Consolidated Financial Statements
June 30, 2019 and 2018

Spokane Public Radio, Inc.

EideBailly®

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Spokane Public Radio, Inc. (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spokane Public Radio, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Spokane, Washington
December 29, 2019

	2019	2018
Assets		
Cash and cash equivalents	$ 423,260	$ 518,659
Certificate of deposit	10,123	10,123
Promises to give, net		
Subscription and membership	45,757	52,610
Capital campaign restricted for long-term purposes	22,368	50,221
Underwriting receivable	45,809	36,501
Prepaid expenses	10,000	1,264
Beneficial interest in assets held by community foundation	58,552	20,091
Property and equipment, net	4,239,097	4,462,718
Cash surrender value of life insurance policy	23,751	22,486
	$ 4,878,717	$ 5,174,673
Liabilities and Net Assets		
Accounts payable	$ 8,873	$ 4,041
Accrued expenses	48,162	62,402
Advance from related party	140,000	140,000
Notes payable	446,193	518,881
Total liabilities	643,228	725,324
Net Assets		
Without donor restrictions		
Undesignated	3,650,187	3,799,311
Noncontrolling interest	439,861	455,654
With donor restrictions	145,441	194,384
Total net assets	4,235,489	4,449,349
	$ 4,878,717	$ 5,174,673

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Corporation for Public Broadcasting			
Community Service Grant (CSG)	$ 196,623	$ -	$ 196,623
Foundation grants	25,870	-	25,870
Total grants	222,493	-	222,493
Gross special events revenue	62,052	-	62,052
Less cost of direct benefits to donors	(19,910)	-	(19,910)
Net special events revenue	42,142	-	42,142
Subscriptions and memberships	1,008,932	35,625	1,044,557
Underwriting and services	423,323		423,323
Donated professional services & contributions	126,219	-	126,219
Interest and royalty income	8,390	-	8,390
Rent	6,325	-	6,325
Other income	16,513	-	16,513
Net assets released from restrictions	84,568	(84,568)	-
Total revenue, support, and gains	1,938,905	(48,943)	1,889,962
Expenses			
Program services expense			
Programming, public relations, and			
program guide	1,192,044	-	1,192,044
Engineering and equipment	316,067	-	316,067
Total program expenses	1,508,111	-	1,508,111
Supporting services expense			
Management and general	327,745	-	327,745
Fundraising and membership development	259,965	-	259,965
Total supporting services expenses	587,710	-	587,710
Total expenses	2,095,821	-	2,095,821
Change in Net Assets	(156,916)	(48,943)	(205,859)
Noncontrolling Interest			
Distributions	(8,001)	-	(8,001)
Net Assets, Beginning of Year	4,254,965	194,384	4,449,349
Net Assets, End of Year	$ 4,090,048	$ 145,441	$ 4,235,489

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Corporation for Public Broadcasting Community Service Grant (CSG)	$ 208,104	$ -	$ 208,104
Foundation grants	16,000	-	16,000
Total grants	224,104	-	224,104
Gross special events revenue	103,888	-	103,888
Less cost of direct benefits to donors	(24,971)	-	(24,971)
Net special events revenue	78,917	-	78,917
Subscriptions and memberships	1,029,951	42,320	1,072,271
Underwriting and services	379,893	-	379,893
Capital campaign	15,917	-	15,917
Donated professional services and contributions	128,153	-	128,153
Donated equipment	2,158	-	2,158
Interest and royalty income	11,322	-	11,322
Rent	8,066	-	8,066
Other income	35,863	-	35,863
Net assets released from restrictions	92,627	(92,627)	-
Total revenue, support, and gains	2,006,971	(50,307)	1,956,664
Expenses			
Program services expense			
Programming, public relations, and program guide	1,200,851	-	1,200,851
Engineering and equipment	334,114	-	334,114
Total program expenses	1,534,965	-	1,534,965
Supporting services expense			
Management and general	323,972	-	323,972
Fundraising and membership development	252,438	-	252,438
Total supporting services expenses	576,410	-	576,410
Total expenses	2,111,375	-	2,111,375
Change in Net Assets	(104,404)	(50,307)	(154,711)
Noncontrolling Interest			
Distributions	(8,002)	-	(8,002)
Net Assets, Beginning of Year	4,367,371	244,691	4,612,062
Net Assets, End of Year	$ 4,254,965	$ 194,384	$ 4,449,349

