets

Year ended June 30, 2016

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and net gains:					
Contributions	$	2,041,688	230,141	—	2,271,829
Corporate underwritings		796,440	—	—	796,440
Investment loss		(3,633)	—	—	(3,633)
Net loss on investments		(11,879)	(20,839)	—	(32,718)
Grants and contracts		170,823	90,392	—	261,215
Contribution from Virginia Tech Foundation, Inc.		82,500	—	—	82,500
Other income (loss)		25,904	61	(465)	25,500
Net assets released from restrictions		456,114	(456,114)	—	—
Total revenues		3,557,957	(156,359)	(465)	3,401,133
Expenses:					
Program services:					
Programming and production		1,541,308	—	—	1,541,308
Broadcasting		640,742	—	—	640,742
Supporting services:					
Management and general		932,783	—	—	932,783
Fundraising		443,256	—	—	443,256
Underwriting and grant solicitation		194,319	—	—	194,319
Total expenses		3,752,408	—	—	3,752,408
Change in net assets		(194,451)	(156,359)	(465)	(351,275)
Net assets at beginning of year		3,818,426	2,277,438	1,060,189	7,156,053
Net assets at end of year	$	3,623,975	2,121,079	1,059,724	6,804,778

See accompanying notes to financial statements.

WVTF-FM RADIO STATION
(A Division of Virginia Tech Foundation, Inc.)

Statements of Cash Flows

Years ended June 30, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	679,766	(351,275)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		240,431	241,437
Net (gain) loss on investments		(356,904)	32,718
Gain on disposal of equipment		(800)	—
Loss on extinguishment of debt		3,278	—
(Increase) decrease in:			
Underwriting and other receivables		(9,720)	13,846
Prepaid expenses		(122,758)	110,893
Contributions receivable		(126,222)	(44,202)
Compact discs		(203)	(15,722)
Increase (decrease) in:			
Accrued expenses		3,701	30,380
Deferred revenue		42,878	(27,891)
Net cash provided by (used in) operating activities		353,447	(9,816)
Cash flows from investing activities:			
Purchases of property and equipment		(84,340)	(30,627)
Proceeds from sale of equipment		800	—
Proceeds from sale of investments		121,203	132,339
Purchase of intangibles		(67,911)	(12,050)
Net cash (used in) provided by investing activities		(30,248)	89,662
Cash flows from financing activities:			
Proceeds from borrowings on bonds payable		722,281	—
Bond principal payments		(880,000)	(150,000)
Bond issuance costs		(2,281)	—
Net cash used in financing activities		(160,000)	(150,000)
Net increase (decrease) in cash		163,199	(70,154)
Total cash and restricted cash at beginning of year		2,288,211	2,358,365
Total cash and restricted cash at end of year	$	2,451,410	2,288,211
Supplemental cash flow disclosures:			
Interest paid	$	31,432	34,180

See accompanying notes to financial statements.

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business

WVTF-FM Radio Station (the Station), a division of the Virginia Tech Foundation, Inc. (the Foundation), is an institutionally licensed public radio station serving listeners in Central and Western Virginia. It is regulated by the Federal Communication Commission and its license and supervisory responsibilities reside with the Executive Committee of the Virginia Tech Foundation, Inc.'s Board of Directors. The Station's broadcasting programs include regional and national news coverage, jazz and classical music, and a reading service for the visually impaired. Listener contributions, corporate underwritings and grants provide the majority of support for the Station's operations.

(b) Basis of Financial Statement Presentation

The financial statements of the Station have been prepared on the accrual basis of accounting and the Station's financial activity has been prepared in accordance with the provisions of the AICPA's *Audit and Accounting Guide for Not-for-Profit Organizations*. The accompanying financial statements present information regarding the Station's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Expenses, revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification.

Temporarily Restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Station pursuant to those stipulations, such as spending requirements set forth by various granting and contracting agencies.

Permanently Restricted net assets are amounts required by donors to be held in perpetuity; however, the income on these assets, if not restricted by the donor, is available for general purposes.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents and Restricted Cash

The Station considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of June 30, 2017 and 2016, the Station had no cash equivalents.

Cash restricted for new construction or equipment has been separately presented in the statements of financial position.

