

Financial Statements

WNIN Tri-State Public Media, Inc.

September 30, 2017 and 2016

WNIN TRI-STATE PUBLIC MEDIA, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL SCHEDULES:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-19
SUPPLEMENTARY INFORMATION	
Schedules of Activities by Segment	20

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INDEPENDENT AUDITORS' REPORT

Board of Directors
WNIN Tri-State Public Media, Inc.
Two Main Street
Evansville, Indiana 47708

We have audited the accompanying financial statements of WNIN Tri-State Public Media, Inc., (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, 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 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 WNIN Tri-State Public Media, Inc. as of September 30, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities by segment on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Umbach & Associates, LLP
Evansville, Indiana
December 21, 2017

WNIN TRI-STATE PUBLIC MEDIA, INC.
Statements of Financial Position
At September 30, 2017 and 2016

Assets	2017	2016
Assets		
Cash and cash equivalents	\$ 807,857	\$ 917,347
Receivables, net of allowance; 2017 - \$8,819, 2016 - \$9,336	486,300	413,831
Prepaid expenses and other assets	169,451	85,217
Investments - Board designated	507,745	464,617
Program licenses	328,339	327,152
Capital campaign receivables	821,000	494,653
Fixed assets held for sale	175,348	00
Property, plant, and equipment - net	5,345,136	4,477,943
Investment - Community Foundation	10,902	10,000
Total Assets	\$ 8,652,078	\$ 7,190,760
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 343,303	\$ 83,171
Current portion of note payable	127,320	00
Program licenses payable	437,786	436,203
Accrued payroll and related liabilities	102,497	106,347
Deferred revenue	138,423	133,846
Note payable	1,141,924	1,600,000
	<u>2,291,253</u>	<u>2,359,567</u>
Net Assets		
Unrestricted:		
Undesignated	5,002,421	3,047,531
Designated	1,193,794	1,150,742
Temporarily restricted	153,708	622,920
Permanently restricted	10,902	10,000
	<u>6,360,825</u>	<u>4,831,193</u>
Total Liabilities and Net Assets	\$ 8,652,078	\$ 7,190,760

See notes to financial statements

WNIN TRI-STATE PUBLIC MEDIA, INC.
Statements of Activities
For the Years Ended September 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support								
CPB grants	\$ 842,933	\$ 93,750	\$ 00	\$ 936,683	\$ 778,534	\$ 00	\$ 00	\$ 778,534
Membership and major gifts	485,454	49,976	00	535,430	608,055	54,064	00	662,119
Underwriting/corporate support	216,302	00	00	216,302	226,916	00	00	226,916
Trade underwriting	70,850	00	00	70,850	48,658	00	00	48,658
In-kind contributions	198,383	00	00	198,383	86,835	00	00	86,835
Special events	46,215	00	00	46,215	33,168	00	00	33,168
Auction	58,935	00	00	58,935	33,205	00	00	33,205
State appropriations	426,568	00	00	426,568	426,568	00	00	426,568
Production	73,771	00	00	73,771	46,282	00	00	46,282
Local revenue	28,338	00	00	28,338	37,563	00	00	37,563
Other revenues								
Grants	11,346	2,699	00	14,045	32,559	6,270	00	38,829
Investment return	43,129	00	00	43,129	75,719	00	00	75,719
Miscellaneous revenues	31,070	00	902	31,972	30,537	00	00	30,537
Capital campaign donations	1,335,067	00	00	1,335,067	00	554,653	00	554,653
Capital campaign in-kind donations	509,713	00	00	509,713	00	400	00	400
Total Revenues, Gains, and Other Support	<u>4,378,074</u>	<u>146,425</u>	<u>902</u>	<u>4,525,401</u>	<u>2,464,599</u>	<u>615,387</u>	<u>00</u>	<u>3,079,986</u>
Transfers	<u>00</u>	<u>00</u>	<u>00</u>	<u>00</u>	<u>(10,000)</u>	<u>00</u>	<u>10,000</u>	<u>00</u>
Net assets released from restrictions	<u>615,637</u>	<u>(615,637)</u>	<u>00</u>	<u>00</u>	<u>270,745</u>	<u>(270,745)</u>	<u>00</u>	<u>00</u>
Expenses								
Program services								
Programming and productions	1,943,690	00	00	1,943,690	1,714,595	00	00	1,714,595
Broadcasting	163,160	00	00	163,160	193,633	00	00	193,633
New media	18,794	00	00	18,794	15,757	00	00	15,757
General and administrative	431,737	00	00	431,737	352,956	00	00	352,956
Fund raising								
Membership and major gifts	242,208	00	00	242,208	262,236	00	00	262,236
Community engagement	16,899	00	00	16,899	20,661	00	00	20,661
Underwriting	120,670	00	00	120,670	108,692	00	00	108,692
Trade expenses	42,249	00	00	42,249	38,554	00	00	38,554
Capital campaign	16,362	00	00	16,362	592	00	00	592
Total Expenses	<u>2,995,769</u>	<u>00</u>	<u>00</u>	<u>2,995,769</u>	<u>2,707,676</u>	<u>00</u>	<u>00</u>	<u>2,707,676</u>
Change in Net Assets	1,997,942	(469,212)	902	1,529,632	17,668	344,642	10,000	372,310
Net Assets - Beginning of Year	<u>4,198,273</u>	<u>622,920</u>	<u>10,000</u>	<u>4,821,193</u>	<u>4,180,605</u>	<u>278,278</u>	<u>00</u>	<u>4,458,883</u>
Net Assets - End of Year	<u>\$ 6,196,215</u>	<u>\$ 153,708</u>	<u>\$ 10,902</u>	<u>\$ 6,360,825</u>	<u>\$ 4,198,273</u>	<u>\$ 622,920</u>	<u>\$ 10,000</u>	<u>\$ 4,821,193</u>

