Public Media Connect

Consolidated Financial Statements with Supplemental Information
June 30, 2017 and 2016 and
Independent Auditors' Report

PUBLIC MEDIA CONNECT
June 30, 2017 and 2016

Contents

BARNES DENNIG
Accounting • Tax • Business Insight

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Independent Auditors' Report

To the Board of Trustees
Public Media Connect
Cincinnati, Ohio

We have audited the accompanying consolidated financial statements of Public Media Connect (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 Public Media Connect as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
(Continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated statements of broadcasting and telecommunication service expenses, fundraising expenses and administrative expenses on pages 21 through 25 and consolidating statements of financial position and activities on pages 26 and 27 are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Barnes, Dennig & Co., Ltd.

December 18, 2017
Cincinnati, Ohio

PUBLIC MEDIA CONNECT

Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash	$ 153,412	$ 184,726
Accounts receivable, net	415,226	333,653
Contributions receivable, net	180,555	175,476
Prepaid expense	166,874	100,123
Investments	8,551,599	7,677,296
Beneficial interest in perpetual trusts	852,988	792,383
Prepaid rents	290,588	333,638
Property and equipment, net	4,221,244	4,643,893
Total assets	$ 14,832,486	$ 14,241,188
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 199,665	$ 166,994
Accrued expenses	493,344	461,470
Deferred support and revenue	70,760	98,561
Capital lease obligation	8,404	33,886
Accrued pension benefit obligation	1,689,846	2,571,098
Total liabilities	2,462,019	3,332,009
Net Assets		
Unrestricted	10,996,309	9,665,539
Temporarily restricted	332,450	262,537
Permanently restricted	1,041,708	981,103
Total net assets	12,370,467	10,909,179
Total liabilities and net assets	$ 14,832,486	$ 14,241,188

The accompanying notes are an integral part of these statements

PUBLIC MEDIA CONNECT

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Support:				
Corporation for Public Broadcasting:				
Community Service Grant and Interconnect reimbursement	$ 1,967,075	$ -	$ -	$ 1,967,075
eTech Ohio:				
Operating Subsidy	447,527	-	-	447,527
Educational Subsidy	255,870	-	-	255,870
In-kind donations	1,357,709	-	-	1,357,709
Montgomery County	42,009	-	-	42,009
Total support	4,070,190	-	-	4,070,190
Revenue:				
Memberships and other contributions	3,747,107	206,993	-	3,954,100
Donated services	153,837	-	-	153,837
Acquired program sponsorship and underwriting	887,282	-	-	887,282
Auction and special events	663,342	-	-	663,342
Contract production services	537,590	-	-	537,590
Educational services	640,248	-	-	640,248
Rental income	730,873	-	-	730,873
Investment income (loss)	1,003,125	-	(199)	1,002,926
Promotion and miscellaneous	7,313	-	-	7,313
Change in value of trusts	-	-	60,804	60,804
Total revenue	8,370,717	206,993	60,605	8,638,315
Net assets released from restrictions	137,080	(137,080)	-	-
Total support and revenue	12,577,987	69,913	60,605	12,708,505
Expenses				
Broadcasting and telecommunication service	8,118,842	-	-	8,118,842
Fundraising	2,124,761	-	-	2,124,761
Administrative	1,721,257	-	-	1,721,257
Total expenses	11,964,860	-	-	11,964,860
Change in net assets before pension adjustment	613,127	69,913	60,605	743,645
Change in pension benefit obligation	717,643	-	-	717,643
Change in net assets	1,330,770	69,913	60,605	1,461,288
Net assets, beginning of year	9,665,539	262,537	981,103	10,909,179
Net assets, end of year	$ 10,996,309	$ 332,450	$ 1,041,708	$ 12,370,467

