Kentucky Public Radio, Inc.
d/b/a Louisville Public Media

Financial Statements
and
Supplementary Information

Years Ended June 30, 2016 and 2015

Kentucky Public Radio, Inc.
d/b/a Louisville Public Media

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June 30, 2016 and 2015

CPAs & ADVISORS

Independent Auditor's Report

To the Board of Directors
Kentucky Public Radio, Inc.
d/b/a Louisville Public Media

We have audited the accompanying financial statements of Kentucky Public Radio, Inc. d/b/a Louisville Public Media ("the Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Public Radio, Inc. d/b/a Louisville Public Media as of June 30, 2016 and 2015, 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.

Mountjoy Chilton Medley LLP

Louisville, Kentucky
November 17, 2016

Kentucky Public Radio, Inc.
d/b/a Louisville Public Media
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 1,400,748	$ 922,499
Underwriting accounts receivable, net	333,522	292,114
Pledges and grants receivable, net	634,889	1,405,175
Prepaid expenses	51,373	71,591
Cash restricted for long-term purposes	2,034,885	1,213,918
Investments	3,391,383	3,362,158
Property and equipment, net of accumulated depreciation	3,039,570	2,910,112
Total Assets	$ 10,886,370	$ 10,177,567
Liabilities and Net Assets		
Accounts payable	$ 58,148	$ 190
Accrued liabilities	370,695	306,533
Total Liabilities	428,843	306,723
Commitments and Contingencies		
Net Assets		
Unrestricted		
Designated for programming	243,000	243,000
Invested in property and equipment	3,039,570	2,910,112
Undesignated	3,887,218	3,977,931
Total Unrestricted Net Assets	7,169,788	7,131,043
Temporarily restricted	3,287,739	2,739,801
Total Net Assets	10,457,527	9,870,844
Total Liabilities and Net Assets	$ 10,886,370	$ 10,177,567

See accompanying notes.

Kentucky Public Radio, Inc.
d/b/a Louisville Public Media
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenues						
Contributions and grants	$ 2,293,161	$ 1,354,807	$ 3,647,968	$ 2,175,808	$ 2,089,400	$ 4,265,208
Underwriting revenues	2,251,636	-	2,251,636	2,023,661	-	2,023,661
Investment income, net	72,630	-	72,630	164,580	-	164,580
Fundraising events, net	14,137	-	14,137	20,588	-	20,588
Other income	17,765	-	17,765	9,692	-	9,692
Net assets released from restrictions	806,869	(806,869)	-	801,432	(801,432)	-
Total Support and Revenues	5,456,198	547,938	6,004,136	5,195,761	1,287,968	6,483,729
Expenses						
Program services						
Station programming and operations	4,032,110	-	4,032,110	3,616,880	-	3,616,880
Total Program Services	4,032,110	-	4,032,110	3,616,880	-	3,616,880
Supporting services						
Fundraising	473,325	-	473,325	383,380	-	383,380
Management and general	912,018	-	912,018	846,778	-	846,778
Total Supporting Services	1,385,343	-	1,385,343	1,230,158	-	1,230,158
Total Expenses	5,417,453	-	5,417,453	4,847,038	-	4,847,038
Changes in Net Assets	38,745	547,938	586,683	348,723	1,287,968	1,636,691
Net Assets at Beginning of Year	7,131,043	2,739,801	9,870,844	6,782,320	1,451,833	8,234,153
Net Assets at End of Year	$ 7,169,788	$ 3,287,739	$ 10,457,527	$ 7,131,043	$ 2,739,801	$ 9,870,844

See accompanying notes.

Kentucky Public Radio, Inc.
d/b/a Louisville Public Media
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Changes in Net Assets	$ 586,683	$ 1,636,691
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	214,405	179,261
Contributions restricted for long-term purposes	(945,815)	(842,791)
Bad debt expense	-	6,250
Net unrealized and realized losses (gains) on investments	2,421	(65,571)
Changes in assets and liabilities:		
Underwriting accounts receivable, net	(41,408)	(19,308)
Pledges receivable, net	95,371	(586,252)
Prepaid expenses	20,218	(28,220)
Accounts payable	57,958	(22,576)
Accrued liabilities	64,162	61,036
Net Cash Provided by Operating Activities	53,995	318,520
Cash Flows from Investing Activities		
Increase in cash restricted for long-term purposes	(820,967)	(509,363)
Purchases of property and equipment	(343,863)	(265,893)
Purchases of investments	(103,112)	(216,779)
Proceeds from sale or maturity of investments	71,466	137,622
Net Cash Used by Investing Activities	(1,196,476)	(854,413)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term purposes	1,620,730	450,365
Cash Provided by Financing Activities	1,620,730	450,365
Increase (Decrease) in Cash and Cash Equivalents	478,249	(85,528)
Cash and Cash Equivalents at Beginning of Year	922,499	1,008,027
Cash and Cash Equivalents at End of Year	$ 1,400,748	$ 922,499

See accompanying notes.