See notes to financial statements

WNIN TRI-STATE PUBLIC MEDIA, INC.
Statements of Functional Expenses
For the Years Ended September 30, 2017 and 2016

	2017				2016			
	Program Services	General and Administrative	Fund Raising	Total	Program Services	General and Administrative	Fund Raising	Total
Salaries and wages	\$ 465,725	\$ 246,141	\$ 249,088	\$ 960,954	\$ 471,382	\$ 244,544	\$ 240,722	\$ 956,648
Employee benefits	28,418	15,005	16,754	60,177	33,753	14,931	11,977	60,661
Payroll taxes	38,250	16,436	18,504	73,190	35,829	15,561	17,704	69,094
Programming expenses	619,747	00	00	619,747	611,708	00	00	611,708
Legal and accounting	3,763	19,551	00	23,314	3,550	23,114	00	26,664
Supplies	2,310	578	406	3,294	1,989	717	557	3,263
Telephone	6,555	950	1,580	9,085	6,482	1,004	1,707	9,193
Postage and shipping	4,951	734	889	6,574	4,630	619	952	6,201
Equipment rental and maintenance	33,422	6,710	16,933	57,065	38,087	7,455	16,867	62,409
Joint master control	56,250	00	00	56,250	00	00	00	00
Printing	123	264	4,372	4,759	314	106	1,620	2,040
Travel	2,484	4,012	2,623	9,119	3,782	6,548	4,282	14,612
Interest	00	13,819	00	13,819	00	00	00	00
Depreciation	397,317	3,240	6,447	407,004	388,745	3,437	6,834	399,016
Other expenses								
Dues/subscriptions	72,603	2,152	2,864	77,619	72,135	1,645	2,953	76,733
Membership costs	00	00	36,243	36,243	00	00	53,164	53,164
Insurance	31,336	9,356	8,643	49,335	30,685	5,829	8,463	44,977
Utilities	99,699	17,418	11,346	128,463	93,997	9,707	9,946	113,650
Production	15,887	00	00	15,887	14,011	00	00	14,011
Grant expenses	7,214	00	193	7,407	650	00	399	1,049
In-kind programming content	191,200	2,040	7,183	200,423	83,898	1,250	778	85,926
In-kind trades	38,285	17,432	42,249	97,966	14,998	8,366	38,554	61,918
Bad debt	00	00	8,819	8,819	00	00	9,336	9,336
Recruitment	00	1,397	00	1,397	00	2,382	00	2,382
Real estate taxes	00	45,068	00	45,068	00	00	00	00
Miscellaneous	10,105	9,434	3,252	22,791	13,360	5,741	3,920	23,021
Total Functional Expenses	<u>\$ 2,125,644</u>	<u>\$ 431,737</u>	<u>\$ 438,388</u>	<u>\$ 2,995,769</u>	<u>\$ 1,923,985</u>	<u>\$ 352,956</u>	<u>\$ 430,735</u>	<u>\$ 2,707,676</u>