The accompanying notes are an integral part of these statements

PUBLIC MEDIA CONNECT

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Support:				
Corporation for Public Broadcasting:				
Community Service Grant and Interconnect reimbursement	$ 1,973,416	$ -	$ -	$ 1,973,416
eTech Ohio:				
Operating Subsidy	447,527	-	-	447,527
Educational Subsidy	255,870	-	-	255,870
In-kind donations	1,721,095	-	-	1,721,095
Montgomery County	41,998	-	-	41,998
Total support	4,439,906	-	-	4,439,906
Revenue:				
Memberships and other contributions	3,738,697	107,111	-	3,845,808
Donated services	408,572	-	-	408,572
Acquired program sponsorship and underwriting	578,829	-	-	578,829
Auction and special events	601,623	-	-	601,623
Contract production services	509,760	-	-	509,760
Educational services	645,959	-	-	645,959
Rental income	732,340	-	-	732,340
Investment income (loss)	74,136	-	(73)	74,063
Promotion and miscellaneous	33,079	-	-	33,079
Change in value of trusts	-	-	(65,409)	(65,409)
Total revenue	7,322,995	107,111	(65,482)	7,364,624
Net assets released from restrictions	191,130	(191,130)	-	-
Total support and revenue	11,954,031	(84,019)	(65,482)	11,804,530
Expenses				
Broadcasting and telecommunication service	8,427,178	-	-	8,427,178
Fundraising	2,064,381	-	-	2,064,381
Administrative	1,949,284	-	-	1,949,284
Total expenses	12,440,843	-	-	12,440,843
Change in net assets before pension adjustment	(486,812)	(84,019)	(65,482)	(636,313)
Change in pension benefit obligation	(861,766)	-	-	(861,766)
Change in net assets	(1,348,578)	(84,019)	(65,482)	(1,498,079)
Net assets, beginning of year	11,014,117	346,556	1,046,585	12,407,258
Net assets, end of year	$ 9,665,539	$ 262,537	$ 981,103	$ 10,909,179

The accompanying notes are an integral part of these statements

PUBLIC MEDIA CONNECT

Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 1,461,288	$ (1,498,079)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	780,329	757,557
Realized and unrealized (gain) loss on investments	(731,974)	297,533
(Gain) loss on beneficial interest in perpetual trusts	(60,605)	65,482
Changes in:		
Accounts and contributions receivable	(86,652)	51,016
Prepaid expense and rents	(23,701)	47,674
Accounts payable and accrued expenses	64,545	69,235
Deferred support and revenue	(27,801)	(130,191)
Accrued pension benefit obligation	(881,252)	781,525
Net cash provided by operating activities	494,177	441,752
Cash flows from investing activities		
Purchase of property and equipment	(357,680)	(223,462)
Purchase of investments	(5,192,946)	(7,041,922)
Proceeds from sale of investments	5,050,617	6,891,506
Net cash used by investing activities	(500,009)	(373,878)
Cash flows from financing activities		
Proceeds from line of credit	1,541,657	1,027,726
Payments on line of credit	(1,541,657)	(1,027,726)
Principal payments on capital leases	(25,482)	(25,483)
Net cash used by financing activities	(25,482)	(25,483)
Net change in cash	(31,314)	42,391
Cash, beginning of year	184,726	142,335
Cash, end of year	$ 153,412	$ 184,726
Supplemental information		
Cash paid for interest	$ 9,571	$ 12,814

The accompanying notes are an integral part of these statements

PUBLIC MEDIA CONNECT

Notes to Consolidated Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Public Media Connect (PMC or the Organization) is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed when the Boards of Trustees of Greater Dayton Public Television, Inc. (GDPT) and Greater Cincinnati Television Educational Foundation (CET) formed a regional, nonprofit public broadcasting and media holding company. The Organization owns and operates noncommercial broadcasting stations in the State of Ohio, specifically WPTD Channel16 in Dayton, WPTO Channel 14 in Oxford, WCET Channel 48 in Cincinnati and other telecommunication facilities. The Organization receives support primarily from the viewing public and private and government grants.

Principles of Consolidation

The consolidated financial statements include the accounts of Public Media Connect (the media holding company) and the entities which are members of the media holding company (GDPT and CET). These entities are controlled by a single Board of Trustees. Public Media Connect has consolidated the financial statements of GDPT and CET for purposes of financial statement presentation.

These entities will be referred to as the "Organization" in subsequent note disclosures. All inter-entity account balances have been eliminated in the consolidation.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance accounting principles generally accepted in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restrictions that will not expire.

Fair Value Measurements

Generally accepted accounting principles has established a three-level hierarchy for fair value measurements based on the transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash

The Organization considers bank deposits and all highly liquid investments with original maturities of three months or less to be cash. The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

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.

Accounts Receivable

Accounts receivable represent uncollateralized obligations due from various organizations. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating each individual organization's receivable and considering their current credit worthiness, past experience and current economic conditions. Accounts have been adjusted for all known and expected uncollectible amounts. Recoveries of amounts previously written off are recorded when received. At June 30, 2017 and 2016, the provision for uncollectible accounts was $5,000.

Property and Equipment

Building and equipment are recorded at cost or, in the case of donated assets, at their estimated fair value at date of receipt. Depreciation is computed by the straight-line method over the estimated useful lives of the respective assets. The Organization reviews its long-lived assets for impairment if changes in circumstances indicate that the carrying amount may not be recoverable. Management believes there has been no impairment in the carrying value of the Organization's long-lived assets.