	Program Services					
	Programming, Public Relations and Program Guide	Engineering and Equipment	Total	Management and General	Fundraising and Membership Development	Total
Payroll and Employee Benefits	$ 420,729	$ 72,321	$ 493,050	$ 227,872	$ 184,338	$ 905,260
Professional Services	89,710	24,685	114,395	51,515	17,358	183,268
Supplies and Postage	6,116	1,686	7,802	4,231	10,815	22,848
Utilities and Telephone	28,065	45,430	73,495	5,156	5,156	83,807
Rental Space	11,925	23,503	35,428	-	1,616	37,044
Repairs and Maintenance	18,529	23,234	41,763	6,717	2,760	51,240
Network Programming Fees	461,643	-	461,643	-	-	461,643
Marketing and Development	39,048	1,437	40,485	3,266	1,762	45,513
Insurance	27,519	-	27,519	2,607	-	30,126
Bank Fees	25	25	50	3,341	189	3,580
Bad Debt	-	-	-	-	13,786	13,786
Printing	328	-	328	114	1,755	2,197
Direct Fundraising Costs	-	-	-	-	19,910	19,910
Depreciation	78,314	117,996	196,310	18,260	17,907	232,477
Interest	10,093	5,750	15,843	2,523	2,523	20,889
Other	-	-	-	2,143	-	2,143
Total Expenses by Function	1,192,044	316,067	1,508,111	327,745	279,875	2,115,731
Less Expenses Included with Revenues on the Statement of Activities						
Cost of direct benefits to donors	-	-	-	-	(19,910)	(19,910)
Total Expenses Included in the Expense Section on the Statement of Activities	$ 1,192,044	$ 316,067	$ 1,508,111	$ 327,745	$ 259,965	$ 2,095,821

	Program Services					
	Programming, Public Relations and Program Guide	Engineering and Equipment	Total	Management and General	Fundraising and Membership Development	Total
Payroll and Employee Benefits	$ 406,318	$ 68,901	$ 475,219	$ 235,436	$ 178,179	$ 888,834
Professional Services	89,753	19,493	109,246	49,804	16,850	175,900
Supplies and Postage	5,651	2,674	8,325	3,248	10,064	21,637
Utilities and Telephone	28,796	47,217	76,013	5,450	5,450	86,913
Rental Space	15,676	24,774	40,450	-	414	40,864
Repairs and Maintenance	3,952	28,910	32,862	1,928	-	34,790
Network Programming Fees	482,107	-	482,107	-	-	482,107
Marketing and Development	38,742	3,818	42,560	2,553	4,149	49,262
Insurance	28,245	398	28,643	2,607	-	31,250
Bank Fees	25	44	69	3,293	14,540	17,902
Bad Debt	-	-	-	-	385	385
Printing	-	-	-	-	972	972
Direct Fundraising Costs	-	-	-	-	26,875	26,875
Depreciation	87,665	131,227	218,892	16,172	16,050	251,114
Interest	11,999	5,696	17,695	3,000	3,000	23,695
Other	1,922	962	2,884	481	481	3,846
Total Expenses by Function	1,200,851	334,114	1,534,965	323,972	277,409	2,136,346
Less Expenses Included with Revenues on the Statement of Activities						
Cost of direct benefits to donors	-	-	-	-	(24,971)	(24,971)
Total Expenses Included in the Expense Section on the Statement of Activities	$ 1,200,851	$ 334,114	$ 1,534,965	$ 323,972	$ 252,438	$ 2,111,375

	2019	2018
Operating Activities		
Change in net assets	$ (205,859)	$ (154,711)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	232,477	251,114
Imputed interest expense	14,237	15,232
Contributed property and equipment capitalized	-	(2,158)
Change in beneficial interest in assets held by community foundation	(3,266)	444
Contributions restricted to building project	-	(5,159)
Cash surrender value of donated life insurance policy	(1,265)	(261)
Changes in operating assets and liabilities		
Promises to give, net	6,853	(1,050)
Underwriting receivable	(9,308)	(7,371)
Prepaid expenses	(8,736)	14,330
Accounts payable	4,832	(1,676)
Accrued expenses	(14,240)	(5,183)
Net Cash from Operating Activities	15,725	103,551
Investing Activities		
Maturity of certificate of deposit	10,123	10,123
Purchase of certificate of deposit	(10,123)	(10,123)
Purchase of property and equipment	(8,856)	(6,486)
Contributions to community foundation	(35,195)	(20,535)
Net Cash used for Investing Activities	(44,051)	(27,021)
Financing Activities		
Collections of contributions restricted to building project	27,853	41,285
Distributions	(8,001)	(8,002)
Principal payments on notes payable	(86,925)	(75,108)
Net Cash used for Financing Activities	(67,073)	(41,825)
Net Change in Cash and Cash Equivalents	(95,399)	34,705
Cash and Cash Equivalents, Beginning of Year	518,659	483,954
Cash and Cash Equivalents, End of Year	$ 423,260	$ 518,659
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 6,652	$ 8,464