WNIN TRI-STATE PUBLIC MEDIA, INC.
Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received from contributors and grants	\$ 2,310,080	\$ 2,322,505
Investment income received	9,106	30,712
Interest expense	(13,819)	00
Income taxes paid	(212)	(72)
Cash paid to employees and suppliers	(2,140,730)	(2,145,058)
Net Cash Flows Provided By Operating Activities	164,425	208,087
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,441,872)	(183,449)
Purchases of investments	(10,007)	(133,568)
Proceeds from sale of investments	00	596,283
Net Cash Flows Provided By (Used In) Investing Activities	(1,451,879)	279,266
Cash Flows From Financing Activities		
Cash received from capital campaign contributions	1,008,720	60,000
Proceeds from issuance of notes payable	920,852	00
Payment of notes payable	(751,608)	00
Net Cash Flows Provided By Financing Activities	1,177,964	60,000
Net Change In Cash and Cash Equivalents	(109,490)	547,353
Cash and Cash Equivalents - Beginning of Year	917,347	369,994
Cash and Cash Equivalents - End of Year	\$ 807,857	\$ 917,347

Non Cash Transactions: The Organization received donated assets of \$7,673 and \$1,450 during the years ended September 30, 2017 and 2016, respectively. The Organization received trade underwriting/donated services of \$263,600 and \$134,443 during the years ended September 30, 2017 and 2016, respectively. Also the Organization (during the year ended September 30, 2016) entered in to a financing agreement totalling \$1,600,000 to purchase a building. During the year ended September 30, 2017, the note holders donated \$500,000 of the note balance.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations – WNIN Tri-State Public Media, Inc. is a not-for-profit public service media organization, which operates noncommercial television (WNIN Channel 9.1 and 9.2, and Cable Channel 12 and 13) stations, radio (WNIN-FM 88.3) stations, and internet services in Evansville, Indiana. It is licensed by the Federal Communications Commission (FCC) to record, distribute and duplicate programs and other material over broadcast airwaves.

Financial Statement Presentation – Information regarding financial position and activities are reported in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions on contributions defined as follows:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization’s purposes and operations.

Designated Net Assets – The designated net asset class includes cash and the Organization’s investments for which the board of directors has designated the use. Additions to and disbursements from these assets are at the discretion of the board of directors.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

Permanently Restricted Net Assets – Contributions received with donor-imposed restrictions that neither expire by the passage of time nor by meeting a purpose. There are \$10,902 and \$10,000 of permanently restricted net assets at September 30, 2017 and 2016, respectively.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents – The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2017 and 2016, cash equivalents consisted primarily of money market funds.

Investments and Investment Return – Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income net of fees and expenses, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Investments and Investment Return (continued) - Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Receivables – Receivables consist primarily of amounts due for underwriting contracts and pledges (including capital campaign pledges). Receivables are stated at the amount billed from underwriting contracts and pledges and are recorded when received from donors and customers. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Contributions receivable over one year are recorded at present value of the cash flows discounted at the effective interest rate. The discount is amortized over the period of cash flows.

Property, Plant and Equipment – Property, plant and equipment are carried at cost, or at fair value on the date received for donated assets, and are depreciated on a straight-line basis over the estimated useful life of each asset. Expenditures for property, plant and equipment and items which substantially increase the useful lives of existing assets in excess of \$500 are capitalized.

Support, Revenue and Contributions – Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts or donations received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and donations having donor stipulations, which are satisfied in the period the gift is received, are reported as unrestricted revenue and net assets. Gifts, donations and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as unrestricted support.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Deferred Revenue – Revenue from fees for underwriting contracts is deferred and recognized over the periods to which the fees relate.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Donated Services – The Organization members and other volunteers have given significant amounts of their time to benefit the Organization’s programs. No amounts have been reflected for these volunteer services since no objective basis is available to measure the value of such services. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Functional Allocation of Expenses – The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, general and administrative and fundraising categories based on actual direct expenditures and cost allocations based upon facility use.

Unemployment Compensation – The Organization has elected to finance unemployment compensation benefits under a reimbursement method whereby the Organization is billed for actual benefits paid. This option is available to certain governmental and not-for-profit organizations.