In accordance with GAAP, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at June 30, 2017 and 2016.

Broadcast Licenses

The Organization has three non-commercial broadcast license agreements with the Federal Communications Commission. The license agreements provide the Organization the right to broadcast televised programs in the Dayton and Cincinnati, Ohio, areas and were awarded to the Organization at no cost.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts 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 statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. Contributions receivable as of June 30, 2017 and 2016 are expected to be collected within one year. At June 30, 2017 and 2016, the provision for uncollectible contributions receivable was $119,000 and $114,000, respectively.

Community Service Grants

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

The grants are reported on the accompanying consolidated financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting and licensee status with the Federal Communications Commission.

Government Grants

Support funded by state grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreement. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

The Organization records donated goods and services that meet the criteria for recognition as contributions at fair value on the date of donation. A substantial number of volunteers have made significant contributions of time to the Organization's policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition under existing accounting standards and, accordingly, is not reflected in the accompanying consolidated financial statements. For the years ended June 30, 2017 and 2016, $1,511,546 and $2,129,667, respectively, was received in donated services and in-kind contributions.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, it is subject to federal income tax on any unrelated business taxable income.

The Organization’s IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

Subsequent Events

The Organization has evaluated subsequent events through December 18, 2017, which is the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS AT FAIR VALUE

Investments are summarized as follows:

	2017	2016
Level 1		
Equity mutual funds	$ 6,089,326	$ 6,483,707
Fixed income mutual funds	1,557,832	621,340
Level 2		
Money market funds	303,051	30,406
Funds held at Dayton Foundation	601,390	541,843
	$ 8,551,599	$ 7,677,296

Equity and Fixed Income Mutual Funds

Fair value of equity and fixed income mutual funds is estimated by reference to quoted market prices available in an active market. Equity and fixed income mutual funds are categorized as using Level 1 inputs.

Funds Held at Dayton Foundation

Fair value for funds held at the Dayton Foundation are valued as a proportionate interest of the fair value of the underlying funds. The underlying funds are primarily assets which can be valued using observable inputs and are categorized as using Level 2 inputs.

Money Market Funds

Fair value for money market funds is estimated using the net asset value (“NAV”) of shares held at year end. Money market funds are categorized as using Level 2 inputs.

Investment income (loss) is comprised of the following:

	2017	2016
Interest and dividend income	$ 270,952	$ 371,596
Net realized and unrealized gain (loss) on investments	731,974	(297,533)
	$ 1,002,926	$ 74,063

NOTE 3 BENEFICIAL INTEREST IN PERPETUAL TRUSTS AT FAIR VALUE

The Organization is the beneficiary of trusts held and administered by an independent trustee. Under the terms of the trusts, the Organization has an irrevocable right to receive a portion of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The Organization's beneficial interest in perpetual trust is recorded at fair value using level 3 unobservable inputs.

The following table is a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30:

Balance at June 30, 2015	$ 857,865
Change in value	(65,482)
Balance at June 30, 2016	792,383
Change in value	60,605
Balance at June 30, 2017	$ 852,988

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2017	2016
Buildings and improvements	$ 7,741,245	$ 7,735,255
Land and improvements	145,222	120,130
Technical equipment	12,288,303	12,306,522
Tower, antenna, and transmitting equipment	9,627,441	9,321,338
Furniture, fixtures, and office equipment	1,640,377	1,605,620
Vehicles	127,980	127,980
Less accumulated depreciation	(27,349,324)	(26,572,952)
	$ 4,221,244	$ 4,643,893

NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)

The Organization has received funds through grants from agencies of the federal government for the purpose of acquiring property and equipment. The Federal Government has a ten-year interest in assets purchased with federal funds commencing at the date of the completion of a specific project. The following summarizes information related to the Organization's property and equipment subject to Federal Government interest as of June 30, 2017:

Greater Dayton Public Television

	Cost	Federal Interest	Expiration of Federal Interest
Transmitting equipment	$ 282,601	$ 140,753	9/30/2018
Technical equipment	235,749	106,747	6/30/2020
Technical equipment	137,301	68,650	3/31/2021
	$ 655,651	$ 316,150	

Greater Cincinnati Television Educational Foundation

	Cost	Federal Interest	Expiration of Federal Interest
Technical equipment	$ 291,646	$ 145,823	11/1/2019
Technical equipment	554,850	277,425	10/1/2021
	$ 846,496	$ 423,248	

Depreciation expense was $780,329 and $757,556 during the years ended June 30, 2017 and 2016, respectively.