Note 1 - Principal Business Activity and Significant Accounting Policies

Organization

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

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

Principles of Consolidation

The consolidated financial statements include the accounts of Spokane Public Radio, Inc. and its wholly owned subsidiary, SPR Manager, LLC, which owns an interest in SPR Landlord, LLC, and SPR Master Tenant, LLC. The consolidated entities are collectively referred to as "the Organization". All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements. SPR Manager, LLC, SPR Landlord, LLC, and SPR Master Tenant, LLC are for profit supporting organizations organized during October 2015 in connection with the financing, rehabilitation, and ownership of the Monroe firehouse property, which was completed and placed in service in October 2015 (Note 3).

Cash and Cash Equivalents

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

Certificates of Deposits

Certificates of deposit are recorded at cost, which approximates fair market value. The interest rate on the certificate is 0.35% and will mature during the year ended June 30, 2020.

Underwriting Receivable

Underwriting receivable consists of amounts due under various underwriting contracts. Management determines the allowance for uncollectable accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance for doubtful accounts was considered necessary at June 30, 2019 and 2018.

Promises to Give

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

Property and Equipment

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

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Beneficial Interest in Assets Held by Community Foundation

During 2018, the Organization established an endowment fund (the Fund) at Innovia Foundation (Innovia) and named itself as beneficiary. Under the agreement, if in the opinion of the Board of Trustees of Innovia distributions from the Fund become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by Innovia, the income from the Fund can be disbursed for the benefit of the Organization's member agencies if possible and practicable, as directed by the Trustees of Innovia. The Fund is held and invested by Innovia for the benefit of the Organization, and is reported at fair value in the consolidated statements of financial position, with changes in fair value recognized in the consolidated statements of activities. The Organization has access annually to the earnings of the fund and may request and receive additional distributions only with Board approval of both the Organization and Innovia.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

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

Donated Services and In-Kind Contributions

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

Advertising Costs

Advertising costs are expensed as incurred and were $36,914 and $38,851 during the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include supplies and postage, rental space, utilities and telephone, repairs and maintenance, insurance, interest, and depreciation, which are allocated on a usage basis, as well as payroll and employee benefits, marketing and development, and professional services, which are allocated based on estimates of time and effort.

Income Taxes

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

SPR Landlord, LLC and SPR Master Tenant, LLC are organized as for profit Washington limited liability companies. As a limited liability company, each entity's taxable income or loss is allocated to members in accordance with their formation documents. 90% of the income or loss attributable to SPR Landlord, LLC and 1% of the income or loss attributable to SPR Master Tenant, LLC is allocated to SPR Manager, LLC. The remaining income or loss is allocated to the noncontrolling interest. SPR Manager, LLC is organized as a for profit Washington limited liability company, but, for income tax purposes, has elected to be treated as a corporation. No current or deferred tax provision has been recorded in the consolidated financial statements as the corporation incurred losses during the fiscal years ended June 30, 2019 and 2018 and the timing of any tax benefit to be realized from the losses is uncertain.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Estimates

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

Noncontrolling Interest

Included in net assets without donor restricted is the noncontrolling interest in SPR Master Tenant, LLC. The SPR Master Tenant, LLC noncontrolling interest represents its ownership of the firehouse property included in the consolidated financial statements. There are no liabilities included in the consolidated financial statements associated with SPR Master Tenant, LLC. A reconciliation of the net assets of SPR Master Tenant, LLC attributable to SPR Manger, LLC and the noncontrolling interest is as follows:

