Public Media Connect

Consolidated Financial Statements with Supplemental Information
June 30, 2018 and 2017 and
Independent Auditors' Report

PUBLIC MEDIA CONNECT
June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 19, 2018
Cincinnati, Ohio

PUBLIC MEDIA CONNECT

Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	$ 371,632	$ 153,413
Accounts receivable, net	402,145	415,226
Contributions receivable, net	321,896	180,555
Prepaid expense	168,326	166,874
Investments	9,208,188	8,551,599
Beneficial interest in perpetual trusts	866,955	852,988
Prepaid rents	247,538	290,588
Property and equipment, net	4,150,598	4,221,244
Total assets	$ 15,737,278	$ 14,832,487
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 163,818	$ 199,665
Accrued expenses	516,627	493,344
Deferred support and revenue	164,544	70,760
Capital lease obligation	-	8,404
Accrued pension benefit obligation	1,041,999	1,689,846
Total liabilities	1,886,988	2,462,019
Net Assets		
Unrestricted	12,367,237	10,996,310
Temporarily restricted	427,378	332,450
Permanently restricted	1,055,675	1,041,708
Total net assets	13,850,290	12,370,468
Total liabilities and net assets	$ 15,737,278	$ 14,832,487

The accompanying notes are an integral part of these statements

PUBLIC MEDIA CONNECT

Consolidated Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Support:				
Corporation for Public Broadcasting:				
Community Service Grant and Interconnect reimbursement	$ 2,062,950	$ -	$ -	$ 2,062,950
eTech Ohio:				
Operating Subsidy	466,572	-	-	466,572
Educational Subsidy	443,127	-	-	443,127
In-kind donations	1,369,547	-	-	1,369,547
Montgomery County	42,009	-	-	42,009
Total support	4,384,205	-	-	4,384,205
Revenue:				
Memberships and other contributions	4,315,497	208,500	-	4,523,997
Donated services	72,518	-	-	72,518
Acquired program sponsorship and underwriting	654,921	-	-	654,921
Auction and special events	608,480	-	-	608,480
Contract production services	484,585	-	-	484,585
Educational services	620,802	-	-	620,802
Rental income	732,104	-	-	732,104
Investment income	652,086	-	-	652,086
Promotion and miscellaneous	10,171	333,749	-	343,920
Change in value of trusts	-	-	13,967	13,967
Total revenue	8,151,164	542,249	13,967	8,707,380
Net assets released from restrictions	447,321	(447,321)	-	-
Total support and revenue	12,982,690	94,928	13,967	13,091,585
Expenses				
Broadcasting and telecommunication service	8,402,324	-	-	8,402,324
Fundraising	1,951,584	-	-	1,951,584
Administrative	1,838,955	-	-	1,838,955
Total expenses	12,192,863	-	-	12,192,863
Change in net assets before pension adjustment	789,827	94,928	13,967	898,722
Contribution related to acquisition of SOITA	83,253	-	-	83,253
Change in pension benefit obligation	497,847	-	-	497,847
Change in net assets	1,370,927	94,928	13,967	1,479,822
Net assets, beginning of year	10,996,310	332,450	1,041,708	12,370,468
Net assets, end of year	$ 12,367,237	$ 427,378	$ 1,055,675	$ 13,850,290

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	3,750,107	206,993	-	3,957,100
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	1,003,125	-	-	1,003,125
Promotion and miscellaneous	7,314	-	-	7,314
Change in value of trusts	-	-	60,605	60,605
Total revenue	8,373,718	206,993	60,605	8,641,316
Net assets released from restrictions	137,080	(137,080)	-	-
Total support and revenue	12,580,988	69,913	60,605	12,711,506
Expenses				
Broadcasting and telecommunication service	8,127,452	-	-	8,127,452
Fundraising	2,129,761	-	-	2,129,761
Administrative	1,710,647	-	-	1,710,647
Total expenses	11,967,860	-	-	11,967,860
Change in net assets before pension adjustment	613,128	69,913	60,605	743,646
Change in pension benefit obligation	717,643	-	-	717,643
Change in net assets	1,330,771	69,913	60,605	1,461,289
Net assets, beginning of year	9,665,539	262,537	981,103	10,909,179
Net assets, end of year	$ 10,996,310	$ 332,450	$ 1,041,708	$ 12,370,468