NOTE 5 LINES OF CREDIT

PMC has a demand line of credit with Merrill Lynch, Bank of America Corporation. The maximum draw available on this credit facility is based on the value of collateralized investments held at the Bank which totaled $5,409,813 and $4,898,508 at June 30, 2017 and 2016, respectively. The maximum credit available on this facility totaled $1,700,000 and $1,567,536 at June 30, 2017 and 2016, respectively. Interest is charged on amounts borrowed against the line at the one-month LIBOR rate (1.22% and 0.47% at June 30, 2017 and 2016, respectively) plus 1.50%. There was no outstanding balance at June 30, 2017 and 2016.

GDPT has a demand line of credit with Merrill Lynch, Bank of America Corporation. The maximum draw available on this credit facility is based on the value of the collateralized investments held at the bank which totaled $712,974 and $632,180 at June 30, 2017 and 2016, respectively. The maximum credit available on this facility totaled $375,719 and $362,310 at June 30, 2017 and 2016. Interest is charged on amounts borrowed against the line at the one-month LIBOR rate (1.22% and 0.47% at June 30, 2017 and 2016, respectively) plus 1.50%. There was no outstanding balance at June 30, 2017 and 2016.

NOTE 5 LINES OF CREDIT (CONTINUED)

CET has a demand line of credit with Merrill Lynch, Bank of America Corporation. The maximum draw available on this credit facility is based on the value of collateralized investments held at the Bank which totaled $1,615,085 and $1,431,526 at June 30, 2017 and 2016, respectively. The maximum credit available on this facility totaled $849,076 and $847,301 at June 30, 2017 and 2016. Interest is charged on amounts borrowed against the line at the one-month LIBOR rate (1.22% and 0.47% at June 30, 2017 and 2016, respectively) plus 1.50%. There was no outstanding balance at June 30, 2017 and 2016.

NOTE 6 CAPITAL LEASE OBLIGATIONS

The Organization leased its telephone equipment under a capital lease which expired in September 2017 and at which time the Organization exercised its bargain purchase option. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of the lease term or their estimated productive lives. Amortization of assets under the capital lease is included in depreciation expense for the years ended June 30, 2017 and 2016. The lease was for equipment with a total cost of $129,191; however, the Organization entered into a sublease with Cincinnati Public Radio for one third of the equipment cost, as discussed in Note 10. Therefore, equipment cost of $85,631 has been capitalized with related accumulated depreciation of $81,439 and $68,862 at June 30, 2017 and 2016, respectively. The future minimum lease payments required under the capital lease are $8,443.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2017	2016
Capital projects	$ 64,762	$ 106,537
Time restrictions	85,738	90,250
Programming activities	85,000	63,750
Education and training	96,950	2,000
	$ 332,450	$ 262,537

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested in perpetuity; however the income generated from these net assets are restricted as follows as of June 30:

	2017	2016
Capital projects	$ 815,752	$ 754,947
General operating activities	137,236	137,436
Programming activities	88,720	88,720
	$ 1,041,708	$ 981,103

NOTE 9 RETIREMENT PLANS

GDPT sponsors a defined contribution retirement plan under the provisions of Internal Revenue Code Section 403(b) covering substantially all employees. Contributions to the plan during the years ended June 30, 2017 and 2016 were $26,517 and $46,671, respectively.

CET sponsors a defined contribution retirement plan under the provisions of Internal Revenue Code Section 403(b) covering substantially all employees. Contributions to the plan during the years ended June 30, 2017 and 2016 were $28,232 and $30,302, respectively.

CET has a noncontributory defined benefit pension plan covering all employees who meet certain eligibility requirements. Benefits are based upon years of service and the employee's compensation. CET's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus any amounts the Organization determines to be appropriate from time to time. The plan was amended to freeze benefit accruals effective May 1, 2009 and no new participants were eligible to enter the plan at that time.

The following table presents the changes in benefit obligations and changes in plan assets for the years ended June 30:

	2017	2016
Changes in benefit obligation:		
Benefit obligation, beginning of year	$ 7,300,065	$ 6,768,374
Interest cost	232,400	265,314
Actuarial (gain) loss	(404,064)	520,303
Benefits paid	(302,264)	(253,926)
Benefit obligation, end of year	$ 6,826,137	$ 7,300,065
Changes in plan assets:		
Fair value of plan assets, beginning of year	$ 4,728,967	$ 4,978,801
Actual return on plan assets	597,088	(50,370)
Employer contributions	112,500	54,462
Benefits paid	(302,264)	(253,926)
Fair value of plan assets, end of year	$ 5,136,291	$ 4,728,967

NOTE 9 RETIREMENT PLANS (CONTINUED)

The funded status and amounts recognized in the Organization's consolidated statements of financial position at June 30 were as follows:

	2017	2016
Projected benefit obligation	$ 6,826,137	$ 7,300,065
Fair value of plan assets	5,136,291	4,728,967
Accrued pension benefit obligation	$ 1,689,846	$ 2,571,098

Accumulated benefit obligation is $6,826,137 and $7,300,065 at June 30, 2017 and 2016, respectively.

