

Financial Statements

**Northeast Indiana Public
Radio, Inc.**

September 30, 2019 and 2018

NORTHEAST INDIANA PUBLIC RADIO, INC.

Financial Statements
September 30, 2019 and 2018



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Certified Public Accountants • Business Consultants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Northeast Indiana Public Radio, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

Generally accepted accounting principles require that the radio station license be tested at least annually for impairment, and if the carrying value of the license exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess. During the years ended September 30, 2019 and 2018, management has not tested the radio station license for impairment.

Qualified Opinion

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

A handwritten signature in black ink that reads "Baden, Gage & Schroeder, LLC". The signature is written in a cursive, flowing style.

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
December 19, 2019

NORTHEAST INDIANA PUBLIC RADIO, INC.

Statements of Financial Position **September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 267,027	\$ 145,778
Receivables:		
Membership - net of allowance for uncollectible accounts of \$17,913 (2019) and \$15,390 (2018)	188,054	152,706
Underwriting - net of allowance for uncollectible accounts of \$1,145 (2019 and 2018)	37,258	43,468
Contributions - net of allowance for uncollectible accounts of \$3,164 (2019 and 2018)	<u>75,866</u>	<u>117,509</u>
Total Current Assets	568,205	459,461
PROPERTY AND EQUIPMENT	1,422,851	1,370,842
Less: Accumulated depreciation	<u>686,370</u>	<u>657,645</u>
Net Property and Equipment	736,481	713,197
OTHER ASSETS		
Contributions receivable - noncurrent	34,768	63,572
Beneficial interest in trust	50,313	53,172
Broadcasting licenses	<u>625,000</u>	<u>625,000</u>
Total Other Assets	<u>710,081</u>	<u>741,744</u>
TOTAL ASSETS	<u>\$ 2,014,767</u>	<u>\$ 1,914,402</u>

See Notes to Financial Statements.

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 76,038	\$ 141,568
Accrued payroll and related taxes	12,816	11,012
Current maturities of collateralized loans payable, net of current portion of unamortized loan costs	<u>354,614</u>	<u>34,273</u>
Total Current Liabilities	443,468	186,853
NONCURRENT LIABILITIES		
Collateralized loans payable, net of current maturities and unamortized loan costs	<u>-</u>	<u>358,123</u>
Total Liabilities	443,468	544,976
NET ASSETS		
Net assets without donor restrictions	727,943	519,749
Net assets with donor restrictions	<u>843,356</u>	<u>849,677</u>
Total Net Assets	<u>1,571,299</u>	<u>1,369,426</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,014,767</u>	<u>\$ 1,914,402</u>

NORTHEAST INDIANA PUBLIC RADIO, INC.



Statement of Activities Year Ended September 30, 2019

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE			
Memberships and subscriptions	\$ 643,037	\$ -	\$ 643,037
Underwriting revenue	267,780	-	267,780
Contributions	50,000	6,822	56,822
Grants:			
Corporation for Public Broadcasting	136,870	-	136,870
Corporations and foundations	169,295	111,500	280,795
Matching grants	2,958	-	2,958
Bequests and legacies	70,000	-	70,000
In-kind services and materials	55,077	-	55,077
Special events:			
Proceeds	94,337	-	94,337
Less cost of direct benefits to donors	(5,130)	-	(5,130)
Nonprofit announcements	6,750	-	6,750
Investment income (loss)	3,275	(2,859)	416
Other revenue	808	-	808
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of time and purpose restrictions	<u>121,784</u>	<u>(121,784)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	1,616,841	(6,321)	1,610,520
EXPENSES			
Program services			
Production and programming	791,399	-	791,399
Broadcasting	51,982	-	51,982
Program information and promotion	<u>66,221</u>	<u>-</u>	<u>66,221</u>
Total program services	909,602	-	909,602
Supporting activities			
Management and general	221,267	-	221,267
Fundraising	<u>277,778</u>	<u>-</u>	<u>277,778</u>
Total supporting activities	<u>499,045</u>	<u>-</u>	<u>499,045</u>
TOTAL EXPENSES	<u>1,408,647</u>	<u>-</u>	<u>1,408,647</u>
CHANGE IN NET ASSETS	208,194	(6,321)	201,873
NET ASSETS, BEGINNING OF YEAR	<u>519,749</u>	<u>849,677</u>	<u>1,369,426</u>
NET ASSETS, END OF YEAR	<u>\$ 727,943</u>	<u>\$ 843,356</u>	<u>\$ 1,571,299</u>

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.