	SPR Manager, LLC	Noncontrolling Interest	Total
Net assets at June 30, 2017	$ 4,885	$ 475,857	$ 480,742
SPR Master Tenant, LLC net loss	(111)	(12,201)	(12,312)
Distribution	-	(8,002)	(8,002)
Net assets at June 30, 2018	4,774	455,654	460,428
SPR Master Tenant, LLC net loss	(1,835)	(7,792)	(9,627)
Distribution	-	(8,001)	(8,001)
Net assets at June 30, 2019	$ 2,939	$ 439,861	$ 442,800

Change in Accounting Principle

As of July 1, 2018, the Organization adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities.* The provisions of the ASU replace the existing three classes of net asset with two new classes (net assets without donor restrictions and net assets with donor restrictions) and introduces new disclosure requirements to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statement of activities net of external and direct internal investment expenses. The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Subsequent Events

The Company has evaluated subsequent events through December 29, 2019, the date which the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 423,260
Certificate of deposit	10,123
Promises to give	45,757
Underwriting receivable	45,809
	$ 524,949

Cash balances are typically available for general expenditure less amounts restricted by donors for specified purposes. The board of directors has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need, determined by their estimate of three months of operating costs.

The Organization may also structure its financial assets to be available as its general expenditures and liabilities become due. The board has the ability to withdraw funds as needed from investments.

Note 3 - Federal Historic Tax Credit Program

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

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

Note 4 - Fair Value Measurements and Disclosures

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

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

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

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

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset. The fair value of the Organization's beneficial interest in assets held by community foundation is based on the fair value of the investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019 and 2018:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets Held by Community Foundation				
June 30, 2019	$ 58,552	$ -	$ -	$ 58,552
June 30, 2018	$ 20,091	$ -	$ -	$ 20,091

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

Balance, June 30, 2018	$	20,091
Contributions		35,195
Investment return, net		3,266
Balance, June 30, 2019	$	58,552

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

Balance, June 30, 2017	$	-
Contributions		20,535
Investment return, net		(444)
Balance, June 30, 2018	$	20,091

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within one year	$ 90,642	$ 127,226
In one to give years	-	848
	90,642	128,074
Less discount to net present value at 4%	(1,139)	(2,033)
Less allowance for uncollectable promises to give	(21,378)	(23,210)
	$ 68,125	$ 102,831
Promises to Give		
Subscription and membership	$ 45,757	$ 52,610
Capital campaign restricted for long-term purposes	22,368	50,221
	$ 68,125	$ 102,831

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Broadcast and production equipment	$ 1,743,093	$ 1,837,574
Furniture and fixtures	39,612	106,771
Transmitter buildings and other	29,864	32,939
Leasehold improvements	-	12,153
Vehicles	6,614	6,614
Monroe firehouse	4,159,578	4,159,578
	5,978,761	6,155,629
Less accumulated depreciation	(1,997,641)	(1,950,888)
	3,981,120	4,204,741
Monroe firehouse land	116,653	116,653
Property adjacent to Monroe firehouse	141,324	141,324
	$ 4,239,097	$ 4,462,718

At June 30, 2019 and 2018, the Monroe firehouse property includes capitalized interest of $42,544.

Liens are held by the U.S. Government on generators and broadcasting and studio equipment purchased with certain grant funds in the amount of $246,156, which includes a lien applied for in August 2012. The liens cover ten-year periods following purchase of the equipment and expire between 2019 and 2021.

Note 7 - Advance from Related Party

In November 2014, an individual related to a former member of the board of directors advanced $140,000 to the Organization to fund the acquisition of the property adjacent to the Monroe firehouse. There are no defined repayment terms for this advance. For the years ended June 30, 2019 and 2018, no payments were made on the advance.

Note 8 - Notes Payable

Notes payable consist of the following at June 30, 2019 and 2018:

	2019	2018
Note Payable to Washington Trust Bank, due in monthly installments of $3,823, including interest at 4.5%, to September 15, 2020, secured by equipment and guaranteed by an individual related to a former member of the Board of Directors	$ 122,609	$ 171,827
Noninterest Bearing Note Payable, $395,900 and $433,607 principal amount at June 30, 2019 and 2018, respectively, less unamortized discount based on imputed interest rate of 4.0%, due in quarterly installments of $9,426, to October 2029, to an individual related to a former member of the Board of Directors, secured by real property[A]	323,584	347,054
	$ 446,193	$ 518,881

[A]For the years ended June 30, 2019 and 2018, imputed interest related to the note of $14,237 and $15,232, respectively, was expensed. Unamortized discount on the note of $72,316 and $86,553 is included in net assets with donor restrictions at June 30, 2019 and 2018, respectively.