Significant assumptions used in accounting for the pension plan as of June 30 were as follows:

	2017	2016
Discount rate for benefit obligation	3.50%	3.25%
Discount rate for net periodic benefit cost	3.25%	4.00%
Expected return on plan assets	5.50%	7.75%

The components of net periodic benefit cost (credit) recognized in the consolidated statements of activities and changes in net assets for the years ended June 30 were as follows:

	2017	2016
Interest cost	$ 232,400	$ 265,314
Actual return on plan assets	(255,997)	(381,660)
Amortization of net actuarial loss	278,869	163,766
	$ 255,272	$ 47,420

The Organization expects to contribute $150,000 to the pension plan during the year ending June 30, 2018. The following benefit payments are expected to be paid:

2018	$ 341,776
2019	365,682
2020	396,152
2021	405,996
2022	409,783
2023 - 2027	2,028,459
	$ 3,947,848

NOTE 9 RETIREMENT PLANS (CONTINUED)

The Plan has unrecognized loss subject to amortization totaling $1,713,838 and $2,737,862 as of June 30, 2017 and 2016, respectively. The net loss which will be amortized as a component of net periodic pension cost during the next fiscal year totals $165,526.

Plan assets

The Organization has investment guidelines for plan assets. The overall objective of the guidelines is to ensure the plan assets provide capital growth over an extended period of time, while also considering market risks and ensuring that the portfolio income and liquidity are appropriate to meet the plan benefit payments and other expenses. The plan investments are required to be diversified by asset class and within each asset class, in order to ensure that no single investment will have a disproportionate impact on the total portfolio. The plan asset allocation is reviewed each year with current market assumptions to ensure the asset mix will achieve the long-term goals of the plan. The plans target allocation is 70% equity securities and 30% debt securities, with an acceptable range of 35% to 85% for equity securities and a range of 15% to 65% for debt securities.

The following table sets forth by level within the fair value hierarchy, the Plan's assets at fair value as of June 30:

	2017	2016
Level 1		
Equity mutual funds	$ 3,927,420	$ 3,496,227
Fixed income mutual funds	1,157,062	1,142,894
Level 2		
Money market funds	51,809	89,846
	$ 5,136,291	$ 4,728,967

Equity and Fixed Income Mutual Funds

Fair value of equity and fixed income mutual funds is estimated by reference to quoted market prices available in an active market. Equity and fixed income mutual funds are categorized as using Level 1 inputs.

Money Market Funds

Fair value for money market funds is estimated using the net asset value (“NAV”) of shares held at year end. Money market funds are categorized as using Level 2 inputs.

NOTE 10 RENTAL INCOME

CET leases office space and equipment to Cincinnati Public Radio under non-cancelable operating and capital lease agreements that expire through October 2019. Rental income under these leases was $245,886 and $247,905 for the years ended June 30, 2017 and 2016, respectively. Future annual minimum lease receipts at June 30, 2017 are as follows: 2018 - $250,236; 2019 - $250,236; and 2020 - $83,412.

GDPT leases excess broadband capacity under lease agreements that expire through 2033. Rental income associated with these leases totaling $484,987 and $484,435 were recognized for the years ended June 30, 2017 and 2016, respectively. Future annual minimum lease receipts at June 30, 2017 are as follows: 2018 - $460,411; 2019 - $468,828; 2020 - $477,492; 2021 - $486,413; and 2022 -$495,605.

NOTE 11 OPERATING LEASES

The Organization entered into a long-term operating lease with the City of Dayton in 1987 for administrative and operating facilities. Lease terms require minimum annual rental payments through June 30, 2018. The Organization has the option of extending the lease for five successive five-year terms with annual rental payments increasing with each five-year term. Minimum future rental payments at June 30, 2017 are $41,580 in fiscal year 2018.

In 2003, the Organization, as lessee, entered into a twenty-year tower lease arrangement with Raycom National, Inc. calling for a one-time payment of $861,000. The expense associated with this lease is being recognized on a straight-line basis over the twenty-year term of the lease; prepaid tower rent was $290,588 and $333,638 at June 30, 2017 and 2016, respectively. The Organization has the option to renew this lease for two successive ten-year terms, provided 90 days' prior notice is given to the lessor.