(e) Underwriting and Other Receivables

Underwriting and other receivables are stated at the amount management expects to collect on outstanding balances and do not bear interest. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. There was no valuation allowance as of June 30, 2017 and 2016.

(f) Compact Discs

Compact discs are valued at cost at the date of purchase or fair market value at the date of gift, if donated.

(g) Investments

Investments carried at fair value were invested by the Foundation on behalf of the Station and are held and managed by the Foundation. As of June 30, 2017 and 2016, the funds were invested in a diversified portfolio of marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments, and real estate. In accordance with fair value guidance, net asset value (NAV) is used as a practical expedient to estimate the fair value of this portfolio. The Foundation reviews and evaluates the NAV provided by investment managers and agrees with the valuation assumptions and methods used in determining NAV.

Net realized and unrealized gains and losses on investments are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Dividend, interest, and other investment income are reported in the period earned as increases in unrestricted net assets.

(h) Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of gift, if contributed, less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the buildings (7–20 years), furniture and equipment (5–15 years), and automobiles (5 years). Amortization of leasehold improvements is calculated using either the estimated useful lives of the assets or the lease term, whichever is shorter.

(i) Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Station first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized in the years ended June 30, 2017 and 2016.

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(j) Bond Issuance/Placement Costs

Bond issuance/placement costs are generally deferred and amortized using the straight-line method over the life of the bonds. Bond issuance/placement costs are presented on the statement of financial position as a direct deduction from the carrying amount of the debt liability.

(k) Deferred Revenue

Deferred revenue consists of prepaid corporate underwriting contracts not earned as of year-end.

(l) Statements of Activities

Revenues, expenses, gains and losses are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. Revenues are reported as increases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income and realized net gains on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

(m) Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, when the donor’s commitment is received.

Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contribution and nature of the fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net assets class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment, with such donor stipulations are reported as revenues of the temporarily restricted net assets class.

(n) Credit Risk Concentrations

Financial instruments which potentially subject the Station to concentrations of credit risk consist principally of cash and investment securities. The Station places its temporary cash investments with high credit quality financial institutions. Concentration of credit risk for investment securities is limited by the Foundation's policy of diversification of investments.

(o) Income Taxes

As a division of the Foundation, the Station qualifies for income tax exemption under Section 501(c)(3) of the Internal Revenue Services Code as long as the exemption remains in effect.

(p) Functional Allocation of Expenses

The costs of providing the Station's various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(q) Fair Value Measurements

The Station utilizes guidance contained within the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement* (ASC Topic 820), for fair value measurements of financial assets and financial liabilities that are recognized at fair value in the financial statements. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (see note 4).

(r) Changes in Accounting Principle

The Station historically presented unamortized bond issuance/placement costs, or fees directly related to issuing bonds payable, as assets on the statement of financial position in accordance with existing U.S. GAAP. In fiscal year 2017, the Station adopted FASB Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, (ASU 2015-03) and applied it retrospectively to all prior periods presented in the financial statements. The guidance in ASU 2015-03 simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected. Therefore, these costs will continue to be amortized as interest expense over the life of the associated debt instrument. The adoption of ASU 2015-03 resulted in the presentation of $5,473 of deferred costs as a reduction to bonds payable in the statement of financial position as of June 30, 2017. The Station also reclassified $4,013 of deferred costs from assets to a reduction to bonds payable on the statement of financial position as of June 30, 2016. The adoption of ASU 2015-03 did not impact the change in net assets or any other amounts previously reported on the statements of activities and changes in net assets or cash flows.

(s) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date*, which defers the effective date of ASU 2014-09. As amended, the new standard is effective for the Station beginning July 1, 2019 and early application is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Station has not yet selected a transition method, and continues to evaluate the effect that the standard will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will replace most existing lease guidance in U.S. generally accepted accounting principles when it becomes effective. ASU 2016-02 requires an entity to recognize most leases, including operating leases, on the balance sheet of the lessee. ASU 2016-02 is effective for the Station beginning July 1, 2020, and early application is permitted. ASU 2016-02 requires the use of a modified retrospective method. The Station continues to evaluate the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not for Profit Entities (Topic 958)*, which requires replacement of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets – net assets with donor restrictions and net assets without donor restrictions; requires all not-for-profits to provide expenses by nature and function, as well as an analysis of expenses by both nature and function; allows not-for-profits to continue to present the net amount of operating cash flows using either the direct or indirect method of reporting, while no longer requiring the presentation or disclosure of the indirect method reconciliation if using the direct method; and, requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources. The new presentation is effective for the Station beginning July 1, 2018, and early application is permitted. The Station continues to evaluate the effect that ASU 2016-14 will have on its financial statements and related disclosures.