The accompanying notes are an integral part of these statements

PUBLIC MEDIA CONNECT

Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 1,479,822	$ 1,461,289
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	678,909	789,059
Non-cash contribution related to acquisition of SOITA	(4,209)	-
Net realized and unrealized gains on investments	(353,089)	(731,974)
Gain on beneficial interest in perpetual trusts	(13,967)	(60,605)
Changes in:		
Accounts and contributions receivable	(108,550)	(86,652)
Prepaid expense and rents	41,598	(23,701)
Accounts payable and accrued expenses	(14,115)	64,545
Deferred support and revenue	79,834	(27,801)
Accrued pension benefit obligation	(647,847)	(881,252)
Net cash provided by operating activities	1,138,386	502,908
Cash flows from investing activities		
Purchase of property and equipment	(608,263)	(366,410)
Purchase of investments	(2,687,835)	(5,192,946)
Proceeds from sale of investments	2,384,335	5,050,617
Net cash used by investing activities	(911,763)	(508,739)
Cash flows from financing activities		
Proceeds from line of credit	498,788	1,541,657
Payments on line of credit	(498,788)	(1,541,657)
Principal payments on capital leases	(8,404)	(25,482)
Net cash used by financing activities	(8,404)	(25,482)
Net change in cash	218,219	(31,313)
Cash, beginning of year	153,413	184,726
Cash, end of year	$ 371,632	$ 153,413
Supplemental information		
Cash paid for interest	$ 9,569	$ 9,571

The accompanying notes are an integral part of these 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.

Effective July 1, 2017, PMC became the sole member of Southwestern Ohio Instructional Technology Association (SOITA), a separate 501(c)(3) organization, with the intention of consolidating its administrative function, while continuing to provide educational services.

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, CET and SOITA 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.

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

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.

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. There was no provision for uncollectible accounts at June 30, 2018 and 2017.

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, 2018 and 2017.

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, 2018 and 2017 are expected to be collected within one year. At June 30, 2018 and 2017, the provision for uncollectible contributions receivable was $56,655 and $119,000, 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.

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 2017 figures have been reclassified to conform to the 2018 presentation.

Subsequent Events

The Organization has evaluated subsequent events through December 19, 2018, which is the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS AT FAIR VALUE

Investments are summarized as follows:

	2018	2017
Level 1		
Equity mutual funds	$ 6,548,222	$ 6,089,326
Fixed income mutual funds	1,664,449	1,557,832
Level 2		
Money market funds	333,506	303,051
Funds held at Dayton Foundation	662,011	601,390
	$ 9,208,188	$ 8,551,599

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 is comprised of the following:

	2018	2017
Interest and dividend income	$ 298,997	$ 271,151
Net realized and unrealized gains on investments	353,089	731,974
	$ 652,086	$ 1,003,125

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, 2016	$ 792,383
Change in value	60,605
Balance at June 30, 2017	852,988
Change in value	13,967
Balance at June 30, 2018	$ 866,955

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Technical equipment	$ 12,062,576	$ 12,288,303
Tower, antenna, and transmitting equipment	9,623,346	9,627,441
Buildings and improvements	7,741,245	7,741,245
Furniture, fixtures, and office equipment	1,717,242	1,640,377
Land and improvements	145,222	145,222
Vehicles	132,128	127,980
Construction in progress	377,330	-
Less accumulated depreciation	(27,648,491)	(27,349,324)
	$ 4,150,598	$ 4,221,244

Depreciation expense was $678,909 and $789,059 during the years ended June 30, 2018 and 2017, respectively.