Statement of Activities Year Ended September 30, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Memberships and subscriptions	\$ 618,787	\$ 22,791	\$ 641,578
Underwriting revenue	293,217	-	293,217
Contributions	-	88,214	88,214
Grants:			
Corporation for Public Broadcasting	114,622	-	114,622
Corporations and foundations	84,250	72,438	156,688
Matching grants	4,578	-	4,578
Bequests and legacies	35,000	-	35,000
In-kind services and materials	69,374	-	69,374
Special events:			
Proceeds	84,249	-	84,249
Less cost of direct benefits to donors	(3,900)	-	(3,900)
Nonprofit announcements	7,800	-	7,800
Investment income	3,590	1,141	4,731
Other revenue	133	-	133
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of time and purpose restrictions	<u>82,897</u>	<u>(82,897)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	1,394,597	101,687	1,496,284
EXPENSES			
Program services			
Production and programming	753,923	-	753,923
Broadcasting	75,861	-	75,861
Program information and promotion	<u>67,286</u>	<u>-</u>	<u>67,286</u>
Total program services	897,070	-	897,070
Supporting activities			
Management and general	223,382	-	223,382
Fundraising	<u>272,829</u>	<u>-</u>	<u>272,829</u>
Total supporting activities	<u>496,211</u>	<u>-</u>	<u>496,211</u>
TOTAL EXPENSES	<u>1,393,281</u>	<u>-</u>	<u>1,393,281</u>
CHANGE IN NET ASSETS	1,316	101,687	103,003
NET ASSETS, BEGINNING OF YEAR	<u>518,433</u>	<u>747,990</u>	<u>1,266,423</u>
NET ASSETS, END OF YEAR	<u>\$ 519,749</u>	<u>\$ 849,677</u>	<u>\$ 1,369,426</u>

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.



Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 201,873	\$ 103,003
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation and amortization	28,724	28,950
Amortization of loan fees	3,003	3,003
Change in beneficial interest in trust	2,859	(1,141)
Contributions received for long-term purposes	(56,822)	(95,750)
Bad debt expense	54,495	54,693
(Increase) Decrease in Assets:		
Membership receivables	(89,843)	(97,575)
Underwriting receivables	6,210	(9,021)
Contributions receivable	19,050	(40,000)
Increase (Decrease) in Liabilities:		
Accounts payable	(65,530)	3,213
Accrued payroll and related taxes	1,804	461
Net Cash Provided By (Used In) Operating Activities	<u>105,823</u>	<u>(50,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(52,010)	(5,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	-	5,000
Repayments of line of credit	-	(52,000)
Payments on collateralized loans payable	(40,785)	(38,737)
Collection of contributions restricted to long-term purposes	<u>108,221</u>	<u>175,677</u>
Net Cash Provided By Financing Activities	<u>67,436</u>	<u>89,940</u>
NET INCREASE	121,249	34,275
CASH, BEGINNING OF YEAR	<u>145,778</u>	<u>111,503</u>
CASH, END OF YEAR	<u>\$ 267,027</u>	<u>\$ 145,778</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 3,491	\$ 4,136

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.



Statement of Functional Expenses Year Ended September 30, 2019

	<u>Production and Programming</u>	<u>Broadcasting</u>	<u>Program Information and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 328,621	\$ -	\$ 64,418	\$ 393,039	\$ 135,307	\$ 110,659	\$ 639,005
Programming expense	281,657	-	-	281,657	-	-	281,657
Interest	27,080	-	-	27,080	-	-	27,080
Professional services	17,143	-	-	17,143	22,454	40,336	79,933
Donated volunteer services	-	29,003	-	29,003	-	-	29,003
Advertising and promotion	2,279	-	1,044	3,323	-	-	3,323
Utilities	32,693	-	-	32,693	9,749	-	42,442
Special events	-	-	-	-	-	48,606	48,606
Dues and subscriptions	10,082	-	-	10,082	1,975	11,408	23,465
Insurance	-	-	-	-	22,222	-	22,222
Rent - equipment	36,907	-	-	36,907	6,543	-	43,450
Repairs and maintenance	20,050	-	-	20,050	6,349	-	26,399
Postage and shipping	482	-	116	598	855	5,527	6,980
Service agreement	4,274	-	-	4,274	3,548	942	8,764
Miscellaneous	1,063	-	26	1,089	834	4,300	6,223
Telephone	8,619	-	104	8,723	2,158	1,063	11,944
Supplies	6,831	-	126	6,957	2,243	32,397	41,597
Licenses and fees	-	-	-	-	-	20,833	20,833
Travel	4,411	-	387	4,798	3,409	958	9,165
Audience research	5,420	-	-	5,420	-	-	5,420
Meetings and conferences	914	-	-	914	749	749	2,412
Expenses before depreciation and amortization	788,526	29,003	66,221	883,750	218,395	277,778	1,379,923
Depreciation and amortization	2,873	22,979	-	25,852	2,872	-	28,724
TOTAL EXPENSES	<u>\$ 791,399</u>	<u>\$ 51,982</u>	<u>\$ 66,221</u>	<u>\$ 909,602</u>	<u>\$ 221,267</u>	<u>\$ 277,778</u>	<u>\$ 1,408,647</u>

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.