Concentration of Credit Risk – Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash. At times, cash in banks is in excess of the FDIC insurance limit. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2017 and 2016, there was approximately \$447,000 and \$653,000 cash balances in excess of FDIC insurance limit, respectively. The Organization attempts to manage its credit risk with respect to cash by assessing the credit quality of the financial institutions.

Credit risk for unconditional promises to give receivables is concentrated as well because a significant portion of the Organization’s revenue and receivables are from contractual underwriting agreements with local businesses.

Concentrations - Approximately 20% and 25% of total support and revenue for the years ended September 30, 2017 and 2016, respectively, were from the Corporation for Public Broadcasting. Approximately 10% and 14% of total support and revenue for the years ended September 30, 2017 and 2016, respectively, were from appropriations from the State of Indiana. Approximately 11% of total support and revenue for the year ended September 30, 2017, was from a grant for the capital campaign.

Advertising expense - The Organization expenses advertising costs as incurred. Total advertising costs were \$4,265 and \$2,950 in 2017 and 2016, respectively.

Subsequent Events – Management has evaluated subsequent events through December 31, 2017, which was the date the financial statements were available to be issued.

Reclassifications – Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on the change in net assets.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash and cash equivalents, receivables, accounts payable, accrued expenses, deferred revenue, and line of credit – carrying amount approximates fair value because of the short maturity of those instruments.

Notes payable – recorded value approximate fair value, as interest approximates market rates.

The fair value amounts are determined using three possible levels called inputs. Level one inputs are prices in active markets of identical assets. Level two inputs are significant other observable inputs and level three inputs are significant unobservable inputs. None of the fair values determined by the Organization were based on level three inputs.

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

	<u>September 30, 2017</u>		<u>September 30, 2016</u>	
	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>
Board designated investments	\$ 507,745	\$ 00	\$ 464,617	\$ 00
Investment - Community Foundation	\$ 00	\$ 10,902	\$ 00	\$ 10,000

NOTE 3 – CAPITAL CAMPAIGN:

During the year ended September 30, 2016, the Organization began a \$3.9 million “Move to Main” capital campaign for the purpose of purchasing, remodeling, and moving into a new facility. During the year ended September 30, 2016, the new facility was purchased. During the year ended September 30, 2017, a substantial portion of the remodeling was completed. The Organization began the move into the new facility at the end of the year ended September 30, 2017.

During the year ended September 30, 2017, the Organization utilized capital campaign pledges received combined with proceeds from a construction line of credit (line of \$1,402,500 maturing in September 2022) to pay off the note they had with the seller (with maturity date of December 2016) for the purchase of the building (see Note 8) and remodeling costs. See Note 4 for the campaign receivables.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 4 – RECEIVABLES:

Receivables consisted of the following:

	September 30,	
	2017	2016
Underwriting	\$ 97,565	\$ 119,187
Pledges	58,795	63,400
Less allowance for doubtful accounts	8,819	9,336
	49,976	54,064
Grants	323,413	228,496
Other receivables	15,346	12,084
	338,759	240,580
Total receivables	486,300	413,831
Capital campaign pledges	853,868	520,000
Less discount to net present value	32,868	25,347
Total capital campaign receivables	821,000	494,653
	\$ 1,307,300	\$ 908,484

Receivables over one year are recorded at the present value of the pledges using a discount rate that is between 0.66% and 1.55%:

	September 30, 2017		
	Temporarily		Total
	Unrestricted	Restricted	
Due within one year	\$ 645,839	\$ 127,675	\$ 773,514
Due within one to five years	566,654	00	566,654
	1,212,493	127,675	1,340,168
Less discount to net present value	32,868	00	32,868
	\$ 1,179,625	\$ 127,675	\$ 1,307,300

	September 30, 2016		
	Temporarily		Total
	Unrestricted	Restricted	
Due within one year	\$ 353,497	\$ 182,000	\$ 535,497
Due within one to five years	00	398,334	398,334
	353,497	580,334	933,831
Less discount to net present value	00	25,347	25,347
	\$ 353,497	\$ 554,987	\$ 908,484

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 5 – INVESTMENTS- BOARD DESIGNATED:

Investments are presented in the financial statements, in the aggregate, at market value. The costs and fair market values of these investments at September 30, 2017 and 2016 are as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 10,175	\$ 10,175	\$ 12,699	\$ 12,699
Marketable equity securities	296,228	331,346	289,041	284,605
Alternative investments	40,029	40,661	38,929	41,829
U.S. Government and corporate bonds	131,637	125,563	127,719	125,484
	<u>\$ 478,069</u>	<u>\$ 507,745</u>	<u>\$ 468,388</u>	<u>\$ 464,617</u>