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, 2018:

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	

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 $5,851,022 and $5,409,813 at June 30, 2018 and 2017, respectively. The maximum credit available on this facility totaled $1,700,000 at June 30, 2018 and 2017. Interest is charged on amounts borrowed against the line at the one-month LIBOR rate (1.50% and 1.22% at June 30, 2018 and 2017, respectively) plus 1.50%. There was no outstanding balance at June 30, 2018 and 2017.

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 $731,927 and $712,974 at June 30, 2018 and 2017, respectively. The maximum credit available on this facility totaled $408,562 and $375,719 at June 30, 2018 and 2017, respectively. Interest is charged on amounts borrowed against the line at the one-month LIBOR rate (1.50% and 1.22% at June 30, 2018 and 2017, respectively) plus 1.50%. There was no outstanding balance at June 30, 2018 and 2017.

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 $1,718,688 and $1,615,085 at June 30, 2018 and 2017, respectively. The maximum credit available on this facility totaled $957,186 and $849,076 at June 30, 2018 and 2017. Interest is charged on amounts borrowed against the line at the one-month LIBOR rate (1.50% and 1.22% at June 30, 2018 and 2017, respectively) plus 1.50%. There was no outstanding balance at June 30, 2018 and 2017.

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, 2018 and 2017. 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 $85,631 and $81,439 at June 30, 2018 and 2017, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

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

	2018	2017
Capital projects	$ 258,927	$ 64,762
Time restrictions	81,451	85,738
Programming activities	85,000	85,000
Education and training	2,000	96,950
	$ 427,378	$ 332,450

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:

	2018	2017
Capital projects	$ 829,326	$ 815,752
General operating activities	137,629	137,236
Programming activities	88,720	88,720
	$ 1,055,675	$ 1,041,708

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, 2018 and 2017 were $46,832 and $41,120, 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, 2018 and 2017 were $28,493 and $28,232, 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:

	2018	2017
Changes in benefit obligation:		
Benefit obligation, beginning of year	$ 6,826,137	$ 7,300,065
Interest cost	232,985	232,400
Actuarial gain	(375,941)	(404,064)
Benefits paid	(289,353)	(302,264)
Benefit obligation, end of year	$ 6,393,828	$ 6,826,137
Changes in plan assets:		
Fair value of plan assets, beginning of year	$ 5,136,291	$ 4,728,967
Actual return on plan assets	402,037	597,088
Employer contributions	102,854	112,500
Benefits paid	(289,353)	(302,264)
Fair value of plan assets, end of year	$ 5,351,829	$ 5,136,291

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:

	2018	2017
Projected benefit obligation	$ 6,393,828	$ 6,826,137
Fair value of plan assets	5,351,829	5,136,291
Accrued pension benefit obligation	$ 1,041,999	$ 1,689,846

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

	2018	2017
Discount rate for benefit obligation	3.96%	3.50%
Discount rate for net periodic benefit cost	3.50%	3.25%
Expected return on plan assets	5.50%	5.50%

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:

	2018	2017
Interest cost	$ 232,985	$ 232,400
Actual return on plan assets	(277,293)	(255,997)
Amortization of net actuarial loss	165,526	278,869
	$ 121,218	$ 255,272

The Organization expects to contribute $150,000 to the pension plan during the year ending June 30, 2019. The following benefit payments are expected to be paid:

2019	$ 375,696
2020	405,155
2021	412,200
2022	413,276
2023	411,571
2024 - 2028	2,020,851
	$ 4,038,749

NOTE 9 RETIREMENT PLANS (CONTINUED)

The Plan has unrecognized loss subject to amortization totaling $1,047,627 and $1,713,838 as of June 30, 2018 and 2017, respectively. The net loss which will be amortized as a component of net periodic pension cost during the next fiscal year totals $71,748.