Note A - Nature of Organization and Operations

Kentucky Public Radio, Inc. d/b/a Louisville Public Media ("the Organization"), located in Louisville, Kentucky, is a not-for-profit organization established to own and operate three public radio stations in Louisville, Kentucky (WFPL, WUOL, and WFPK) and provide programming and related public services for these stations. The Organization's broadcast focus is informational, educational and cultural programs for the enhancement of the educational and cultural life of the region served. The Organization is primarily supported through contributions and underwriting revenues.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative accounting technical literature.

2. Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Donor-imposed Restrictions: Under the FASB ASC, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

   The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a 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.

   The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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 those 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.

   Permanently restricted net assets include those contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets at June 30, 2016 and 2015.

4. Cash and Cash Equivalents: The Organization considers all short-term investments with a maturity when purchased of three months or less, not designated for a specific purpose, to be cash equivalents. The Organization typically maintains balances with its bank in excess of federally-insured limits.

Note B - Summary of Significant Accounting Policies (Continued)

5. Underwriting Accounts Receivable: Receivables from the sale of underwriting spots are based on contracted prices. The Organization grants credit based on the creditworthiness of the underwriter and amounts are typically unsecured. The Organization provides an allowance for doubtful accounts which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal underwriting receivables are due 30 days after the date of sale. Underwriting receivables past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

   Underwriting accounts receivable are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts was $6,250 at June 30, 2016 and 2015.

6. Pledges Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at the present value of their expected cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises were received. Amortization of the discounts is included in contribution revenue.

   There are no allowances for uncollectible pledges at June 30, 2016 and 2015 as management has determined that all amounts are fully collectible.

7. Restricted Cash: Restricted cash includes cash restricted primarily for capital improvements.

8. Investments: Investments in marketable securities are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net realized and unrealized gains and losses are reflected in the statements of activities and changes in net assets. Receipt of donated investments is recorded at the quoted market value of the investment at the time of donation.

   Investment related fees and expenses were $31,918 and $45,275 for the years ended June 30, 2016 and 2015, respectively and are included in management and general expense on the statements of activities and changes in net assets.

9. Property and Equipment: Property and equipment, consisting of a building, production and transmitter equipment, and office equipment, are recorded at cost. The Organization typically capitalizes items costing or valued over $1,000. Lesser amounts are expensed.

   Depreciation is provided on a straight-line method over the estimated useful lives of the respective assets ranging from 5 to 50 years.

10. Barter Underwriting Revenues: The Organization receives underwriting revenues from businesses that provide support in exchange for brief on-air acknowledgments. Underwriting revenues include $58,746 and $64,720 of revenues from barter transactions for the years ended June 30, 2016 and 2015, respectively.

11. Advertising: Advertising and promotion costs are expensed as incurred. These expenses were $41,676 and $52,911 for 2016 and 2015, respectively.

Note B - Summary of Significant Accounting Policies (Continued)

12. Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

13. Recent Accounting Pronouncements: In August 2016, the FASB issued Accounting Standards Update No. 2016-14 (ASU 2016-14), *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. This guidance included qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources; and 5) presentation of operating cash flows. This standard is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted. The Organization is currently evaluating this guidance and its related impact on the Organization's financial statements.

    In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This updated guidance provides new requirements for leases to be recognized in the financial statements. In general, the guidance requires the lessee to recognize liabilities on the statement of financial position for the obligation to make lease payments and an asset for the right to use the underlying assets for the lease term. There is a differentiation between finance leases and operating leases for the lessee in the statements of activities and cash flows. Finance leases recognize interest on the lease liability separately from the right to use the asset whereas an operating lease recognizes a single lease cost allocated over the lease term on a generally straight-line basis. All cash payments are within operating activities in the statement of cash flows except finance leases classify repayments of the principal portion of the lease liability within financing activities. The updated guidance is to be applied using a modified retrospective approach effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating this guidance and its related impact on the Organization's financial statements.

    In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes the revenue recognition guidance in Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services. This standard is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating this guidance and its related impact on the Organization's financial statements.

14. Income Tax Status: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no income tax expense is reflected in the accompanying financial statements.

    The Organization recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

15. Subsequent Events: Subsequent events for the Organization have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

Note C - Pledges and Grants Receivable

Pledges and grants receivable at June 30, 2016 consist of the following:

	2016	2015
Receivable in less than one year	$ 546,346	$ 1,058,489
Receivable in one to five years	90,199	350,192
Less: Unamortized discount on future contributions	(1,656)	(3,506)
Pledges Receivable, net	$ 634,889	$ 1,405,175

Pledges and grants due after one year have been discounted to their present value using discount rates ranging from 0.86% to 1.07%.