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(2) Contributions Receivable

Contributions receivable as of June 30, 2017 and 2016 consisted of the following:

		2017	2016
Pledges	$	324,627	198,720
Charitable remainder unitrust held by others		12,143	11,828
	$	336,770	210,548
Expected to be collected in:			
Less than one year	$	329,872	200,586
Greater than one year		13,016	12,758
		342,888	213,344
Less:			
Discounts to net present value		(6,118)	(2,796)
	$	336,770	210,548

The discount rates used on long-term contributions receivable ranged from 3.4% to 5.9% at June 30, 2017 and 2016. As of June 30, 2017, there were no conditional promises to give.

(3) Investments

Investments as of June 30, 2017 and 2016 consisted of the following:

		2017		2016	
		Cost	Fair value	Cost	Fair value
Investments held by Virginia Tech Foundation, Inc.	$	2,476,572	3,156,232	2,467,597	2,920,531

Total management and administrative fees which were netted against investment income (loss) on the statements of activities and changes in net assets amounted to $38,803 and $37,299 for the years ended June 30, 2017 and 2016, respectively.

(4) Fair Value Measurements

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Fair values of assets measured on a recurring basis at June 30, 2017 and 2016 are as follows:

Description	Fair value at June 30, 2017	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Pooled investments	$ 3,156,232	—	—	3,156,232

Description	Fair value at June 30, 2016	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Pooled investments	$ 2,920,531	—	—	2,920,531

Investments held by the Foundation are pooled with other organizations' funds and invested in a diversified portfolio of marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments, and real estate. The Foundation allows a partial or full redemption of the investments on a quarterly basis. The Station's ownership in such investments is represented by an undivided interest in an investment portfolio managed by the Foundation, not in the underlying assets themselves. As such, NAV is used as a practical expedient to estimate fair value of this portfolio. The undivided interest is not publicly traded nor can it be valued based on observable direct or indirect inputs as defined by ASC Topic 820. Accordingly, the Station's investments are reported as Level 3 measurements.

The change in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) for the years ended June 30, 2017 and 2016 are as follows:

Pooled investments:	
Beginning balance at June 30, 2015	$ 3,085,588
Net loss on investments	(32,718)
Contributions	—
Proceeds from sales	(132,339)
Ending balance, June 30, 2016	2,920,531
Net gain on investments	356,904
Contributions	—
Proceeds from sales	(121,203)
Ending balance, June 30, 2017	$ 3,156,232

(5) Property and Equipment

Property and equipment as of June 30, 2017 and 2016 consisted of the following:

		2017	2016
Buildings	$	2,616,179	2,589,889
Furniture and equipment		3,146,088	3,116,343
Automobiles		93,774	93,774
Leasehold improvements		243,092	243,092
		6,099,133	6,043,098
Less accumulated depreciation		(4,115,203)	(3,912,082)
Net depreciable assets		1,983,930	2,131,016
Land		261,212	261,212
Vintage painting		12,000	12,000
	$	2,257,142	2,404,228

Depreciation expense recorded in fiscal years 2017 and 2016 totaled $231,426 and $236,901, respectively.

(6) Intangible Asset

In August 2009, the Station purchased a translator license for $55,000, the license is being amortized over 15 years. Amortization expense for the years ended June 30, 2017 and 2016 was $3,667. In June 2016, the Station purchased fifty percent of new Wide Orbit software for $12,050 and in October 2017, additional software was purchased for $67,911. The software is being amortized over 15 years. Amortization expense related to Wide Orbit software for the years ended June 30, 2017 and 2016 was $4,517 and $66, respectively. Estimated amortization expense is $8,994 in each of the years 2018 through 2022 and $56,030 thereafter.