The following schedule summarizes the investment return in the statement of activities for the years ended:

	September 30,	
	2017	2016
Investment income	\$ 12,140	\$ 37,076
Investment fees	(3,034)	(6,363)
Net realized and unrealized gains/(losses)	34,023	45,006
Total investment return	<u>\$ 43,129</u>	<u>\$ 75,719</u>

During the year ended September 30, 2017, the investment account was modified to allow margin capabilities. At September 30, 2017, there was \$0 borrowed against the account. The line is collateralized by the assets in the investment account. Interest varies with the broker's prime rate, which was 4.25% at September 30, 2017, and is payable monthly.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 6 – PROPERTY AND EQUIPMENT:

Property and equipment at September 30, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Transmission line and accessories	\$ 104,386	\$ 104,386
Transmitter building	200,195	200,195
Transmission tower	1,065,783	905,103
Transmitters	2,307,214	2,303,585
TV/FM operating equipment	3,405,282	3,361,043
Microwave tower	00	33,848
Furniture, fixtures and nonbroadcast equipment	371,464	363,070
Vehicles	16,975	16,975
Carpenter Home building	00	784,332
Land improvements	5,390	5,390
Main Street building	2,528,122	1,247,169
Construction in progress	00	80,015
Total depreciable assets	<u>10,004,811</u>	<u>9,405,111</u>
Less accumulated depreciation and amortization	<u>5,145,975</u>	<u>5,457,523</u>
Net depreciable assets	4,858,836	3,947,588
Land	<u>486,300</u>	<u>530,355</u>
	<u>\$ 5,345,136</u>	<u>\$ 4,477,943</u>

Effective September 30, 2017, the Carpenter Home building, related land, and microwave tower is reclassified as “fixed assets held for sale” in the Statement of Financial Position.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 7 – ASSETS RESTRICTED AS TO USE:

The studio, broadcasting and digital equipment currently owned by the Organization was partially acquired through television and radio grants funded by the National Telecommunications and Information Administration (NTIA). Under the terms of these grants, the United States Department of Commerce has a lien on these assets for a 10-year period and during that 10-year period, the Organization must use these assets for designated purposes. The original cost of assets currently restricted is as follows:

	2017	2016
Asset donated by PBS October 1992 - TV satellite (restricted indefinitely without prior written approval from PBS)	\$ 65,162	\$ 65,162
Assets purchased with NTIA - PTFP Grant no. 18-02-N05081 - TV master control period 2006-2007 (restricted until September 30, 2017)	00	291,602
Assets purchased with CPB - DDF Grant No. 8 - TV master control period 2006-2007 (restricted until September 30, 2017)	00	283,061
Assets purchased with NTIA - PTFP Grant No. 18-02-N06062 - TV production period 2007-2008 (restricted until March 31, 2018)	320,580	320,580
Assets purchased with CPB Digital Radio Conversion Fund Grant 11276 period 2007-2008 (restricted until November 24, 2018) - FM transmitter	105,000	105,000
Assets purchased with U.S. Department of Commerce NTIA-PTFP Grant No. 18-02-N09109 - Backup Generator period 2009-2010 (restricted until December 31, 2020)	176,258	176,258
	\$ 667,000	\$ 1,241,663

NOTE 8 – NOTES PAYABLE:

Line of credit - The Organization has a \$200,000 revolving bank line of credit expiring in March 2018. At September 30, 2017 and 2016, there was \$0 borrowed against this line. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate plus 0.7%, which was 4.95% and 4.2% on September 30, 2017 and 2016, respectively, and is payable monthly.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 8 – NOTES PAYABLE (continued):

Notes payable are as follows:

Payee	Interest Rate	Due Date	At December 31,	
			2017	2016
Individual	0.00%	2017	\$ 00	\$ 1,600,000
Financial institution	3.50%	2022	1,269,244	00
			1,269,244	1,600,000
Less current maturities			(127,320)	00
Long-term debt			<u>\$ 1,141,924</u>	<u>\$1,600,000</u>

The debt to the financial institution and to the individual is collateralized by the Main Street building.

Long-term debt matures as follows:

2019	\$ 128,905
2020	133,490
2021	138,238
2022	741,291
	<u>\$ 1,141,924</u>

During the year ended September 30, 2016, the Organization signed a \$1.6 million note payable (with maturity date of December 2016) for the purchase of a new facility.