Note D - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.

- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect a company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Corporate bonds and notes, municipal bonds and U.S. Government and agency securities: Valued based on yields currently available on identical securities in active markets (Level 1) and comparable securities of issuers with similar credit ratings in active markets (Level 2).

Money market funds and common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Note D - Fair Value Measurements (Continued)

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end. The NAV is based on the value of the underlying investment assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016 and 2015:

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 184,040	$ -	$ -	$ 184,040
Corporate bonds and notes	588,779	-	-	588,779
US Government and agency bonds	262,155	-	-	262,155
Municipal bonds	-	30,717	-	30,717
Mutual funds	878,730	-	-	878,730
Common stocks	1,446,962	-	-	1,446,962
	$ 3,360,666	$ 30,717	$ -	$ 3,391,383

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 140,537	$ -	$ -	$ 140,537
Corporate bonds and notes	262,865	90,218	-	353,083
US Government and agency bonds	189,305	136,629	-	325,934
Municipal bonds	-	30,613	-	30,613
Mutual funds	1,192,935	-	-	1,192,935
Common stocks	1,319,056	-	-	1,319,056
	$ 3,104,698	$ 257,460	$ -	$ 3,362,158

Note E - Property and Equipment

Property and equipment at June 30, 2016 and 2015 consists of the following:

	2016	2015
Buildings and improvements	$ 4,290,700	$ 4,085,167
Production equipment	815,533	815,533
Transmitter equipment	1,025,907	1,025,907
Computers and software	665,749	657,297
Web design	100,000	-
Furniture and fixtures	237,218	207,340
	7,135,107	6,791,244
Less accumulated depreciation	(4,095,537)	(3,881,132)
	$ 3,039,570	$ 2,910,112

Note F - Line of Credit

The Organization had a $500,000 line of credit with a bank. The line of credit was secured by the Organization's general business assets. The line of credit matured on May 31, 2016. As of June 30, 2015, no balance was outstanding on this line of credit.

Note G - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following:

	2016	2015
General capital campaign	$ 2,543,038	$ 1,921,582
Kentucky Center for Investigative Reporting	433,251	754,984
Ohio River Network project	248,545	-
Next Louisville project	46,994	50,000
Instrumental partners	13,911	11,235
Other	2,000	2,000
	$ 3,287,739	$ 2,739,801

Note H - Operating Lease

The Organization leases a transmission tower for $4,093 per month under a noncancelable operating lease that expires in February 2017. The lease was amended in January 2012 to include rent escalation of 3% which takes effect on March 1st of each lease year. The lease is renewable for four additional terms of five years upon each termination date (currently February 28, 2017) under the same terms and conditions of the original lease term dated March 1, 1995 or as amended in the amendment dated January 27, 2012. Each renewal term will commence automatically unless the Organization provides the lessor with six days' prior notice of the Organization's election not to renew.

Rent expense for the transmission tower was $55,972 and $58,814 for of the years ended June 30, 2016 and 2015, respectively.

The total future minimum non-cancelable operating lease payments are as follows:

Year Ending June 30,	Amount
2017	$ 37,959
Total	$ 37,959

Note I - 401(k) Plan

The Organization provides a 401(k) retirement plan to all employees meeting certain eligibility requirements. The Organization contributes an amount equal to 50% of employee deferrals up to 6%. The Organization's contribution to the plan was $44,362 and $41,390 for the years ended June 30, 2016 and 2015, respectively.

Note J - Concentrations

During the year ended June 30, 2016, there were no individual donors that represented 10% or more of total contributions and grants. During the year ended June 30, 2015, one donor made a donation which represented 14% of total contributions and grants.

At June 30, 2016, two donors had outstanding pledges which represented 47% of pledges receivable. At June 30, 2015, three donors had outstanding pledges which represented 71% of pledges receivable.

Supplementary Information

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Kentucky Public Radio, Inc.
d/b/a Louisville Public Media

We have audited the financial statements of Kentucky Public Radio, Inc. d/b/a Louisville Public Media as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon dated November 17, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

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

Mountjoy Chilton Medley LLP

Louisville, Kentucky
November 17, 2016

Kentucky
Indiana
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Kentucky Public Radio, Inc.
d/b/a Louisville Public Media
Schedules of Membership Revenues by Radio Station
Years Ended June 30, 2016 and 2015

	2016		
	WFPK	WFPL	WUOL
Membership Revenues	$ 651,570	$ 969,480	$ 379,612

	2015		
	WFPK	WFPL	WUOL
Membership Revenues	$ 624,408	$ 927,152	$ 340,586

See accompanying independent auditor's report on supplementary information.