Statement of Functional Expenses Year Ended September 30, 2018

	<u>Production and Programming</u>	<u>Broadcasting</u>	<u>Program Information and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and related expense	\$ 287,551	\$ 6,499	\$ 60,847	\$ 354,897	\$ 133,180	\$ 80,870	\$ 568,947
Programming expense	298,881	-	-	298,881	-	-	298,881
Interest	29,772	-	-	29,772	-	-	29,772
Professional services	1,141	-	4,971	6,112	23,723	82,308	112,143
Donated volunteer services	-	46,202	-	46,202	-	-	46,202
Advertising and promotion	11,008	-	1,103	12,111	-	-	12,111
Utilities	27,685	-	-	27,685	8,981	-	36,666
Special events	-	-	-	-	-	37,045	37,045
Dues and subscriptions	10,431	-	-	10,431	2,484	11,699	24,614
Insurance	-	-	-	-	24,285	-	24,285
Rent - equipment	38,261	-	-	38,261	5,096	-	43,357
Repairs and maintenance	21,627	-	-	21,627	6,838	-	28,465
Postage and shipping	190	-	190	380	1,001	5,833	7,214
Service agreement	3,602	-	-	3,602	3,071	-	6,673
Miscellaneous	367	-	66	433	1,393	3,760	5,586
Telephone	6,483	-	-	6,483	1,847	-	8,330
Supplies	3,644	-	54	3,698	6,101	29,713	39,512
Licenses and fees	-	-	-	-	-	18,920	18,920
Travel	4,060	-	-	4,060	1,738	2,621	8,419
Audience research	5,220	-	-	5,220	-	-	5,220
Meetings and conferences	1,105	-	55	1,160	749	60	1,969
Expenses before depreciation and amortization	751,028	52,701	67,286	871,015	220,487	272,829	1,364,331
Depreciation and amortization	2,895	23,160	-	26,055	2,895	-	28,950
TOTAL EXPENSES	<u>\$ 753,923</u>	<u>\$ 75,861</u>	<u>\$ 67,286</u>	<u>\$ 897,070</u>	<u>\$ 223,382</u>	<u>\$ 272,829</u>	<u>\$ 1,393,281</u>

See Notes to Financial Statements.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements
September 30, 2019 and 2018



Note 1. Organization and Summary of Significant Accounting Policies

Nature of Activities:

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

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

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

Broadcasting License:

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

Basis of Preparation:

The financial statements are prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of assets, net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: Includes general assets and liabilities of the Organization. The net assets without donor restrictions of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Net Assets with Donor Restrictions: 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 restricted to use in future periods are classified as net assets with donor restrictions. Also includes assets that the donor stipulates must be maintained by the Organization in perpetuity.

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.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



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

Cash:

The Organization maintains its cash in deposit accounts which, at times, may exceed federally insured limits.

Receivables, Support and Revenue:

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

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions.

Loan Fees:

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

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



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

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 \$3,323 and \$12,111 for the years ended September 30, 2019 and 2018, respectively.

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*. The objective of issuing this standard was to provide one common method for recognizing revenue among all industries and transaction types. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements related to the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for the fiscal year ending September 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

New Accounting Standard:

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard replaced the existing three classes of net assets with two classes; net assets with donor restrictions (combination of temporarily and permanently restricted net assets) and net assets without donor restrictions. The standard added the requirement for all not-for-profits to present operating expenses by both nature and function. It also required improved disclosures related to board-designated net assets, under-water endowments, cost allocation methods, management and general activities and quantitative and qualitative disclosures related to liquidity. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



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

Income Taxes:

The accounting standard related to accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed, or expected to be claimed, on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of income subject to unrelated business income tax (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended September 30, 2019 and 2018.

The Organization files form 990 in the U.S. federal jurisdiction and form NP-20 for the State of Indiana. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

Reclassification:

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through December 19, 2019, the date the financial statements were available to be issued.