During the year ended September 30, 2017, \$500,000 of the note balance payable to the individual was donated to the Organization by the seller, \$751,608 was paid by the Organization on the due date, and the balance of \$348,392 was financed with a draw on a construction loan with a financial institution. The construction loan has a maximum principal amount of \$1,402,500, interest rate of 3.5%, interest-only payments for the first nine months, \$13,901 monthly payments thereafter, and maturing in 2022. The note is collateralized by the Main Street building.

NOTE 9 – NET ASSETS:

Board Designated Net Assets – Net assets that have been reserved by the Board for certain purposes. Board designated net assets consisted of the following:

	2017	2016
To be determined in the future	\$ 1,007,669	\$ 964,617
Building purchase	186,125	186,125
	<u>\$ 1,193,794</u>	<u>\$ 1,150,742</u>

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 9 – NET ASSETS:

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of pledges receivable, which are included in receivables in the statements of financial position and are due in one year. Also included are contributions received that have not been spent on activities specified by the donor. These amounts at September 30, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Restricted for future periods:		
Pledges receivable - periods after September 30	\$ 52,675	\$ 60,334
Restricted for purpose:		
Master control	93,750	00
Evelyn Schultz estate	3,048	3,698
Capital campaign	00	554,653
Semper Fulgens event	3,835	3,835
	<u>\$ 153,308</u>	<u>\$ 622,520</u>

Net Assets Released from Restrictions - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2017</u>	<u>2016</u>
Net Assets Released from Restrictions:		
Capital campaign	\$ 554,653	\$ 00
F. Judith Gray estate	00	230,000
Semper Fulgens event	00	3,840
Evelyn Schultz estate	650	649
Pledges receivable	60,334	36,256
	<u>\$ 615,637</u>	<u>\$ 270,745</u>

Permanently Restricted Net Assets – Net assets restricted include funds restricted by donors to be held permanently. Distributions received from the funds are recorded as unrestricted earnings. The permanently restricted net assets consist of the money in the Community Foundation.

Permanently restricted net assets also include funds that the Organization (resource provider) has placed in an endowment fund with the Community Foundation Alliance (recipient organization) in which the Organization specified itself as the beneficiary. Variance power was granted to the recipient organization. Grants to be distributed are based on the recipient organization’s spending policy.

Permanently restricted net assets related to this fund at September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Investment - Community Foundation	\$ 10,902	\$ 10,000

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 10 – EMPLOYEE BENEFITS:

The Organization provides a retirement annuity program for employees who meet certain length of service and age requirements. Vesting occurs over a 6-year period and includes hardship withdrawals and discretionary profit sharing. For the fiscal years 2017 and 2016, the Organization contributed a 2% match totaling \$13,278 and \$13,536, respectively.

NOTE 11 – RELATED-PARTY TRANSACTIONS:

WNIN's investments are managed by Hilliard Lyons. A member of the Board of Directors is a Senior Vice President with Hilliard Lyons.

The seller of the Main Street building has a family relationship with a former member of the Board of Directors.

F.C. Tucker Emge Realtors was the real estate agency involved in WNIN's purchase of the Main Street building. A former member of the Board of Directors is an owner in the real estate agency.

Other companies, including other board members, periodically provide in-kind services related to their business function.

NOTE 12 – OPERATING LEASE REVENUES:

The Organization leases antennas and space to other entities under operating leases with various terms. Future minimum rental income under these leases at September 30, 2017 was \$23,650 for 2018.

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 13 – SPECIAL EVENTS AND AUCTION:

The following is a schedule of income and expenses from special events and the auction:

	For the year ended September 30,	
	2017	2016
Special Events		
Revenues		
Annual Gala, Kid's Fest, Major donor meet & greets, Create Fest, Legislator's reception	\$ 108,559	\$ 107,610
Expenses		
Printing, advertising, refreshments, prizes and other costs	62,344	74,442
	\$ 46,215	\$ 33,168
Auction		
Revenue	\$ 102,100	\$ 79,953
Expenses		
Payroll, auction supplies, utilities, printing, merchandise and other costs	43,165	46,748
	\$ 58,935	\$ 33,205

NOTE 14 – COMMITMENT:

During the year ended September 30, 2016, the Organization entered into a seven year agreement for broadcasting operation services (including all necessary equipment) for \$125,000 annually. Amounts due are as follows:

For year ending September 30:

2018	\$ 125,000
2019	125,000
2020	125,000
2021	125,000
2022	125,000
2023	125,000
2024	93,750
	\$ 843,750

WNIN TRI-STATE PUBLIC MEDIA, INC.
Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 15 – INCOME TAXES:

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization’s Federal Forms 990 and 990T, and Indiana Forms NP-20 and IT-20NP are generally no longer subject to examination by taxing authorities for years before September 30, 2014.