Total rent expense was $144,350 and $148,907 during the years ended June 30, 2017 and 2016, respectively.

NOTE 12 ENDOWMENT

The Organization’s endowment consists of various donor-restricted endowment funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 12 ENDOWMENT (CONTINUED)

Changes in the endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - 6/30/15	$ -	$ -	$ 188,720	$ 188,720
Investment return:				
Interest and dividends, net of fees	9,603	-	-	9,603
Gains on investments	(6,896)	-	-	(6,896)
Appropriations for expenditure	(2,707)	-	-	(2,707)
Endowment net assets - 6/30/16	-	-	188,720	188,720
Investment return:				
Interest and dividends, net of fees	6,265	-	-	6,265
Losses on investments	16,060	-	-	16,060
Appropriations for expenditure	(22,325)	-	-	(22,325)
Endowment net assets - 6/30/17	$ -	$ -	$ 188,720	$ 188,720

Interpretation of Relevant Law

The Board of Trustees of the of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

Investment Policy

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the primary objective is to provide for preservation of capital with an emphasis on long-term growth without undue exposure to risk. The return objective is to achieve a total return, net of fees, in excess of spending and inflation greater than the consumer price index plus 4%. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization's current spending policy is to transfer all investment return into the unrestricted investments as stipulated by the donors at the time of the gift. The Board of Trustees approves the use of unrestricted investments assets to meet operating needs.

NOTE 13 SIGNIFICANT CONCENTRATIONS

The Corporation for Public Broadcasting (CPB) is a major source of funding for the Organization. The Organization received $1,967,075 and $1,973,416 from CPB, representing approximately 15% of total revenue and support for 2017 and 2016.

SUPPLEMENTAL INFORMATION

PUBLIC MEDIA CONNECT

Consolidated Statement of Broadcasting and Telecommunication Service Expenses
Year Ended June 30, 2017

	Technical	Programming	Education Services	Production	Promotions	Total
Salaries	$ 634,244	$ 345,386	$ 317,031	$ 862,981	$ 238,713	$ 2,398,355
Program acquisitions	-	1,622,131	-	-	-	1,622,131
In-kind services	1,156,012	-	-	-	-	1,156,012
Depreciation	600,748	202	-	93,168	-	694,118
Benefits	112,336	54,176	81,005	178,233	58,922	484,672
Utilities	379,667	-	-	1,758	-	381,425
Educational fees	-	130	246,576	-	-	246,706
Repair and maintenance	176,010	6,704	56	47,754	-	230,524
Memberships	216	191,578	286	20,079	145	212,304
Production fees	-	-	11,996	134,669	-	146,665
Professional fees	331	89,551	4,300	20,746	2,152	117,080
Rent	55,764	-	5,754	37,284	-	98,802
Supplies	1,033	254	47,660	39,624	1,474	90,045
Travel and training	7,010	6,507	27,636	31,309	5,979	78,441
Printing	-	-	3,544	-	46,293	49,837
Advertising	-	-	-	-	37,100	37,100
Postage and shipping	1,846	948	2,310	221	26,298	31,623
Consulting fees	-	-	515	6,560	7,196	14,271
Outside labor	-	-	-	11,027	-	11,027
Receptions	-	-	4,537	4,704	330	9,571
Miscellaneous	61	-	-	7,288	-	7,349
Board of Trustees	-	91	181	477	35	784
	$ 3,125,278	$ 2,317,658	$ 753,387	$ 1,497,882	$ 424,637	$ 8,118,842

See independent auditors' report

PUBLIC MEDIA CONNECT

Consolidated Statement of Broadcasting and Telecommunication Service Expenses
Year Ended June 30, 2016