(7) Bonds Payable

On August 25, 2005, the Foundation issued Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds, Series 2005, due over a twenty year period. The bonds bore a variable interest rate, which including remarketing and credit enhancement fees, of 0.798% at June 30, 2016. Bond proceeds were used to finance and refinance a number of Foundation capital projects and to refinance its previously outstanding Series 2001A bonds, a portion of which were issued on behalf of the Station. While the Station is not legally obligated to pay the bonds themselves, it has an agreement to pay the Foundation who in turn pays the bond holders. The Station incurred bond issuance costs of $11,273 and bond placement costs of $4,250 in connection with the Series 2005 bonds. On June 1, 2017, the Series 2005 bonds, which were to mature on June 1, 2035, were fully repaid with the proceeds of the issuance of the Series 2017C bonds by the Foundation. In connection with the bond transaction, the Station recorded a loss on early extinguishment of debt of $3,278 in the statement of activities and changes in net assets for the year ended June 30, 2017. The Series 2017C bonds, bear a variable interest rate calculated as 65% of one-month LIBOR plus 0.407%. The Station incurred bond issuance costs of $2,281

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in connection with the Series 2017C bonds. Total amortization expense for the years ended June 30, 2017 and 2016 was $821 and $803, respectively.

Effective September 1, 2005, the Foundation entered into an interest rate swap agreement with a lending institution. This agreement was based on the principal balances of the Series 2005 bonds and the Foundation participates as a fixed rate payer, with a fixed rate of 3.265%. The lending institution participates as a floating payer, with a floating interest rate, which is calculated based on the weighted average of 70% of USD-LIBOR-BBA and was 0.803% and 0.317% at June 30, 2017 and 2016, respectively.

Principal amounts outstanding for these bonds payable at June 30, 2017 and 2016 were as follows:

		2017	**2016**
Bond series:			
Series 2005	$	—	880,000
Series 2017C		722,281	—
Unamortized bond issuance costs		(2,195)	(2,937)
Unamortized bond placement costs		—	(1,076)
Total	$	720,086	875,987

The future maturities of bonds payable are as follows:

Year ending June 30:		
2018	$	90,171
2019		175,268
2020		185,216
2021		271,626
	$	722,281

Total interest expense recorded for the years ended June 30, 2017 and 2016 was $31,560 and $33,940, respectively.

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(8) Unrestricted Net Assets

Unrestricted net assets as of June 30, 2017 and 2016 consisted of the following:

		2017	2016
Designated:			
Maintenance/repair	$	608,562	587,671
Quasi-endowment funds		1,153,533	1,067,955
Undesignated:			
General operations		1,882,311	1,596,700
Investment in property and equipment		287,478	371,649
	$	3,931,884	3,623,975

(9) Temporarily Restricted Net Assets

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

		2017	2016
Property and equipment and general operations	$	2,448,085	2,072,548
Charitable remainder unitrust held by others		9,127	9,069
Internet services and legislative fees		35,467	39,462
	$	2,492,679	2,121,079

(10) Permanently Restricted Net Assets

All income from permanently restricted net assets is unrestricted and can be used at the discretion of management. Permanently restricted net assets as of June 30, 2017 and 2016 consists of the following:

		2017	2016
Permanent endowment fund	$	1,056,965	1,056,965
Charitable remainder unitrust held by others		3,016	2,759
	$	1,059,981	1,059,724

(11) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released or reclassified was $282,767 and $456,114 for the years ended June 30, 2017 and 2016, respectively.

(Continued)

(12) Endowments

The Stations' endowment consists of various funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments (quasi-endowment). Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Station has interpreted the Unified Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Station classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Station in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Station considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Station and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Station

(7) The investment policies of the Foundation

Net Asset Composition by Type of Endowment Fund as of June 30, 2017:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	945,734	1,056,965	2,002,699
Board-designated endowment funds		1,153,533	—	—	1,153,533
Total funds	$	1,153,533	945,734	1,056,965	3,156,232

Net Asset Composition by Type of Endowment Fund as of June 30, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	795,611	1,056,965	1,852,576
Board-designated endowment funds		1,067,955	—	—	1,067,955
Total funds	$	1,067,955	795,611	1,056,965	2,920,531