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:

	2018	2017
Level 1		
Equity mutual funds	$ 3,953,394	$ 3,927,420
Fixed income mutual funds	1,231,372	1,157,062
Level 2		
Money market funds	167,063	51,809
	$ 5,351,829	$ 5,136,291

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 $236,390 and $245,886 for the years ended June 30, 2018 and 2017, respectively. Future annual minimum lease receipts at June 30, 2018 are as follows: 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 $495,714 and $484,987 were recognized for the years ended June 30, 2018 and 2017, respectively. Future annual minimum lease receipts at June 30, 2018 are as follows: 2019 - $468,828; 2020 - $477,492; 2021 - $486,413; and 2022 -$505,074.

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, 2023. 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, 2018 are $41,580 for 2019; $41,580 for 2020; $41,580 for 2021; $48,510 for 2022; and $50,820 for 2023.

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 $247,538 and $290,588 at June 30, 2018 and 2017, 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 $156,849 and $144,350 during the years ended June 30, 2018 and 2017, 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.

Changes in the endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - 6/30/16	$ -	$ -	$ 188,720	$ 188,720
Investment return:				
Interest and dividends, net	6,265	-	-	6,265
Gains on investments	16,060	-	-	16,060
Appropriations for expenditure	(22,325)	-	-	(22,325)
Endowment net assets - 6/30/17	-	-	188,720	188,720
Investment return:				
Interest and dividends, net	6,814	-	-	6,814
Gains on investments	6,930	-	-	6,930
Appropriations for expenditure	(13,744)	-	-	(13,744)
Endowment net assets - 6/30/18	$ -	$ -	$ 188,720	$ 188,720

NOTE 12 ENDOWMENT (CONTINUED)

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 $2,062,950 and $1,967,075 from CPB, representing approximately 15% of total revenue and support for 2018 and 2017.

NOTE 14 BUSINESS COMBINATIONS

Effective July 1, 2017, PMC became the sole member of Southwestern Ohio Instructional Technology Association (SOITA), acquiring its assets and assuming its liabilities, with the intention of consolidation the administrative functions, while continuing to provide educational services. The fair value of consideration transferred to and liabilities assumed by SOITA on July 1, 2017 are as follows:

Assets:	
Cash	$ 79,044
Accounts receivable	19,710
Total assets	98,754
Liabilities:	
Accrued expenses	1,551
Deferred revenue	13,950
Total liabilities	15,501
Net contribution to PMC	$ 83,253

SUPPLEMENTAL INFORMATION

PUBLIC MEDIA CONNECT

Consolidated Statement of Broadcasting and Telecommunication Service Expenses
Year Ended June 30, 2018

	Technical	Programming	Education Services	Production	Promotions	Total
Salaries	$ 532,110	$ 352,022	$ 583,824	$ 1,022,308	$ 251,408	$ 2,741,672
Program acquisitions	-	1,723,286	-	45	-	1,723,331
In-kind services	1,171,051	-	-	-	-	1,171,051
Depreciation	528,916	4,667	6,198	70,737	346	610,864
Benefits	100,695	54,104	102,355	211,806	63,704	532,664
Utilities	366,165	-	1,972	12,889	-	381,026
Memberships	269	200,507	708	20,817	1,267	223,568
Repair and maintenance	207,357	-	18,762	58,959	-	285,078
Production fees	-	-	23,329	119,548	-	142,877
Educational fees	-	-	62,839	-	-	62,839
Travel and training	6,073	6,529	40,353	24,021	4,643	81,619
Supplies	1,212	226	49,905	22,499	1,150	74,992
Printing	-	-	5,742	36	45,112	50,890
Professional fees	10	90,448	5,502	6,849	-	102,809
Postage and shipping	1,266	553	10,843	252	36,564	49,478
Rent	55,589	-	4,020	5,460	-	65,069
Advertising	-	-	120	-	40,587	40,707
Miscellaneous	1,277	63	33,485	16,190	10,775	61,790
	$ 2,971,990	$ 2,432,405	$ 949,957	$ 1,592,416	$ 455,556	$ 8,402,324