Future maturities of notes payable are as follows:

Years Ending June 30,	Amount
2020	$ 66,849
2021	108,030
2022	27,737
2023	28,863
2024	30,035
Thereafter	184,679
	$ 446,193

Note 9 - Leases

The Organization leases translator and antenna systems under an operating lease expiring in 2023.

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2020	$ 5,400
2021	5,400
2022	5,400
2023	5,400
	$ 21,600

Rent expense for the years ended June 30, 2019 and 2018 totaled $37,044 and $40,864, respectively.

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Subject to expenditure for Specified Purpose		
Emergency Funds	$ 5,000	$ 5,000
Subject to the Passage of Time		
Promises to give, net	68,125	102,831
Noninterest bearing note payable discount	72,316	86,553
	$ 145,441	$ 194,384

Net assets were released from donor restrictions when capital campaign promises and subscription and membership promises to give were collected, donor purpose was satisfied, and interest expense was recognized related to noninterest bearing note payable discount as of June 30, 2019 and 2018 in the amounts of $84,568 and $92,627, respectively.

Note 11 - Donated Professional Services and Materials

Donated professional services and materials received during the years ended June 30, 2019 and 2018 are as follows:

June 30, 2019	Program Services	Management and General	Fundraising and Development	Total
Accounting	$ -	$ 16,000	$ -	$ 16,000
Computer services	12,482	-	-	12,482
Other professional	-	1,948	-	1,948
Legal fees	-	1,500	-	1,500
Facility rental	5,400	-	-	5,400
Janitorial	8,142	-	-	8,142
Advertising	30,880	-	-	30,880
Production engineering	49,867	-	-	49,867
	$ 106,771	$ 19,448	$ -	$ 126,219

June 30, 2018	Program Services	Management and General	Fundraising and Development	Total
Accounting	$ -	$ 16,000	$ -	$ 16,000
Computer services	8,878	-	-	8,878
Other professional	690	3,199	-	3,889
Professional dues	-	1,012	-	1,012
Mailing	2,000	-	-	2,000
Facility rental	8,031	-	-	8,031
Janitorial	5,387	-	-	5,387
Advertising	30,742	-	-	30,742
Production engineering	52,214	-	-	52,214
	$ 107,942	$ 20,211	$ -	$ 128,153

The Organization received approximately 3,100 and 3,300 hours of non-specified volunteer hours for the years ended June 30, 2019 and 2018, respectively, for which the value has not been recorded.

During the year ended June 30, 2018, the Organization received and capitalized donations of computer software, engineering hardware, and speakers, valued at $2,158.

Note 12 - Employee Benefits

Spokane Public Radio, Inc. sponsors a tax-deferred pension plan qualified under Section 403(b) of the Internal Revenue Code covering substantially all permanent employees. Employees can defer up to 20% of their annual compensation into their plan accounts. In addition, Spokane Public Radio, Inc. sponsors a tax-deferred Simplified Employee Pension Plan (SEP) covering all permanent employees. The plan provides that employees who have attained age 21 may contribute up to 15% of their earnings to the SEP, up to the maximum contribution allowed by the IRS. The Board of Directors approved contributions in the amount of 2% of eligible participant's compensation, with a minimum of $25 per eligible participant for the years ended June 30, 2019 and 2018. Employer contributions were $14,299 and $14,286 for the years ended June 30, 2019 and 2018, respectively.

Note 13 - Fundraising Events

Revenue and direct expenses for the three largest fundraising events and a total for all other events during the years ended June 30, 2019 and 2018 are as follows:

	Year Ended June 30, 2019				
	Record and Video Sales	Thank You Concert	Fall Lecture Series	Other	Total
Revenue	$ 51,108	$ 4,622	$ 1,000	$ 5,322	$ 62,052
Direct fundraising costs	10,814	375	8,120	601	19,910
Fundraising, net	$ 40,294	$ 4,247	$ (7,120)	$ 4,721	$ 42,142

	Year Ended June 30, 2018				
	Record and Video Sales	Thank You Concert	Fall Concert	Other	Total
Revenue	$ 48,861	$ 17,994	$ 29,542	$ 7,491	$ 103,888
Direct fundraising costs	9,126	3,113	11,750	982	24,971
Fundraising, net	$ 39,735	$ 14,881	$ 17,792	$ 6,509	$ 78,917