NOTE 16 - RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,529,632	\$ 372,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	407,004	399,016
Unrealized (gain) loss on investments	(34,023)	(55,788)
Realized (gain) loss on investments	00	10,781
Capital campaign contributions	(1,335,067)	(554,653)
Donated assets received	(7,673)	(1,450)
Contributed debt relief	(500,000)	00
(Increase) decrease in operating assets:		
Accounts receivable	(72,469)	17,508
Prepaid expenses	(84,234)	31,356
Program licenses	(1,187)	3,975
Increase (decrease) in operating liabilities:		
Accounts payable	260,132	(18,618)
Accrued payroll expenses	(3,850)	17,674
Program license payable	1,583	(5,300)
Deferred revenue	4,577	(8,724)
Net Cash Flows Provided By Operating Activities	<u>\$ 164,425</u>	<u>\$ 208,087</u>

SUPPLEMENTARY INFORMATION

WNIN TRI-STATE PUBLIC MEDIA, INC.
Schedules of Activities by Segment
For the Years Ended September 30, 2017 and 2016

	2017				2016			
	Television	Radio	Capital	Total	Television	Radio	Capital	Total
Revenues, Gains, and Other Support								
CPB grants	\$ 847,811	\$ 88,872	\$ 00	\$ 936,683	\$ 697,743	\$ 80,791	\$ 00	\$ 778,534
Membership and major gifts	268,551	266,879	00	535,430	331,670	330,449	00	662,119
Underwriting/corporate support	61,760	154,542	00	216,302	88,280	138,636	00	226,916
Trade underwriting	34,490	36,360	00	70,850	24,343	24,315	00	48,658
In-kind contributions	11,183	187,200	00	198,383	7,010	79,825	00	86,835
Special events	46,215	00	00	46,215	33,168	00	00	33,168
Auction	58,935	00	00	58,935	33,205	00	00	33,205
Program revenue								
State appropriations	369,985	56,583	00	426,568	369,985	56,583	00	426,568
Production	22,299	51,472	00	73,771	46,282	00	00	46,282
Local revenue	28,338	00	00	28,338	37,563	00	00	37,563
Other revenues								
Grants	14,045	00	00	14,045	38,829	00	00	38,829
Investment return	34,503	8,626	00	43,129	75,719	00	00	75,719
Miscellaneous revenues	29,746	1,533	693	31,972	28,729	1,191	617	30,537
Capital campaign donations	00	00	1,335,067	1,335,067	00	00	554,653	554,653
Capital campaign in-kind donations	00	00	509,713	509,713	00	00	400	400
Total Revenues, Gains, and Other Support	1,827,861	852,067	1,845,473	4,525,401	1,812,526	711,790	555,670	3,079,986
Expenses								
Program services								
Programming and productions	1,227,953	715,737	00	1,943,690	1,166,793	547,802	00	1,714,595
Broadcasting	145,898	17,262	00	163,160	146,733	46,900	00	193,633
New media	18,794	00	00	18,794	15,757	00	00	15,757
General and administrative	323,335	31,682	76,720	431,737	316,914	27,508	8,534	352,956
Fund raising								
Membership and major gifts	232,887	9,321	00	242,208	251,750	10,486	00	262,236
Community engagement	16,899	00	00	16,899	20,661	00	00	20,661
Underwriting	120,670	00	00	120,670	108,692	00	00	108,692
Trade expenses	42,249	00	00	42,249	38,554	00	00	38,554
Capital campaign	00	00	16,362	16,362	00	00	592	592
Total Expenses	2,128,685	774,002	93,082	2,995,769	2,065,854	632,696	9,126	2,707,676
Change in Net Assets	\$ (300,824)	\$ 78,065	\$ 1,752,391	\$ 1,529,632	\$ (253,328)	\$ 79,094	\$ 546,544	\$ 372,310