See independent auditors' report

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	$ 874,008	$ 238,713	$ 2,409,382
In-kind	1,156,012	-	-	-	-	1,156,012
Program acquisitions	-	1,622,131	-	-	-	1,622,131
Depreciation	607,631	5,183	7,206	82,445	384	702,848
Benefits	112,336	54,176	81,005	178,233	58,922	484,672
Educational fees	-	130	246,576	-	-	246,706
Utilities	379,667	-	-	1,758	-	381,425
Repairs and maintenance	176,010	6,704	56	47,634	-	230,404
Memberships	216	191,578	286	20,079	145	212,304
Production fees	-	-	11,996	134,669	-	146,665
Professional fees	392	89,551	4,300	20,746	2,152	117,141
Rent	55,764	-	5,754	37,284	-	98,802
Travel and training	7,010	6,507	27,636	31,309	5,979	78,441
Supplies	1,033	254	47,660	39,624	1,474	90,045
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
Miscellaneous	-	91	5,233	19,029	7,561	31,914
	$ 3,132,161	$ 2,322,639	$ 760,593	$ 1,487,039	$ 425,021	$ 8,127,452

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PUBLIC MEDIA CONNECT

Consolidated Statement of Fundraising Expenses
Year Ended June 30, 2018

	Marketing	Member Services	Auctions and Special Events	Total
Salaries	$ 149,132	$ 369,083	$ 291,488	$ 809,703
Postage and shipping	227	279,204	4,900	284,331
Commissions	86,000	55,699	6,296	147,995
Promotional incentives	-	166,048	507	166,555
In-kind	266,014	-	5,000	271,014
Benefits	28,658	88,212	53,259	170,129
Receptions	1,386	12,791	39,218	53,395
Rent	-	-	14,444	14,444
Supplies	543	12,357	11,023	23,923
Miscellaneous	9,344	(29,130)	29,881	10,095
	$ 541,304	$ 954,264	$ 456,016	$ 1,951,584

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	$ 261,155	$ 767,393
In-kind	316,454	-	39,080	355,534
Promotional incentives	14	217,826	591	218,431
Commissions	162,000	43,327	9,632	214,959
Benefits	27,265	79,802	47,983	155,050
Postage and shipping	102	261,757	3,647	265,506
Receptions	18	6,973	30,257	37,248
Miscellaneous	21,743	54,384	39,513	115,640
	$ 674,672	$ 1,023,231	$ 431,858	$ 2,129,761

See independent auditor's report

PUBLIC MEDIA CONNECT

Consolidated Statements of Administrative Expenses
Years Ended June 30, 2018 and 2017

	2018	2017
Salaries	$ 699,339	$ 608,689
Professional fees	278,051	271,154
Utilities	162,689	159,749
Rent	107,382	110,421
Benefits	143,164	107,045
Repairs and maintenance	148,824	160,150
Insurance	107,940	100,026
Depreciation	68,045	86,211
Memberships	50,672	47,410
Supplies	9,187	21,552
Travel and training	17,643	16,529
Miscellaneous	46,019	21,711
	$ 1,838,955	$ 1,710,647