Note 2. Contributions Receivable

At September 30, 2019 and 2018, the Organization has contributions receivable that have donor restrictions for time and purpose related to the following:

	<u>2019</u>	<u>2018</u>
Contributions receivable for capital campaign	\$ 75,640	\$ 133,741
Contributions receivable for general operations	<u>45,950</u>	<u>65,000</u>
	121,590	198,741
Less: Allowance for uncollectible accounts	3,164	3,164
Less: Discount (at 5.25% in 2019 and 2018) to net present value	<u>7,792</u>	<u>14,496</u>
Net contributions receivable	<u>\$ 110,634</u>	<u>\$ 181,081</u>
Amounts due in:		
Less than one year	\$ 75,866	\$ 117,509
One to five years	<u>34,768</u>	<u>63,572</u>
	<u>\$ 110,634</u>	<u>\$ 181,081</u>

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



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 \$27,554 and \$28,901 as of September 30, 2019 and 2018, 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. Property and Equipment

Property and equipment consisted of the following at September 30:

	<u>Estimated Useful Life</u>	<u>2019</u>	<u>2018</u>
Land		\$ 129,000	\$ 129,000
Building and improvements	3 - 39 years	463,043	463,043
Office Equipment	3 - 7 years	68,381	59,474
Technical equipment	5 - 15 years	357,127	320,825
Construction in progress		<u>405,300</u>	<u>398,500</u>
		1,422,851	1,370,842
Less: Accumulated depreciation		<u>686,370</u>	<u>657,645</u>
		<u>\$ 736,481</u>	<u>\$ 713,197</u>

Depreciation expense was \$28,724 and \$28,950 for the years ended September 30, 2019 and 2018, respectively.

Note 5. Broadcasting Licenses

The Organization owns two Federal Communications Commission broadcasting licenses for radio stations, WBOI-FM and WBNI-FM. WBNI-FM has a carrying value of \$625,000 as of September 30, 2019 and 2018. The license has an indefinite useful life and, therefore, is not amortized, but rather reviewed each reporting period for impairment. The Organization received WBOI-FM through a donation in January 1982. The license has a carrying value of \$0 as of September 30, 2019 and 2018.

During the years ended September 30, 2019 and 2018, due to the cost of a qualified assessment, management did not test the radio station license WBNI-FM for impairment; therefore, the current value is based on management's estimate, which does not necessarily reflect fair value.

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



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.

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, 2019 and 2018.

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, 2019 and 2018.

	Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
As of September 30, 2019:				
Beneficial interest in trust	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 50,313</u>	\$ <u> 50,313</u>
As of September 30, 2018:				
Beneficial interest in trust	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 53,172</u>	\$ <u> 53,172</u>

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



Note 6. Fair Value Measurements (Continued)

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

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 53,172	\$ 52,031
Realized and unrealized gains (losses)	(1,703)	2,623
Interest and dividends	1,939	2,023
Grants	(2,853)	(3,256)
Fees	<u>(242)</u>	<u>(249)</u>
Ending balance	<u>\$ 50,313</u>	<u>\$ 53,172</u>

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

Note 7. Line of Credit

The Organization has a line of credit agreement with First Federal Bank, maturing March 1, 2020. The agreement provides for a maximum borrowing of \$50,000, with a variable interest rate (5.50% at September 30, 2019 and 2018). The line of credit is secured by all of the Organization's business assets. As of September 30, 2019 and 2018, there was no outstanding balance on the line of credit.

Note 8. Collateralized Loans Payable

Collateralized loans payable consist of the following:

	<u>2019</u>	<u>2018</u>
Collateralized loan payable to First Federal Bank, due in monthly installments of \$3,041 with interest payable at a fixed rate of 5% due August 2020, with a balloon payment of \$71,995, secured by all of the Organization's business assets.	\$ 96,072	\$ 126,844
Collateralized loan payable to First Federal Bank, due in monthly installments of \$2,073 with interest payable at a fixed rate of 5.5% due August 2020, with a balloon payment of \$253,313, secured by a building.	<u>261,170</u>	<u>271,183</u>
	357,242	398,027
Less: Unamortized loan costs	2,628	5,631
Less: Current maturities	<u>354,614</u>	<u>34,273</u>
	<u>\$ -</u>	<u>\$ 358,123</u>

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



Note 8. Collateralized Loans Payable (Continued)

Maturities of the collateralized loans payable for the years ending after September 30, 2019, and in the aggregate, are as follows:

2020	\$ <u>357,242</u>
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Note 9. Net Assets

The Board of Trustees has designated \$70,000 of current net assets without donor restrictions at September 30, 2019 and 2018, for the Building a Sound Future Campaign.