	Technical	Programming	Education Services	Production	Promotions	Total
Salaries	$ 609,554	$ 346,965	$ 292,369	$ 886,271	$ 238,273	$ 2,373,432
Program acquisitions	-	1,637,582	2,820	-	-	1,640,402
In-kind services	1,721,095	-	-	-	-	1,721,095
Depreciation	589,926	5,048	6,988	79,932	374	682,268
Benefits	112,344	54,248	74,882	191,967	58,614	492,055
Utilities	266,239	-	216	1,831	-	268,286
Educational fees	-	-	218,468	-	-	218,468
Repair and maintenance	166,732	-	1,155	5,401	-	173,288
Memberships	164	206,350	1,660	17,080	546	225,800
Production fees	-	-	14,611	96,224	115	110,950
Professional fees	1,398	82,900	8,000	22,688	-	114,986
Rent	55,925	-	4,509	37,478	-	97,912
Supplies	3,564	228	42,759	26,835	1,288	74,674
Travel and training	7,631	7,961	30,745	19,792	4,409	70,538
Printing	-	-	4,035	-	39,181	43,216
Advertising	-	-	4,240	2,000	36,557	42,797
Postage and shipping	883	866	2,671	424	19,802	24,646
Consulting fees	-	-	409	6,584	8,589	15,582
Outside labor	-	-	-	19,110	-	19,110
Receptions	-	35	7,285	6,730	192	14,242
Miscellaneous	-	-	91	1,020	-	1,111
Commissions	-	-	-	2,320	-	2,320
	$ 3,535,455	$ 2,342,183	$ 717,913	$ 1,423,687	$ 407,940	$ 8,427,178

See independent auditors' report

PUBLIC MEDIA CONNECT

Consolidated Statement of Fundraising Expenses
Year Ended June 30, 2017

	Marketing	Member Services	Auctions and Special Events	Total
Salaries	$ 147,076	$ 359,162	$ 255,193	$ 761,431
In-kind services	316,454	-	39,080	355,534
Promotional incentives	14	217,826	591	218,431
Commissions	162,000	43,327	9,632	214,959
Direct mail fees	2,108	172,888	-	174,996
Benefits	27,265	79,802	47,983	155,050
Postage and shipping	102	86,761	3,647	90,510
Receptions	192	11,246	32,641	44,079
Supplies	2,908	8,508	7,895	19,311
Travel and training	2,639	12,650	822	16,111
Printing services	-	12,117	2,940	15,057
Bad debt	13,744	-	-	13,744
Repair and maintenance	-	2,241	8,047	10,288
Purchased items	-	660	8,925	9,585
Outside labor	-	-	5,962	5,962
Board of Trustee/Staff	-	2,655	2,633	5,288
Professional fees	300	3,120	125	3,545
Facility and equipment rent	-	-	2,177	2,177
Consulting fees	-	1,976	-	1,976
Production fees	1,843	-	-	1,843
Bank service fees	-	30	1,566	1,596
Advertising	-	427	719	1,146
Utilities	-	300	611	911
Memberships	135	480	125	740
Program acquisitions	-	391	-	391
Education fees	-	100	-	100
	$ 676,780	$ 1,016,667	$ 431,314	$ 2,124,761

See independent auditors' report

PUBLIC MEDIA CONNECT

Consolidated Statement of Fundraising Expenses
Year Ended June 30, 2016

	Marketing	Member Services	Auctions and Special Events	Total
Salaries	$ 125,221	$ 349,346	$ 240,245	$ 714,812
In-kind services	363,187	-	40,385	403,572
Promotional incentives	-	239,990	986	240,976
Commissions	81,000	64,023	9,677	154,700
Direct mail fees	-	164,409	-	164,409
Benefits	29,702	79,622	36,271	145,595
Postage and shipping	130	96,435	5,043	101,608
Receptions	239	10,005	30,837	41,081
Supplies	1,049	5,574	9,874	16,497
Travel and training	5,217	13,304	2,525	21,046
Printing services	634	18,340	4,109	23,083
Repair and maintenance	-	-	4,083	4,083
Purchased items	-	-	2,883	2,883
Outside labor	-	-	8,534	8,534
Board of Trustee/Staff	-	705	2,050	2,755
Facility and equipment rent	-	-	10,238	10,238
Consulting fees	-	561	-	561
Production fees	2,722	-	-	2,722
Advertising	2,636	-	373	3,009
Utilities	-	137	750	887
Memberships	250	975	105	1,330
	$ 611,987	$ 1,043,426	$ 408,968	$ 2,064,381

See independent auditor’s report

PUBLIC MEDIA CONNECT

Consolidated Statements of Administrative Expenses
Years Ended June 30, 2017 and 2016

	2017	2016
Salaries	$ 608,689	$ 672,616
Repair and maintenance	160,150	168,169
Utilities	159,749	262,425
Professional fees	125,844	184,390
Office equipment rent	110,421	112,748
Benefits	107,045	116,877
Insurance	100,026	108,418
Depreciation	86,211	75,289
Bank fees	84,164	83,489
Investment fees	61,146	58,276
Memberships	47,410	38,615
Supplies	21,552	24,372
Travel and training	16,529	11,227
Interest expense	9,571	12,814
Outside labor	7,894	(5,576)
Board of Trustees	7,470	18,914
Postage and shipping	3,135	4,156
Receptions	2,046	2,404
Printing services	828	2,173
Recruitment	801	2,157
Commissions	290	-
Miscellaneous	143	331
Production fees	143	-
Bad debt expense (recovery)	-	(5,000)
	$ 1,721,257	$ 1,949,284