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PUBLIC MEDIA CONNECT

Consolidating Statement of Financial Position
June 30, 2018

	Public Media Connect	CET	Think TV	SOITA	Eliminations	Total
Assets						
Cash	$ -	$ 218,692	$ 28,686	$ 124,254	$ -	$ 371,632
Accounts receivable, net	-	218,498	164,090	19,557	-	402,145
Contributions receivable, net	-	164,998	156,898	-	-	321,896
Due from related parties	-	744,599	-	3,690	(748,289)	-
Prepaid expense	-	76,999	91,327	-	-	168,326
Investments	5,851,023	1,847,088	1,510,077	-	-	9,208,188
Beneficial interest in perpetual trust	-	829,326	37,629	-	-	866,955
Prepaid rents	-	-	247,538	-	-	247,538
Property and equipment, net	-	1,708,532	2,442,066	-	-	4,150,598
Total assets	$ 5,851,023	$ 5,808,732	$ 4,678,311	$ 147,501	$ (748,289)	$ 15,737,278
Liabilities and net assets						
Liabilities						
Accounts payable	$ -	$ 91,401	$ 74,293	$ (1,876)	$ -	$ 163,818
Accrued expenses	-	200,333	316,560	(266)	-	516,627
Due to related parties	68,236	-	680,053	-	(748,289)	-
Deferred support and revenue	-	19,007	141,637	3,900	-	164,544
Capital lease obligation	-	-	-	-	-	-
Accrued pension benefit obligation	-	1,041,999	-	-	-	1,041,999
Total liabilities	68,236	1,352,740	1,212,543	1,758	(748,289)	1,886,988
Net Assets						
Unrestricted	5,782,787	3,098,952	3,339,755	145,743	-	12,367,237
Temporarily restricted	-	338,994	88,384	-	-	427,378
Permanently restricted	-	1,018,046	37,629	-	-	1,055,675
Total net assets	5,782,787	4,455,992	3,465,768	145,743	-	13,850,290
Total liabilities and net assets	$ 5,851,023	$ 5,808,732	$ 4,678,311	$ 147,501	$ (748,289)	$ 15,737,278

See independent auditors' report

PUBLIC MEDIA CONNECT

Consolidating Statement of Activities
Year Ended June 30, 2018

	Public Media Connect	CET	Think TV	SOITA	Eliminations	Total
Support and revenue						
Support:						
Corporation for Public Broadcasting:						
Community Service Grant and Interconnect reimbursement	$ -	$ 1,005,358	$ 1,057,592	$ -	$ -	$ 2,062,950
eTech Ohio:						
Operating Subsidy	-	171,416	295,156	-	-	466,572
Educational Subsidy	-	182,343	260,784	258,905	(258,905)	443,127
In-kind donations	-	598,872	770,675	-	-	1,369,547
Montgomery County	-	-	42,009	-	-	42,009
Total support	-	1,957,989	2,426,216	258,905	(258,905)	4,384,205
Revenue:						
Memberships and other contributions	385,185	2,687,909	1,668,724	70,312	(288,133)	4,523,997
Donated services	-	5,000	67,518	-	-	72,518
Acquired program sponsorship and underwriting	-	315,903	339,018	-	-	654,921
Auction and special events	-	407,382	201,098	-	-	608,480
Contract production services	-	234,270	250,315	-	-	484,585
Educational services	-	254,941	281,995	83,866	-	620,802
Rental income	-	236,390	495,714	-	-	732,104
Investment income	394,703	134,512	122,871	-	-	652,086
Promotion and miscellaneous	-	280,406	63,514	-	-	343,920
Change in value of trust	-	13,574	393	-	-	13,967
Total revenue	779,888	4,570,287	3,491,160	154,178	(288,133)	8,707,380
Total support and revenue	779,888	6,528,276	5,917,376	413,083	(547,038)	13,091,585
Expenses						
Broadcasting and telecommunication service	-	3,752,023	4,558,613	350,593	(258,905)	8,402,324
Fundraising	-	1,094,392	857,192	-	-	1,951,584
Administrative	338,679	850,938	937,471	-	(288,133)	1,838,955
Total expenses	338,679	5,697,353	6,353,276	350,593	(547,038)	12,192,863
Change in net assets before pension adjustment	441,209	830,923	(435,900)	62,490	-	898,722
Contribution related to acquisition of SOITA	-	-	-	83,253	-	83,253
Change in pension benefit obligation	-	497,847	-	-	-	497,847
Change in net assets	441,209	1,328,770	(435,900)	145,743	-	1,479,822
Net assets, beginning of year	5,341,578	3,127,222	3,901,668	-	-	12,370,468
Net assets, end of year	$ 5,782,787	$ 4,455,992	$ 3,465,768	$ 145,743	$ -	$ 13,850,290

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