Net assets with donor restrictions as of September 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Operations (time restriction)	\$ 73,750	\$ 95,299
Asset improvement - equipment (purpose restriction)	25,000	-
New Generation Media Project (time and purpose restriction)	7,650	-
Building a Sound Future (time and purpose restriction)	656,643	671,206
Building a Sound Future - equipment (purpose restriction)	30,000	30,000
Beneficial interest held in trust	<u>50,313</u>	<u>53,172</u>
	<u>\$ 843,356</u>	<u>\$ 849,677</u>

Net assets with donor restrictions in perpetuity consist of contributions made to the Organization that have been designated by the donor, and are held by the Community Foundation of Greater Fort Wayne, Inc. Income from net assets with donor restrictions is available for unrestricted purposes. Net assets with donor restrictions as of September 30, 2019 and 2018, were \$50,313 and \$53,172, respectively.

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

	<u>2019</u>	<u>2018</u>
Operations	95,229	25,000
New Generation Media Project	5,100	-
Building a Sound Future	<u>21,455</u>	<u>57,897</u>
	<u>\$ 121,784</u>	<u>\$ 82,897</u>

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



Note 10. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting use, within one year of the consolidated statements of financial position date, are comprised of the following:

	<u>2019</u>	<u>2018</u>
Financial assets at September 30:		
Cash	\$ 267,027	\$ 145,778
Membership receivables	188,054	152,706
Underwriting receivables	37,258	43,468
Contributions receivable	110,634	181,081
Beneficial interest in assets held by third party	<u>50,313</u>	<u>53,172</u>
Total financial assets	653,286	576,205
Less: Financial assets not available to be used within one year:		
Contributions receivable not due within one year	34,768	63,572
Board designated net assets	70,000	20,000
Net assets with donor restrictions for purpose less amount spent but not released on capital project in process	384,884	398,005
Net assets with donor restrictions in perpetuity	<u>50,313</u>	<u>53,172</u>
Total financial assets not available for general expenditures within one year	<u>539,965</u>	<u>534,749</u>
Total financial assets available for general expenditures within one year	<u>\$ 113,321</u>	<u>\$ 41,456</u>

The Organization's goal is generally to maintain financial assets to meet current payroll needs. The Organization has a \$50,000 line of credit available to meet cash flow needs.

Note 11. Underwriting Revenue

The components of underwriting revenue are as follows:

	<u>2019</u>	<u>2018</u>
Total sales	\$ 289,395	\$ 318,307
Less: in-kind trade	<u>21,615</u>	<u>25,090</u>
Cash sales	<u>\$ 267,780</u>	<u>\$ 293,217</u>

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



Note 12. In-Kind Contributions and Donated Services

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

	<u>2019</u>	<u>2018</u>
Production and broadcast volunteer services	\$ 29,003	\$ 46,202
Broadcast material	932	350
Goods and services for special events	<u>8,500</u>	<u>10,400</u>
Total in-kind contributions	<u>\$ 38,435</u>	<u>\$ 56,952</u>

The Organization traded underwriting spots for the following:

	<u>2019</u>	<u>2018</u>
Advertising and promotion	\$ 2,279	\$ 9,980
Special events	9,365	3,369
Repairs	2,810	-
Miscellaneous	2,210	4,500
Professional service	3,600	4,125
Office supplies	<u>1,351</u>	<u>3,116</u>
Total in-kind trade	<u>\$ 21,615</u>	<u>\$ 25,090</u>

Note 13. Functional Allocation of Expense

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 expenses that are allocated include rent, utilities, telephone, repairs and maintenance, and miscellaneous expenses which are allocated on a square footage basis. Salaries and related expenses are allocated on the basis of estimates of time and effort. Depreciation and amortization is allocated based on the percentage of total cost of the fixed assets that related to production and programming. The following programs and supporting activities are included in the accompanying financial statements:

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

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

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

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

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

NORTHEAST INDIANA PUBLIC RADIO, INC.

Notes to Financial Statements (Continued)
September 30, 2019 and 2018



Note 14. Operating Leases

The Organization leases office equipment and broadcast tower space under various operating leases which expire through September 2024. These leases are subject to various renewal terms. The Organization also incurred rent expense under various month-to-month operating leases for certain facilities and equipment. Total lease expense was \$43,450 and \$43,357, respectively, for the years ended September 30, 2019 and 2018.

Minimum future rental payments under existing noncancellable operating leases, having initial or remaining terms in excess of one year as of September 30, 2019, are as follows:

2020	\$	43,639
2021		44,139
2022		44,655
2023		25,386
2024		<u>18,789</u>
	\$	<u>176,608</u>

Note 15. 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, 2019 and 2018, as the Organization did not make discretionary matching contributions.