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PUBLIC MEDIA CONNECT

Consolidating Statement of Financial Position
June 30, 2017

	Public Media Connect	CET	Think TV	Eliminations	Total
Assets					
Cash	$ -	$ 125,129	$ 28,283	$ -	$ 153,412
Accounts receivable, net	-	233,167	182,059	-	415,226
Contributions receivable, net	-	91,941	88,614	-	180,555
Due from related party	-	452,403	-	(452,403)	-
Prepaid expense	-	67,379	99,495	-	166,874
Investments	5,409,814	1,735,839	1,405,946	-	8,551,599
Beneficial interest in perpetual trust	-	815,752	37,236	-	852,988
Prepaid rents	-	-	290,588	-	290,588
Property and equipment, net	-	1,653,945	2,567,299	-	4,221,244
Total assets	$ 5,409,814	$ 5,175,555	$ 4,699,520	$ (452,403)	$ 14,832,486
Liabilities and net assets					
Liabilities					
Accounts payable	$ 5,180	$ 87,120	$ 107,365	$ -	$ 199,665
Accrued expenses	-	203,898	289,446	-	493,344
Due to related party	63,056	-	389,347	(452,403)	-
Deferred support and revenue	-	60,800	9,960	-	70,760
Capital lease obligation	-	6,670	1,734	-	8,404
Accrued pension benefit obligation	-	1,689,846	-	-	1,689,846
Total liabilities	68,236	2,048,334	797,852	(452,403)	2,462,019
Net Assets					
Unrestricted	5,341,578	1,885,468	3,769,263	-	10,996,309
Temporarily restricted	-	237,281	95,169	-	332,450
Permanently restricted	-	1,004,472	37,236	-	1,041,708
Total net assets	5,341,578	3,127,221	3,901,668	-	12,370,467
Total liabilities and net assets	$ 5,409,814	$ 5,175,555	$ 4,699,520	$ (452,403)	$ 14,832,486

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PUBLIC MEDIA CONNECT

Consolidating Statement of Activities
Year Ended June 30, 2017

	Public Media Connect	CET	Think TV	Eliminations	Total
Support and revenue					
Support:					
Corporation for Public Broadcasting:					
Community Service Grant and Interconnect reimbursement	$ -	$ 965,365	$ 1,001,710	$ -	$ 1,967,075
eTech Ohio:					
Operating Subsidy	-	159,980	287,547	-	447,527
Educational Subsidy	-	105,286	150,584	-	255,870
In-kind donations	-	587,034	770,675	-	1,357,709
Montgomery County	-	-	42,009	-	42,009
Total support	-	1,817,665	2,252,525	-	4,070,190
Revenue:					
Memberships and other contributions	65,315	2,409,539	1,635,246	(156,000)	3,954,100
Donated services	-	39,080	114,757	-	153,837
Acquired program sponsorship and underwriting	-	324,219	563,063	-	887,282
Auction and special events	-	472,959	190,383	-	663,342
Contract production services	-	311,015	226,575	-	537,590
Educational services	-	198,739	441,509	-	640,248
Rental income	-	245,886	484,987	-	730,873
Investment income	648,225	205,348	149,353	-	1,002,926
Promotion and miscellaneous	-	1,496	5,817	-	7,313
Change in value of trust	-	60,804	-	-	60,804
Total revenue	713,540	4,269,085	3,811,690	(156,000)	8,638,315
Total support and revenue	713,540	6,086,750	6,064,215	(156,000)	12,708,505
Expenses					
Broadcasting and telecommunication service	-	3,829,613	4,289,229	-	8,118,842
Fundraising	-	1,155,704	969,057	-	2,124,761
Administrative	202,220	815,030	860,007	(156,000)	1,721,257
Total expenses	202,220	5,800,347	6,118,293	(156,000)	11,964,860
Change in net assets before pension adjustment	511,320	286,403	(54,078)	-	743,645
Change in pension benefit obligation	-	717,643	-	-	717,643
Change in net assets	511,320	1,004,046	(54,078)	-	1,461,288
Net assets, beginning of year	4,830,258	2,123,175	3,955,746	-	10,909,179
Net assets, end of year	$ 5,341,578	$ 3,127,221	$ 3,901,668	$ -	$ 12,370,467

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