Changes in Endowment Net Assets for the year ended June 30, 2017:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	1,067,955	795,611	1,056,965	2,920,531
Investment income		7,066	—	—	7,066
Net income on investments		129,584	227,320	—	356,904
Contributions		—	—	—	—
Appropriation of endowment assets for expenditures		(51,072)	(77,197)	—	(128,269)
Endowment net assets, end of year	$	1,153,533	945,734	1,056,965	3,156,232

Changes in Endowment Net Assets for the year ended June 30, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	1,127,884	900,739	1,056,965	3,085,588
Investment loss		(4,999)	—	—	(4,999)
Net loss on investments		(11,879)	(20,839)	—	(32,718)
Contributions		—	—	—	—
Appropriation of endowment assets for expenditures		(43,051)	(84,289)	—	(127,340)
Endowment net assets, end of year	$	1,067,955	795,611	1,056,965	2,920,531

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Station to retain as a fund of perpetual duration. Deficiencies of this nature are to be reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Directors. No deficiencies existed as of June 30, 2017 and 2016.

(c) Return Objectives and Risk Parameters

The Station has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Station must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a reasonable rate of return while assuming a moderate level of investment risk. Actual returns in any given year may vary.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Station relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Station targets a diversified asset allocation that places a greater emphasis on equity investments within a balanced portfolio to achieve their long-term return objectives within prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Station has a policy of appropriating for distribution each year all interest and dividend income to operations. In establishing this policy, the Station considered the long-term expected return on its endowment. Accordingly, over the long term, the Station expects the current spending policy to allow its endowment to grow annually. This is consistent with the Station's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

(13) Related-Party Transactions

Development and administration of the Station is performed by some employees of the Virginia Tech. The value of this contributed time is based on wages paid to the individuals plus an estimate of fringe benefits. Also, expenditures incurred by Virginia Polytechnic Institute and State University which have benefitted the Station are allocated to the Station based on Station expenditures as a percentage of total applicable institution expenditures of instruction, research and public service. The contributed time and expenditures are reflected in the accompanying statements of activities and changes in net assets as contributions or corporate underwritings and management and general expenses.

Total in-kind support and revenue for the years ended June 30, 2017 and 2016 were as follows:

		2017	**2016**
Corporate underwritings	$	96,295	99,181
Administrative support		140,430	140,882
	$	236,725	240,063

The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Station's fund-raising campaigns. Volunteer time would be recorded when it creates or enhances nonfinancial assets or when the volunteer time with specific skills is provided by an individual possessing those skills.

During the years ended June 30, 2017 and 2016, the Foundation contributed $85,000 and $82,500, respectively, to the Station to be used for general operations.

(Continued)

(14) Grants and Contracts

Grants and contracts for the years ended June 30, 2017 and 2016 were as follows:

		2017	2016
Unrestricted:			
Community service grant	$	165,659	170,823
Temporarily restricted:			
Radio reading services (radio reading services for the sensory impaired)		30,591	30,591
Community service grant		58,417	59,801
		89,008	90,392
	$	254,667	261,215

(15) Employee Benefits

Retirement benefits for full-time salaried employees are provided by the Virginia Retirement System (VRS). VRS is a program established by the Commonwealth of Virginia to fund retirement benefits for various Commonwealth of Virginia political entities and agencies. Contributions made on behalf of radio station employees were $127,214 and $122,146 for the years ended June 30, 2017 and 2016, respectively. Data concerning the actuarial present value of accumulated plan benefits, vested and net assets available for benefits, which are relevant to the Station, are not provided since such determinations are made on a VRS-wide basis.

(16) Operating Leases

The Station currently leases station transmitter sites under operating leases, which expire at various dates through May 30, 2031.

Future minimum lease payments under operating leases are as follows:

Year ending June 30:		
2018	$	95,381
2019		70,233
2020		36,718
2021		13,803
2021		13,803
Thereafter		56,127
	$	286,065

Total rent charged to operations during the years ended June 30, 2017 and 2016 was $89,812 and $79,187, respectively.

(17) Subsequent Events

The Station has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2017 financial statements through November 29, 2017, the date the financial statements were available to be issued.